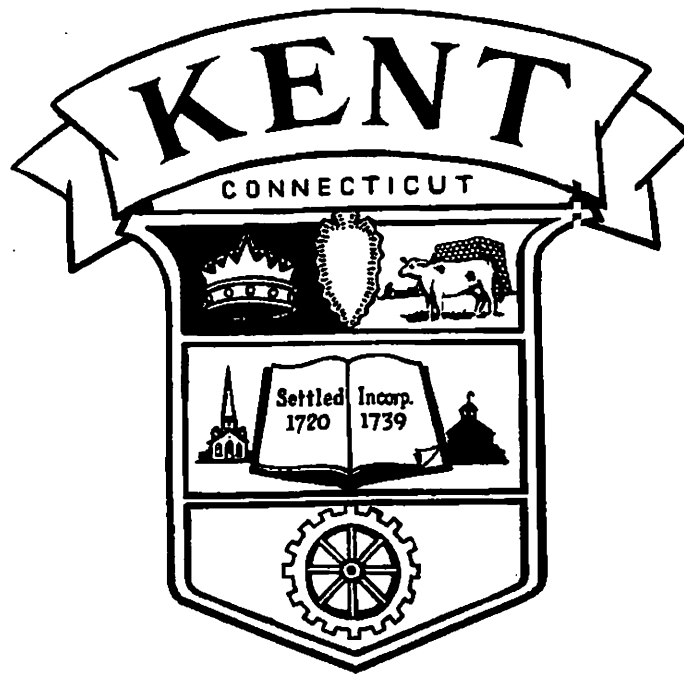


TOWN OF KENT, CONNECTICUT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016



with

SUPPLEMENTAL STATEMENTS AND SCHEDULES

and

INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC

Certified Public Accountants

**TOWN OF KENT, CONNECTICUT
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INDEPENDENT AUDITORS' REPORT

To the Board of Finance
Town of Kent, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kent, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 4 through 10, and the schedule of the Town's proportionate share of the net pension liability – Teachers Retirement Plan on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

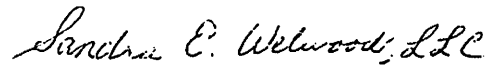
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The General Fund budgetary comparison detail schedules and the combining and individual nonmajor fund financial statements and schedules are presented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

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

The other schedules section has 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 assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.



Danbury, Connecticut
October 25, 2016

TOWN OF KENT, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2016

The management of the Town of Kent, Connecticut (the "Town"), is pleased to present this overview of the financial activities of the Town for the fiscal year ended June 30, 2016. The information presented below should be considered in conjunction with the Town's financial statements that follow:

FINANCIAL HIGHLIGHTS

On a government-wide basis, the Town's assets and deferred outflows of \$23,196,214 exceeded its liabilities and deferred inflows of \$4,523,627 at June 30, 2016, resulting in total net position of \$18,672,587. Of that, \$13,024,548 was invested in capital assets while \$5,590,660 represented unrestricted net position, available to meet ongoing government obligations. The Town's net position increased \$1,097,862 or 6.2% during the fiscal year.

The Town's governmental funds reported, on a current financial resources basis, a combined ending fund balance of \$4,709,265, an increase of \$418,797 or 9.8%, during the fiscal year. The General Fund operating surplus for this fiscal year was \$142,765. The General Fund balance at June 30, 2016, was \$2,340,204 of which \$225,000 is committed for expenditures in the 2016-2017 fiscal year, \$28,930 is committed for Schaghticoke Litigation expenses, and \$34,498 is committed for Maple Street Debt Service.

