

TOWN OF POMFRET, CONNECTICUT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF POMFRET, CONNECTICUT
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INDEPENDENT AUDITORS' REPORT

To the Board of Finance
Town of Pomfret, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pomfret, Connecticut (the "Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pomfret, Connecticut, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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, budgetary comparison information and the Schedule of Funding Progress for Pensions and Other Post-Employment Benefits 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, which 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining fund financial statements and supplementary schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 13, 2017 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

O'Connell, Pace, + Company PC

O'CONNELL, PACE, & COMPANY, P.C.
Certified Public Accountants

February 13, 2017

TOWN OF POMFRET, CONNECTICUT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF POMFRET, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING JUNE 30, 2016

Our discussion and analysis of Town of Pomfret's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town of Pomfret, Connecticut's net assets increased by \$175,911. The net assets are a measure of the Town's long term health. They are reported in exhibits 1 and 2.
- An increase in the general fund was seen in the fiscal year ending June 2016. This was due to the General Government's expenditures coming in under budget. Revenues in excess of plan also led to the increase in the General Fund.
- The Board of Education's expenditures also came in below budget. This surplus was put into a designated fund for use by the BOE for capital expenditures in the coming years.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Government's *net position* and changes in them. You can think of the Government's net position—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Position and the Statement of Activities, the Government shows the following activity:

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

TOWN OF POMFRET, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING JUNE 30, 2016

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- *Governmental funds*—The Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The Government as Trustee

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Exhibit 5. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

TOWN OF POMFRET, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING JUNE 30, 2016

The Government's *combined* net position increased by \$175,911 from a year ago—*increasing* from \$14,492,924 to \$14,670,835. Last year net position *increased* by \$242,058. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

Table 1

	<u>Change during Year</u>			Restated 2015
	2016	Dollars	Percent	
Current and other assets	8,643,276	3,095,195	55.79%	5,548,081
Capital assets	16,228,654	492,797	3.13%	15,735,857
Total assets	<u>24,871,930</u>	<u>3,587,992</u>	16.86%	<u>21,283,938</u>
Long-term debt outstanding	9,510,436	3,490,167	57.97%	6,020,269
Other liabilities	690,659	(80,086)	-10.39%	770,745
Total liabilities	<u>10,201,095</u>	<u>3,410,081</u>	50.21%	<u>6,791,014</u>
Net position				
Net investment in capital assets	8,857,654	(2,672,203)	-23.18%	11,529,857
Restricted				
Expendable	733,133	(292,735)	-28.54%	1,025,868
Nonexpendable	158,639	(102,201)	-39.18%	260,840
Unrestricted	4,921,409	3,245,050	193.58%	1,676,359
Total net position	<u>14,670,835</u>	<u>177,911</u>	1.23%	<u>14,492,924</u>

Capital assets increased by \$492,797 due to items that include \$605,529 in depreciation expense and additions from construction in progress, buildings and systems, machinery and equipment, and infrastructure.

TOWN OF POMFRET, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING JUNE 30, 2016

Table 2

	<u>Change during Year</u>			2015
	2016	Dollars	Percent	
Revenue				
Program revenues:				
Charges for services	272,153	(14,359)	-5.01%	286,512
Operating grants and contributions	4,583,545	(611,991)	-11.78%	5,195,536
Capital grants and contributions	132,463	7,463	5.97%	125,000
General Revenues:				
Property taxes	8,918,968	130,040	1.48%	8,788,928
Grants and contributions	180,797	34,545	23.62%	146,252
Interest and investment earnings	47,657	13,621	40.02%	34,036
Other general revenues	84,438	30,231	55.77%	54,207
Total Revenues	14,220,021	(410,450)	-2.81%	14,630,471
Program Expenses				
General government	669,021	(8,133)	-1.20%	677,154
Public safety	26,099	2,566	10.90%	23,533
Public works	779,782	(26,833)	-3.33%	806,615
Human services	63,269	8,335	15.17%	54,934
Civic and cultural	223,704	64,019	40.09%	159,685
Sundry	414,172	54,284	15.08%	359,888
Capital outlay	94,089	37,074	65.02%	57,015
Education	11,378,062	(711,725)	-5.89%	12,089,787
Interest on long-term debt	187,538	27,736	17.36%	159,802
Transfer to others	208,374	208,374	0.00%	0
Total Expenses	14,044,110	(344,303)	-2.39%	14,388,413
Increase (decrease) in net position	175,911	(66,147)	-27.33%	242,058

- Title education grants increased by \$7,500
- Property taxes – 0.11 increase in the mil rate and increase in the grand list
- Education expense – budget was \$83,798 higher than last year.

Governmental Activities

Table 3 presents the cost of each of the Government's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Government's taxpayers by each of these functions.

TOWN OF POMFRET, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING JUNE 30, 2016

Table 3

	Total Cost of Services			Net Cost of Services		
	2016	2015	incr. Decr.	2016	2015	Incr. Decr.
General government	\$ 669,021	\$ 677,154	-1.20%	\$ 442,341	\$ 592,205	-25.31%
Public safety	26,099	23,533	10.90%	20,199	18,883	6.97%
Public works	779,782	806,615	-3.33%	423,685	298,952	41.72%
Human services	63,269	54,934	15.17%	63,269	54,934	15.17%
Civic and cultural	223,704	159,685	40.09%	198,579	131,234	51.32%
Sundry	414,172	359,888	15.08%	406,369	348,251	16.69%
Capital outlay	94,089	57,015	65.02%	94,089	57,015	65.02%
Education	11,378,062	12,089,787	-5.89%	7,011,506	7,120,089	-1.53%
Interest on long-term debt	187,538	159,802	17.36%	187,538	159,802	17.36%
Total Expenses	\$ 13,835,736	\$ 14,388,413	-3.84%	\$ 8,847,575	\$ 8,781,365	0.75%

Changes are discussed above.

THE GOVERNMENT'S FUNDS

Fund balance increased overall by \$3,239,565. The biggest change was from the BAN proceeds increase of \$3,418,000. These funds will be used to connect private schools and a business to the Putnam, CT sewerage processing facility. No cost will be borne by the Town unless Pomfret Community School ties in at a later date.

The general fund saw an increase of \$283,920.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund

TOWN OF POMFRET, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING JUNE 30, 2016

Table 4

	Final		
Revenue	Budget	Actual	Variance
Property Taxes	8,825,418	8,953,068	127,650
Funds and Revenues	123,465	27,607	(95,858)
Intergovernmental	3,370,494	3,403,642	33,148
Local revenue	174,387	231,701	57,314
Total Revenues	<u>12,493,764</u>	<u>12,616,018</u>	<u>122,254</u>
Expenditures			
General Government	2,562,088	2,480,128	81,960
Education	9,931,676	9,832,694	98,982
Total Expenditures	<u>12,493,764</u>	<u>12,312,822</u>	<u>180,942</u>
Increase (Decrease)			
in Fund Balance	<u>0</u>	<u>303,196</u>	<u>303,196</u>

The Overall Fund Balance was positively influenced by under expenditures relative to budget for the Board of Education and the General Government. Revenues above plan also added to the increase in the Fund Balance.

Significant variances are summarized as follows:

- Property tax collections are over budget because of an increase in the grand list and prior taxes collected
- Local Revenue – building permits are up (\$20,162 over budget). Conveyance taxes were also over budget by \$10,381.
- Expenditures – general government \$81,960 under budget, BOE \$98,982 under budget
 - a. General Government activities \$28,905 under budget – various line items
 - b. Public Works – Fleet maintenance \$19,539 under budget

TOWN OF POMFRET, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$16,228,654 invested government activity capital assets. This amount represents a net increase (including additions and deductions) of \$492,797 from last year. This is primarily due to depreciation expense and additions to line items listed below. Depreciation expense of \$605,529, new assets including Construction in Progress - \$437,789, Buildings and Systems - \$71,684, Machinery and Equipment - \$183,395, Infrastructure - \$407,729. More detailed information about the Government's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Government had \$3,953,000 in bonds and notes outstanding. This is a decrease of \$253,000 from last year. The Government's general obligation bond rating is currently not listed. More detailed information about the Government's long-term liabilities is presented in Note 3E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget and tax rate. The improvement in the General Fund balance budget has improved the overall fiscal health of the Town. We are seeing steadily improving job market conditions and economic growth. The unemployment rate in Pomfret was listed at 2.4% as of December 2016, compared to the state average of 3.9%. The rate of taxation in Pomfret per capita was reported to be 75.8% of the Connecticut average in 2014 (latest available data).