The unassigned fund balance of \$2,038,661 of the General Fund represents 17.16% of the General Fund budgeted appropriations for the fiscal year ending June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 a broad overview of the Town's finances, similar to those used by private-sector businesses. The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about Town finances as a whole. All revenues and charges are reported as soon as the underlying event 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 fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues, called "governmental activities" from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, referred to as "business-type" activities". The governmental activities of the Town include general government, public safety, public works, health and welfare, recreation, sanitation, and education activities. The Kent Sewer Commission operates the Town's only business-type activity.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain and control accountability over resources that have been segregated for specific activities or objectives. In order to comply with finance-related legal requirements, the Town, like other state and local governments, uses fund accounting. All of the Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is, the Town's most basic services. Unlike the government-wide financial statements, however, the funds focus on the current year's cash receipts and expenditures and the balances of expendable resources at the end of the year. Consequently, the governmental fund statements provide a near or short-term view of the Town's finances that may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison is facilitated by a reconciliation schedule of both statements, found on pages 14 and 16 of this report.

The Town maintains various 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 and the Capital Projects Fund, each of which is considered to be a major fund. The remaining 15 governmental funds are combined into a single aggregated presentation in the governmental fund financial statements as other funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on page 17 of this report to demonstrate compliance with the authorized budget.

The basic governmental fund financial statements can be found on pages 13 to 17 of this report.

Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The information provided for proprietary funds is the same type as for government-wide financial statements but in more detail.

The proprietary fund statements provide separate information for the Kent Sewer Operating Fund, the Town's enterprise fund.

The proprietary fund financial statements can be found on pages 18 to 20 of this report.

Fiduciary Funds are used to account for resources held by the Town 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 provide services to the Town. The accounting used for fiduciary fund is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

Town of Kent, Connecticut
Management's Discussion and Analysis (Unaudited)
June 30, 2016 (continued)

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 to 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government's financial position. The Town's net position was \$18,672,587 at June 30, 2016.

	<u>Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>						
Current assets	\$ 5,020,483	\$ 4,711,959	\$ 926,842	\$ 826,318	\$ 5,947,325	\$ 5,538,277
Capital assets	13,441,568	13,308,093	3,519,532	3,628,547	16,961,100	16,936,640
Noncurrent assets	-	57,379	218,534	-	218,534	57,379
	<u>18,462,051</u>	<u>18,077,431</u>	<u>4,664,908</u>	<u>4,454,865</u>	<u>23,126,959</u>	<u>22,532,296</u>
<u>Deferred outflows of resources</u>	<u>69,255</u>	<u>83,583</u>	<u>-</u>	<u>-</u>	<u>69,255</u>	<u>83,583</u>
<u>Liabilities</u>						
Current liabilities	847,886	934,387	27,312	18,729	875,198	953,116
Noncurrent liabilities	2,874,401	3,476,925	774,028	565,506	3,648,429	4,042,431
	<u>3,722,287</u>	<u>4,411,312</u>	<u>801,340</u>	<u>584,235</u>	<u>4,523,627</u>	<u>4,995,547</u>
<u>Deferred inflows of resources</u>	<u>-</u>	<u>45,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,607</u>
<u>Net position</u>						
Net investment in capital assets	10,069,900	9,413,286	2,954,648	3,053,902	13,024,548	12,467,188
Restricted	57,379	57,379	-	-	57,379	57,379
Unrestricted	<u>4,681,740</u>	<u>4,233,430</u>	<u>908,920</u>	<u>816,728</u>	<u>5,590,660</u>	<u>5,050,158</u>
	<u>\$ 14,809,019</u>	<u>\$ 13,704,095</u>	<u>\$ 3,863,568</u>	<u>\$ 3,870,630</u>	<u>\$18,672,587</u>	<u>\$ 17,574,725</u>

The largest portion of the Town's net position (71%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets), which is reported net of any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to its citizens; consequently those assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position increased \$540,502 or 11%, during the fiscal year.