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Pomfret, 5 Haven Road, Pomfret Center, Connecticut 06259.

TOWN OF POMFRET, CONNECTICUT
STATEMENT OF NET POSITION
YEAR ENDING JUNE 30, 2016

		<u>Governmental Activities</u>
ASSETS		
Cash and equivalents	\$	6,536,741
Investments		1,866,976
Receivables		
Taxes, net		121,409
Accounts		4,133
Intergovernmental		74,636
Inventory		1,316
Prepays		38,065
Capital assests		
Nondepreciable		6,454,435
Depreciable, net of accumulated depreciation		<u>9,774,219</u>
Total Assets		<u>24,871,930</u>
LIABILITIES		
Accounts payable		326,751
Accrued payroll and related		12,650
Intergovernmental payable		264,528
Unearned revenues - performance		602
Accrued interest payable		86,128
Non-current liabilities		
Due within one year		3,692,232
Due in more than one year		<u>5,818,204</u>
Total Liabilities		<u>10,201,095</u>
NET POSITION		
Net investment in capital assets		8,857,654
Restricted		
Expendable		733,133
Nonexpendable		158,639
Unrestricted		<u>4,921,409</u>
Total Net Position	\$	<u>14,670,835</u>

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

TOWN OF POMFRET, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDING JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net(Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ (669,021)	\$ 94,217	\$ -	\$ 132,463	(442,341)
Public safety	(26,099)	5,900	-	-	(20,199)
Public works	(779,782)	47,162	308,935	-	(423,685)
Human services	(63,269)	-	-	-	(63,269)
Civic and cultural	(223,704)	25,125	-	-	(198,579)
Sundry	(414,172)	7,803	-	-	(406,369)
Capital outlay	(94,089)	-	-	-	(94,089)
Education	(11,378,062)	91,946	4,274,610	-	(7,011,506)
Interest on long-term debt	(187,538)	-	-	-	(187,538)
Total Governmental Activities	\$ <u>(13,835,736)</u>	\$ <u>272,153</u>	\$ <u>4,583,545</u>	\$ <u>132,463</u>	<u>(8,847,575)</u>
General Revenues					
Property Taxes, payments in lieu of taxes, interest and liens					8,918,968
Grants and contributions not restricted to specific programs					180,797
Unrestricted interest and investment earnings					47,657
Other general revenues					84,438
Transfer to Fiduciary Fund/ Others					(208,374)
Total General Revenues					<u>9,023,486</u>
Change in Net Position					175,911
Net Position - Beginning of Year (Restated)					<u>14,494,924</u>
Net Position - End of Year					\$ <u>14,670,835</u>

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

TOWN OF POMFRET, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDING JUNE 30, 2016

	General Fund	Capital Nonrecurring Fund	Road and Bridges Fund	Town Aid Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Equivalents	\$ 691,442	\$ 4,473,147	\$ 455,949	\$ 555,107	\$ 361,096	\$ 6,536,741
Investments	1,866,976	-	-	-	-	1,866,976
Taxes Receivable, Net of Allowance for Uncollectible Amounts	121,409	-	-	-	-	121,409
Other Receivables	-	-	-	-	-	-
Accounts	4,133	-	-	-	-	4,133
Intergovernmental	55,092	-	-	-	19,544	74,636
Inventories	-	-	-	-	1,316	1,316
Prepays	-	-	26,761	11,304	-	38,065
Due from Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 2,739,052</u>	<u>\$ 4,473,147</u>	<u>\$ 482,710</u>	<u>\$ 566,411</u>	<u>\$ 381,956</u>	<u>\$ 8,643,276</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 255,632	\$ 21,939	\$ 35,201	\$ 1,825	\$ 12,154	\$ 326,751
Accrued Payroll and Related	12,650	-	-	-	-	12,650
Intergovernmental Payable	264,528	-	-	-	-	264,528
Unearned Revenues - Performance	-	-	-	-	602	602
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	<u>532,810</u>	<u>21,939</u>	<u>35,201</u>	<u>1,825</u>	<u>12,756</u>	<u>604,531</u>
Deferred inflows of Resources						
Deferred Revenues - Unavailable	94,255	-	-	-	-	94,255
Fund Balances (Deficits)						
Nonspendable	-	-	-	-	158,639	158,639
Restricted	-	36,809	10,078	564,586	121,660	733,133
Committed	-	4,419,585	437,431	-	-	4,857,016
Assigned	338,550	-	-	-	81,717	420,267
Unassigned	1,773,437	(5,186)	-	-	7,184	1,775,435
Total Fund Balances	<u>2,111,987</u>	<u>4,451,208</u>	<u>447,509</u>	<u>564,586</u>	<u>369,200</u>	<u>7,944,490</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,739,052</u>	<u>\$ 4,473,147</u>	<u>\$ 482,710</u>	<u>\$ 566,411</u>	<u>\$ 381,956</u>	<u>\$ 8,643,276</u>