Town of Kent, Connecticut
Management's Discussion and Analysis (Unaudited)
June 30, 2016 (continued)

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 469,294	\$ 335,524	\$ 419,891	\$ 393,304	\$ 889,185	\$ 728,828
Operating grants and contributions	895,153	912,037	-	-	895,153	912,037
Capital grants and contributions	365,287	167,195	-	213,259	365,287	380,454
General revenues						
Property taxes	10,602,949	10,124,974	-	-	10,602,949	10,124,974
Grants and contributions not restricted to specific programs	158,905	145,065	-	-	158,905	145,065
Investment income	16,447	8,214	394	314	16,841	8,528
Miscellaneous	55,891	178,223	-	-	55,891	178,223
Total revenues	<u>12,563,926</u>	<u>11,871,232</u>	<u>420,285</u>	<u>606,877</u>	<u>12,984,211</u>	<u>12,478,109</u>
Expenses						
General government	1,142,658	1,135,631	-	-	1,142,658	1,135,631
Public safety	311,559	290,898	-	-	311,559	290,898
Public works	1,760,704	1,785,586	-	-	1,760,704	1,785,586
Health and welfare	132,076	154,805	-	-	132,076	154,805
Recreation	254,317	247,361	-	-	254,317	247,361
Sanitation	109,393	103,397	397,160	403,213	506,553	506,610
Education	7,669,136	7,552,594	-	-	7,669,136	7,552,594
Interest on long-term debt	109,346	104,785	-	-	109,346	104,785
Transfers	(30,187)	844,745	30,187	(844,745)	-	-
Total expenses	<u>11,459,002</u>	<u>12,219,802</u>	<u>427,347</u>	<u>(441,532)</u>	<u>11,886,349</u>	<u>11,778,270</u>
Change in net position	1,104,924	(348,570)	(7,062)	1,048,409	1,097,862	699,839
Net position, July 1	<u>13,704,095</u>	<u>14,052,665</u>	<u>3,870,630</u>	<u>2,822,221</u>	<u>17,574,725</u>	<u>16,874,886</u>
Net position, June 30	<u>\$ 14,809,019</u>	<u>\$ 13,704,095</u>	<u>\$ 3,863,568</u>	<u>\$ 3,870,630</u>	<u>\$ 18,672,587</u>	<u>\$ 17,574,725</u>

Governmental Activities

Governmental activities increased the Town's net position by \$1,104,924. The largest portion of the Town's governmental activities revenues, 84.4%, was derived from property taxes, followed by 7.1% from operating grants and contributions, and 3.7% from charges for services.

Revenues of governmental activities increased \$692,694 or 5.8% from the previous year. Significant factors affecting this increase include positive variances in property tax collection, interest and lien fees, interest on investments, P/& Z fees and fees collected by the Town Clerk for items recorded on the land records. Additionally, positive variances in Park and Recreation Enrichment fees as well as a contractual 3% increase in the rents collected from the cell tower.

Expenses decreased \$760,800 or 6.2% from the previous year. Significant factors affecting this decrease are principally related to the reporting of USDA loan amounts. A decrease in the Public Works Department spending was a result of the mild winter and the appropriation to Capital was reduced pursuant to the Five Year Capital Plan that was approved.

**Town of Kent, Connecticut
Management's Discussion and Analysis (Unaudited)
June 30, 2016 (continued)**

Business-Type Activities

Business-type activities decreased the Town's net position by \$7,062 principally related to an increase in operating costs which were partially offset by additional fees for services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2016, the Town's governmental funds reported combined ending fund balances of \$4,709,265. Of this amount, \$13,115 was reserved for inventory; \$57,850 was nonexpendable and held in permanent funds; \$2,172,557 was restricted for capital projects; \$23,947 was restricted by permanent funds; \$114,707 was committed through special revenue funds; and \$288,428 was Committed for specific purposes. The remaining \$2,038,661 was unassigned.

The general fund is the chief operating fund of the Town. 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. The general fund's unassigned fund balance of \$2,038,661 represented 19% of total general fund budgetary basis expenditures. The general funds' total fund balance of \$2,340,204 represented 21.4% of total general fund budgetary basis expenditures. For the fiscal year, the general fund's fund balance increased \$186,931. See "General Fund Budgetary Highlights" for further discussion.