See independent auditors' report

TOWN OF POMFRET, CONNECTICUT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT WIDE STATEMENT OF NET POSITION – GOVERNMENT ACTIVITIES
YEAR ENDING JUNE 30, 2016

Fund Balances - Total Governmental Funds	\$	7,944,490
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.		16,228,654
Other Long-Term Assets are not Available to Pay for Current-Period Expenditures and, therefore, are Deferred in the Funds.		94,255
Long-Term Liabilities are not Due and Payable in the Current Period and, therefore, are not Reported in the Funds.		
General Obligation Bonds		(3,953,000)
BANS		(3,418,000)
Compensated Absences		(424,685)
Other Post Employment Benefits		(1,714,751)
Accrued Interest Payable		(86,128)
		<hr/>
Net Position of Governmental Activities	\$	<u>14,670,835</u>

See independent auditors' report

TOWN OF POMFRET, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDING JUNE 30, 2016

	General Fund	Capital Nonrecurring Fund	Road and Bridges Fund	Town Aid Road Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 8,953,068	\$ -	\$ -	\$ -	\$ -	\$ 8,953,068
Intergovernmental	4,165,929	151,409	-	243,039	336,428	4,896,805
Local Revenue	<u>225,697</u>	<u>52,277</u>	<u>-</u>	<u>-</u>	<u>127,371</u>	<u>405,345</u>
Total Revenues	<u>13,344,694</u>	<u>203,686</u>	<u>-</u>	<u>243,039</u>	<u>463,799</u>	<u>14,255,218</u>
EXPENDITURES						
Current						
General Government	550,317	-	-	-	31,797	582,114
Public Safety	26,099	-	-	-	-	26,099
Public Works	439,333	-	242,430	388,199	-	1,069,962
Human Services	63,269	-	-	-	-	63,269
Civic and Cultural	205,043	-	-	-	-	205,043
Sundry	414,172	-	-	-	-	414,172
Education	10,594,981	-	-	-	421,483	11,016,464
Debt Service	-	-	-	-	-	-
Principal Retirement	253,000	-	-	-	-	253,000
Interest and Fiscal Charges	158,679	-	-	-	-	158,679
Capital Outlay	-	428,302	-	9,500	-	437,802
Total Expenditures	<u>12,704,893</u>	<u>428,302</u>	<u>242,430</u>	<u>397,699</u>	<u>453,280</u>	<u>14,226,604</u>
Excess (deficiency) of Revenues Over Expenditures	<u>639,801</u>	<u>(224,616)</u>	<u>(242,430)</u>	<u>(154,660)</u>	<u>10,519</u>	<u>28,614</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	33,611	183,100	180,000	-	25,759	422,470
Transfers Out	(389,492)	(26,465)	-	-	(214,887)	(630,844)
Ban Proceeds	-	3,418,000	-	-	-	3,418,000
Total Other Financing Sources (Uses)	<u>(355,881)</u>	<u>3,574,635</u>	<u>180,000</u>	<u>-</u>	<u>(189,128)</u>	<u>3,209,626</u>
Net Changes in Fund Balances	283,920	3,350,019	(62,430)	(154,660)	(178,609)	3,238,240
Fund Balances - Beginning of Year	<u>1,828,067</u>	<u>1,101,189</u>	<u>509,939</u>	<u>719,246</u>	<u>547,809</u>	<u>4,706,250</u>
Fund Balances - End of Year	\$ <u>2,111,987</u>	\$ <u>4,451,208</u>	\$ <u>447,509</u>	\$ <u>564,586</u>	\$ <u>369,200</u>	\$ <u>7,944,490</u>

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

TOWN OF POMFRET, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDING JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 3,238,240</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period	
Capital outlay expenditures	1,097,422
Depreciation expense	<u>(605,529)</u>
	<u>491,893</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real Property taxes and other revenues in the General Fund	(34,100)
Revenues in the Recreation Commission Fund	<u>(1,096)</u>
	<u>(35,196)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal payments on long-term debt	253,000
Receipts on BANS	<u>(3,418,000)</u>
	<u>(3,165,000)</u>
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, including the change in	
Accrued interest	(28,859)
Compensated absences	(60,855)
Other post employment benefits obligations	<u>(264,312)</u>
	<u>(354,026)</u>
Change in Net Position of Governmental Activities	<u>\$ 175,911</u>

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

TOWN OF POMFRET, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
YEAR ENDING JUNE 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 101,187
Accounts Receivable	<u>4,709</u>
 Total Assets	 \$ <u>105,896</u>
 LIABILITIES	
Due to Students and Others	\$ <u>105,896</u>

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

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies

The Town of Pomfret, Connecticut ("Town") is a municipal corporation governed by a selectmen—town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the town financial matters.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of inter-fund activity has been removed from these statements, except for inter-fund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which 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 or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. **Summary of Significant Accounting Policies (Continued)**

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains fiduciary funds which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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

The Town's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Nonrecurring Fund - The Capital Nonrecurring Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Road and Bridge Projects Fund — The Road and Bridge Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for large infrastructure projects.

Town Aid Road — The Town Aid Road fund accounts for a Connecticut grant for roads.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (Continued)

The Town also reports the following non-major governmental funds:

Special Revenue Funds — Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

Child Nutrition — The payments, government grants and related expenditures for meals provided to students at Pomfret Community School are included in this fund.

Recreation Commission — This fund is used for fees and donations that support the ongoing activities of the Recreation Commission.

Town Celebration Fund — This fund is used for donations that support the 300th anniversary of the Town in 2013 and other events.

Citizens' Assistance Fund — This fund was established by donations to provide aid to residents who have trouble paying the cost to heat their homes.

Reserve Fund — This fund consists of monies received from miscellaneous grants, fundraisers, and donations for the general government and Board of Education.

Aicher Memorial and Pomfret Library Trusts — These funds consist of primarily memorial monies received that must be used for the benefit of the library.

Education Grants Fund - The Education Grants Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for educational purposes which are funded by various Federal and State grants. These funds are required by State Statute to be accounted for separately from the General Funds.

The following are the Town's non-major capital projects funds:

Recreation Park — This fund holds a donation and related interest received for the purpose of developing a recreation park.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (Continued)

The following are the Town's permanent funds (the principal portion cannot be spent; the interest can be spent as allowed in the trust agreements):

Cemetery Funds — These funds are for the care and maintenance of specific cemeteries.

Library Funds — These funds are for the benefit of the libraries.

Youth and PCS Scholarship Trust Funds — These funds are to be used for various scholarships based on the donor's specific specifications.

Woods Memorial — This fund is to be used for the benefit of the Library.

- b. Fiduciary Funds (Not included in government-wide financial statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. The Agency Fund is primarily utilized to account for monies held as custodian for outside groups and agencies.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

Investments - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund. Investments are stated at fair value, based on quoted market prices.

The Short-Term Investment Fund ("STIF") is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is overseen by the Office of the State Treasurer. The pool is rated AAA by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The fair value of the position in the pool is the same as the value of the pool shares.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. **Summary of Significant Accounting Policies (Continued)**

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk — Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

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

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

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

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

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by non-spendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (Continued)

Inventories - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by non-spendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

Deferred Charges - Deferred charges in the government-wide financial statements represent the unamortized portion of the cost of issuance of bonds. These costs are being amortized over the term of the respective bond issue.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of inter-fund amounts receivable or payable have been recorded in the fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. 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.