The fund balance of the capital projects fund was \$2,172,557 at June 30, 2016, an increase of \$235,848 from the previous fiscal year. It is important to note that the Town recaptured \$123,420 that was prefunded to the capital line "KVFD Aerial Truck" in prior fiscal years with the stipulation that said funds were to be repaid with subsequent capital appropriations. Additionally, \$250,000 was prefunded to the Carter Road Bridge project with the stipulation that said funds were to be repaid with the subsequent capital appropriation from FY 2021.

Proprietary Funds: The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Net position of the Sewer Commission's fund was \$3,863,568 at June 30, 2016. The factors affecting the funds are discussed in the Business-Type Activities section of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fund balance of the Town's General Fund increased by \$186,931 or 8.7% during the fiscal year. The original budget proposed and adopted in May 2015 included an appropriation of \$225,000 from the available fund balance. Actual revenues did not meet budgetary estimates by \$55,257 however actual expenditures were \$198,022 less than appropriations. As a result, \$0 of the General Fund balance was used to balance the budget.

Town of Kent, Connecticut
Management's Discussion and Analysis (Unaudited)
June 30, 2016 (continued)

The primary factors affecting the budget results were; tax collection resulting in a positive variance of \$118,832; intergovernmental revenues resulting in a positive variance of \$6,345; departmental revenues resulting in a positive variance of \$72,225 and other revenues resulting in a negative variance of \$278,969. Expenditures were principally aligned with budgeted amounts with the exception of the litigation costs and costs in the Public Works department related to the mild winter. The Board of Education variance was the largest at \$97,966 related in part to amounts returned to the Town by Region One subsequent to their FY 2015 audit.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounted to \$16,961,100 (net of accumulated depreciation). The investment in capital assets included land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The increase in the Town's investment in capital assets for the fiscal year was \$24,460.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,378,530	\$ 1,186,507	\$ -	\$ -	\$ 1,378,530	\$ 1,186,507
Construction in progress	185,876	97,058	-	-	185,876	97,058
Buildings and improvements	8,259,166	8,155,749	1,197,549	1,252,690	9,456,715	9,408,439
Land improvements	93,642	102,171	-	-	93,642	102,171
Machinery and equipment	321,398	401,880	153,009	161,528	474,407	563,408
Vehicles	366,016	417,689	-	-	366,016	417,689
Infrastructure	<u>2,836,940</u>	<u>2,947,039</u>	<u>2,168,974</u>	<u>2,214,329</u>	<u>5,005,914</u>	<u>5,161,368</u>
	<u>\$ 13,441,568</u>	<u>\$ 13,308,093</u>	<u>\$ 3,519,532</u>	<u>\$ 3,628,547</u>	<u>\$ 16,961,100</u>	<u>\$ 16,936,640</u>

Major capital asset additions during 2015 – 2016 included 0.66 acres of unimproved land for the Kent Visitor Center, a new roof on Bulls Bridge as well as new roofing on a portion of the KCS building. The Public Works Department purchased a new 2016 Ford F250 to add to the fleet, replacing an older Chevy pick-up truck.

Debt Administration

At June 30, 2016, the Town's long-term debt included general obligation bond debt outstanding totaling \$2,490,000. The Town's general obligation debt is backed by the full faith and credit of the Town. General obligation bonds totaling \$590,000 were repaid during the fiscal year.

Including \$531,481 of Regional School district No. 1 debt, for which the Town is contingently liable, the Town's outstanding debt is significantly below the statutory debt limit of \$74,808,671 (seven times the base for debt limitation computation).

Additional information on the Town's long-term obligations can be found in Note 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's budget for the 2017 fiscal year:

- Requests from local Associations and Organizations for increased appropriations.
- Continued declines in state aid to municipalities.
- Cost share of the resident state trooper program.
- Maintenance costs for the proposed Kent Visitor Center.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Selectmen at 41 Kent Green Boulevard, P.O. Box 678, Kent, CT 06757.