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

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.

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (Continued)

Assets	Years	Capitalization Threshold
Land	N/A	\$ 10,000
Intangible assets	Varies, if any	\$ 10,000
Buildings and systems	50	\$ 25,000
Land Improvements	10	\$ 10,000
Machinery and Equipment		
Light vehicles	5	\$ 10,000
Trucks	10	\$ 10,000
Heavy vehicles	10	\$ 10,000
Other	5	\$ 10,000
Infrastructure:		
Bridges (per unit)	20	\$ 50,000
Roads (per land mile)	20	\$ 15,000
Traffic signals (per unit)	10	\$ 10,000
Drainage (per project)	20	\$ 15,000

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave 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 the governmental funds only if the liability has matured through employee resignation or retirement.

Net Position - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. A motion at a Town Meeting is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (Continued)

- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying non-spendable, restricted or committed fund balance amounts.
- Unassigned fund balance, in the General Fund, represents amounts not classified as non-spendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as non-spendable, restricted and committed would exceed the fund's assets and deferred outflows.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the Town considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

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

H. Implementation of New Accounting Policies

For the year ending June 30, 2016, the Town implemented the provisions of GASB Statement 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes.

I. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 13, 2017.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Stewardship, Compliance and Accountability

A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** - The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Excess Cost Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant — Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as revenue.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Cash Basis Payroll** - Payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.
- **Tuition Revenues** — Tuition revenues from the preschool program are netted with the Board of Education expenditures on the budget basis.

B. Budget Calendar

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Stewardship, Compliance and Accountability (Continued)

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a onetime additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation.

D. Fund Deficit

The Capital Nonrecurring Fund has an unassigned deficit of \$5,186 at June 30, 2016. This deficit is primarily the result of timing issues where the reimbursements were not received within 60 days.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. Detailed Notes on All Funds

A. Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2016:

Statement of Net Position	
Cash and equivalents	\$ 6,536,741
Investments	<u>1,866,976</u>
	8,403,717
Fiduciary Funds	
Cash and equivalents	<u>101,187</u>
Total Cash and Investments	<u>\$ 8,504,904</u>

Cash and Cash Equivalents - As of June 30, 2016 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 566,966
Plus external investment pools	6,080,963
Less Certificates of deposits (in investments)	<u>(1,866,976)</u>
	<u>\$ 4,770,953</u>

The bank balance of the deposits was \$2,535,490 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,414,442
Collateralized by securities held in trust	
Not in the Town's name	201,431
Uninsured and uncollateralized	<u>919,617</u>
	<u>\$ 2,535,490</u>

Investments — The General Fund had investments of \$1,866,976. Below is a summary of the interest rate risk and credit risk as of June 30, 2016:

<u>Type of Investment</u>	Average Credit <u>Rating</u>	Fair <u>Value</u>	<u>Investment Maturities (in Years)</u>		
			Less Than <u>1 Year</u>	1-5 <u>Years</u>	Over <u>5 Years</u>
Certificates of deposit	*	<u>\$1,866,976</u>	<u>\$297,290</u>	<u>\$1,569,686</u>	<u>\$ -</u>

* **Certificates of Deposit** — The Town invests in nonparticipating interest-earning investment contracts in the form of certificates of deposit. These do not capture the market (interest rate) changes through the investment's negotiability or transferability, or redemption terms that consider market rates. This exposes the Town to interest rate risks.

TOWN OF POMFRET, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. Detailed Notes on All Funds (Continued)

Fair Value Measurements

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

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

The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or level 3 at June 30, 2016.

B. Receivables, Deferred Revenue and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end:

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds
Property taxes	\$ 94,255	\$ -	\$ -
Intergovernmental revenue	-	-	-
Other	-	-	-
	<u>\$ 94,255</u>	<u>\$ -</u>	<u>\$ -</u>

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2016.

	Other Governmental Funds
Advances on grants	<u>\$ 602</u>