TOWN OF KENT, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 4,503,874	\$ 919,237	\$ 5,423,111
Investments	335,473	-	335,473
Receivables	157,550	7,605	165,155
Other assets	23,586	-	23,586
Restricted cash and investments	-	218,534	218,534
Noncurrent assets:			
Capital assets not being depreciated	1,564,406	-	1,564,406
Capital assets, net of accumulated depreciation	11,877,162	3,519,532	15,396,694
Total assets	18,462,051	4,664,908	23,126,959
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	69,255	-	69,255
<u>Liabilities</u>			
Accounts payable	158,855	17,922	176,777
Accrued liabilities	1,523	-	1,523
Accrued interest payable	50,395	-	50,395
Unearned revenue	45,935	-	45,935
Noncurrent liabilities:			
Due within one year	591,178	9,390	600,568
Due in more than one year	2,874,401	774,028	3,648,429
Total liabilities	3,722,287	801,340	4,523,627
<u>Net Position</u>			
Net investments in capital assets	10,069,900	2,954,648	13,024,548
Permanent endowments:			
Endowments - nonexpendable	57,379	-	57,379
Unrestricted	4,681,740	908,920	5,590,660
Total net position	\$ 14,809,019	\$ 3,863,568	\$ 18,672,587

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

TOWN OF KENT, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,142,658	\$ 296,102	\$ -	\$ -	\$ (846,556)	\$ -	\$ (846,556)
Public safety	311,559	3,209	-	-	(308,350)	-	(308,350)
Public works	1,760,704	-	282,752	365,287	(1,112,665)	-	(1,112,665)
Parks and recreation	254,317	38,578	-	-	(215,739)	-	(215,739)
Health and welfare	132,076	-	-	-	(132,076)	-	(132,076)
Sanitation	109,393	92,468	-	-	(16,925)	-	(16,925)
Education	7,669,136	38,937	612,401	-	(7,017,798)	-	(7,017,798)
Interest on long-term debt	109,346	-	-	-	(109,346)	-	(109,346)
	<u>11,489,189</u>	<u>469,294</u>	<u>895,153</u>	<u>365,287</u>	<u>(9,759,455)</u>	<u>-</u>	<u>(9,759,455)</u>
Business-Type Activities:							
Sewer Fund	397,160	419,891	-	-	-	22,731	22,731
Total	<u>\$ 11,886,349</u>	<u>\$ 889,185</u>	<u>\$ 895,153</u>	<u>\$ 365,287</u>	<u>(9,759,455)</u>	<u>22,731</u>	<u>(9,736,724)</u>
General revenues:							
Property taxes, interest, and lien fees					10,602,949	-	10,602,949
Grants and contributions not restricted to specific programs					158,905	-	158,905
Unrestricted investment earnings					16,447	394	16,841
Miscellaneous					55,891	-	55,891
Transfers					30,187	(30,187)	-
Total general revenues and transfers					<u>10,864,379</u>	<u>(29,793)</u>	<u>10,834,586</u>
Change in net position					1,104,924	(7,062)	1,097,862
Net position, beginning of year					<u>13,704,095</u>	<u>3,870,630</u>	<u>17,574,725</u>
Net position, end of year					<u>\$ 14,809,019</u>	<u>\$ 3,863,568</u>	<u>\$ 18,672,587</u>

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

TOWN OF KENT, CONNECTICUT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 2,536,343	\$ 1,837,813	\$ 129,718	\$ 4,503,874
Investments	263,623	-	71,850	335,473
Receivables	154,288	-	3,262	157,550
Due from other funds	6,112	330,854	-	336,966
Other	13,115	10,000	471	23,586
Total assets	\$ 2,973,481	\$ 2,178,667	\$ 205,301	\$ 5,357,449
<u>Liabilities</u>				
Accounts and other payables	\$ 150,060	\$ 6,110	\$ 2,685	\$ 158,855
Due to other funds	330,854	-	6,112	336,966
Unearned revenue	45,935	-	-	45,935
Other liabilities	1,523	-	-	1,523
Total liabilities	528,372	6,110	8,797	543,279
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	104,905	-	-	104,905
Advance transfer station permit fees	-	-	-	-
Total deferred inflows of resources	104,905	-	-	104,905
<u>Fund Balances</u>				
Nonspendable	13,115	-	57,850	70,965
Restricted	-	2,172,557	23,947	2,196,504
Committed	288,428	-	114,707	403,135
Unassigned	2,038,661	-	-	2,038,661
Total fund balances	2,340,204	2,172,557	196,504	4,709,265
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,973,481	\$ 2,178,667	\$ 205,301	\$ 5,357,449

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

TOWN OF KENT, CONNECTICUT

**GOVERNMENTAL FUNDS
BALANCE SHEET
(CONTINUED)
JUNE 30, 2016**

Reconciliation of the Balance Sheet-Government Funds to the Statement of Net Position:

Fund balances - total governmental funds	\$	4,709,265
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	24,445,276
Less accumulated depreciation		<u>(11,003,708)</u>
Net capital assets		13,441,568
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds:		
Property tax receivables - accrual basis change		104,905
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and sewer notes payable		(3,343,174)
Bond premium		(28,494)
Deferred charge on refunding		69,255
Compensated absences		(43,416)
Accrued interest payable		(50,395)
Teacher severance		<u>(50,495)</u>
Net position of governmental activities	\$	<u>14,809,019</u>

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

TOWN OF KENT, CONNECTICUT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Property taxes	\$ 10,579,383	\$ -	\$ -	\$ 10,579,383
Interest and lien fees	63,314	-	-	63,314
Intergovernmental	943,886	365,287	19,417	1,328,590
Charges for services	302,757	1,398	170,195	474,350
Investment income	11,562	4,642	243	16,447
Other	119,060	-	22,392	141,452
Total revenues	12,019,962	371,327	212,247	12,603,536
<u>Expenditures</u>				
Current:				
General government	1,001,579	-	98,826	1,100,405
Public safety	293,362	-	12,483	305,845
Public works	1,438,638	-	-	1,438,638
Health and welfare	121,170	-	10,906	132,076
Recreation	201,052	-	4,981	206,033
Sanitation	109,393	-	-	109,393
Board of Education	7,278,670	-	85,632	7,364,302
Debt service	693,194	-	-	693,194
Capital outlay	-	861,679	3,361	865,040
Total expenditures	11,137,058	861,679	216,189	12,214,926
Excess (deficiency) of revenues over (under) expenditures	882,904	(490,352)	(3,942)	388,610
<u>Other Financings Sources (Uses)</u>				
Transfers in	62,727	726,200	32,500	821,427
Transfers out	(758,700)	-	(32,540)	(791,240)
Total other financing sources (uses)	(695,973)	726,200	(40)	30,187
Net change in fund balances	186,931	235,848	(3,982)	418,797
Fund balances, beginning of year	2,153,273	1,936,709	200,486	4,290,468
Fund balances, end of year	\$ 2,340,204	\$ 2,172,557	\$ 196,504	\$ 4,709,265

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

TOWN OF KENT, CONNECTICUT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds	\$	418,797
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay		803,057
Depreciation expense		(668,705)
Loss on disposal of capital assets		(877)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the Statement of Activities:

Decrease in property tax receivable - accrual basis change		(39,610)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond and clean water loan payments		600,826
Amortization of premium and deferred charges on refunding		(8,432)
Change in accrued interest		(8,546)

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

Compensated absences		(3,938)
Teacher severance		12,352

Change in net position of governmental activities	\$	<u>1,104,924</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF KENT, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
<u>Revenues</u>					
Property taxes	\$ 10,460,551	\$ -	\$ 10,460,551	\$ 10,579,383	118,832
Interest and lien fees	40,500	-	40,500	63,176	22,676
Intergovernmental	514,421	-	514,421	520,766	6,345
Investment income	8,000	-	8,000	11,634	3,634
Departmental	263,000	-	263,000	335,225	72,225
Other	1,313,029	-	1,313,029	1,034,060	(278,969)
Total revenues	12,599,501	-	12,599,501	12,544,244	(55,257)
<u>Expenditures</u>					
Current:					
General government	1,032,368	24,573	1,056,941	1,000,420	56,521
Public safety	286,066	10,133	296,199	293,362	2,837
Public works	1,513,164	(38,811)	1,474,353	1,438,638	35,715
Health and welfare	120,439	1,340	121,779	121,170	609
Recreation	201,455	1,149	202,604	201,052	1,552
Sanitation	110,599	1,616	112,215	109,393	2,822
Education	6,978,516	-	6,978,516	6,880,550	97,966
Debt service	693,194	-	693,194	693,194	-
Total expenditures	10,935,801	-	10,935,801	10,737,779	198,022
Excess of revenues over expenditures	1,663,700	-	1,663,700	1,806,465	142,765
<u>Other Financing Uses</u>					
Transfers out	(1,663,700)	-	(1,663,700)	(1,663,700)	-
Excess of revenues over expenditures and other financing uses	\$ -	\$ -	\$ -	142,765	\$ 142,765
Fund balance, beginning of year				2,134,011	
Fund balance, end of year				\$ 2,276,776	

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

TOWN OF KENT, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities Enterprise Funds Sewer Operating Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 919,237
Accounts receivable	7,605
Total current assets	<u>926,842</u>
Noncurrent assets:	
Restricted cash and investments	218,534
Capital assets, net of accumulated depreciation:	
Plant and pumping station	<u>3,519,532</u>
Total assets	<u><u>4,664,908</u></u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	17,922
Current portion of notes payable	9,390
Total current liabilities	<u>27,312</u>
Noncurrent liabilities:	
Permanent maintenance agreements	218,534
Notes payable, less current portion	<u>555,494</u>
Total liabilities	<u><u>801,340</u></u>
<u>Net Position</u>	
Net investment in capital assets	2,954,648
Unrestricted	<u>908,920</u>
Total net position	<u><u>\$ 3,863,568</u></u>

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

TOWN OF KENT, CONNECTICUT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities Enterprise Funds Sewer Operating Fund</u>
Operating revenues:	
Charges for services	\$ 419,891
Operating expenses:	
Payroll and payroll taxes	128,934
Materials and supplies	4,557
Administration and operation	103,934
Outside services	7,542
Insurance	28,028
Depreciation	109,015
Total operating expenses	382,010
Operating income	37,881
Nonoperating revenue (expenses):	
Investment income	394
Interest expense	(15,150)
Total nonoperating revenue (expenses)	(14,756)
Income before transfers	23,125
Transfer out	(30,187)
	(30,187)
Change in net position	(7,062)
Net position, beginning of year	3,870,630
Net position, end of year	\$ 3,863,568

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

TOWN OF KENT, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities Enterprise Funds Sewer Operating Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 420,136
Payments to suppliers and personnel	<u>(265,089)</u>
Net cash provided by operating activities	<u>155,047</u>
Cash flows from capital and related financing activities:	
Receipts from other funds	(30,187)
Clean water fund grant receipts	213,259
Principal payments of clean water fund loans	(9,761)
Interest paid on capital debt	<u>(15,150)</u>
Net cash provided by capital and related financing activities	<u>158,161</u>
Cash flows from investing activities:	
Investment income	<u>394</u>
Net cash provided by investing activities	<u>394</u>
Net increase in cash and cash equivalents	313,602
Cash and cash equivalents, beginning of year	<u>605,635</u>
Cash and cash equivalents, end of year	<u><u>\$ 919,237</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 37,881
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	109,015
(Increase) decrease in accounts receivable	243
(Increase) decrease in prepaid expenses	2,745
Increase (decrease) in accounts payable	<u>5,163</u>
Net cash provided by operating activities	<u><u>\$ 155,047</u></u>

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

TOWN OF KENT, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,226	\$ 32,252
Total assets	2,226	<u>\$ 32,252</u>
<u>Liabilities</u>		
Due to beneficiaries	-	<u>\$ 32,252</u>
<u>Net Position</u>		
Held in trust for other purposes	<u>\$ 2,226</u>	

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

TOWN OF KENT, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest and dividends	\$ 7
Deductions:	
Scholarships awarded	<u>300</u>
Change in net position	(293)
Net position held in trust, beginning of year	<u>2,519</u>
Net position held in trust, end of year	<u><u>\$ 2,226</u></u>

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

TOWN OF KENT, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Town of Kent, Connecticut (the “Town”) was incorporated in 1739. 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 (police and fire), public works, health and welfare, recreation, sanitation, education, and general administrative services to its residents.

Accounting principles generally accepted in the United States of America require that the reporting entity include: 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following related organizations, to which the Town appropriates funds annually, do not meet the above criteria and are not included in the reporting entity:

Kent Volunteer Fire Department. – The Kent Volunteer Fire Department has a separate elected board and provides services to residents, generally within the geographic boundaries of the Town. It is excluded from the reporting entity because the Town does not have the ability to exercise influence or control over the daily operations or approve budgets.

Kent Library Association – The Town has no financial, operational, or managerial control over this organization.

Basis of Presentation

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, have no measurement focus.

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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

The Town reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment and accounts for financial resources designated for future appropriation for capital expenditures, or for the acquisition or construction of capital facilities, improvements and/or equipment. Capital outlays are financed by appropriations from the general fund, intergovernmental grants, and long-term debt obligations.

The Town reports the following major proprietary fund:

The *Sewer Operating Fund* accounts for the operations of the Town's wastewater treatment system. The major sources of revenue for this fund are sewer assessments and use charges.

Additionally, the Town reports the following fund types:

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

The *Agency Funds* account for monies from various self-funding school activity programs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are charges to customers for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash Equivalents

For purposes of reporting cash flows, all savings, checking, money market accounts, and certificates of deposit with an original maturity of less than three months are considered to be cash equivalents.

Investments

Investments are stated at fair value.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements.

Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used in accordance with the consumption method. On the governmental fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and enterprise fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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, and infrastructure assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40- 50
Building improvements	20- 40
Land improvements	15- 40
Infrastructure	25- 50
Sewer system infrastructure	50-100
Machinery and equipment	5- 25
Vehicles	10- 12

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

In addition to liabilities, the Statement of Net 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

Compensated Absences and Teachers' Severance

Town employees accumulate, by prescribed formula, vacation and paid-time-off time for subsequent use or for payment upon termination or retirement. In addition, Board of Education teachers with at least 20 years of service are entitled to severance pay by prescribed formula. Vacation and severance pay 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 and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, are reported as debt service expenditures.

Fund Equity and Net Position

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Net position is restricted because it is externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of "Restricted Net Position" or "Net Investment in Capital Assets".

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Governmental Accounting Standards Board Statement No. 54 (GASB 54) defines the different types of fund balances that the Town must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable Fund Balance – represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance – represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance – represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Board of Selectmen is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter.

Unassigned Fund Balance – represents fund balance in the General Fund in excess of nonspendable, restricted, committed, and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Town does not have a minimum fund balance policy.

Property Taxes

Property taxes are assessed as of October 1, levied on the following July 1 and are due in two installments, July 1 and January 1. Supplemental motor vehicle taxes are due in full January 1. Taxes are overdue on August 1 and February 1. Interest at the rate of 1.5% per month accrues on all overdue taxes. Assessments for real and personal property, including motor vehicles, are computed at 70% of appraised market value. Liens are filed by the last day of the fiscal year.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year end. Property taxes receivable not expected to be collected during the available period are reflected in deferred revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements. An allowance based on historical collection experience is provided for uncollectible taxes.

Accounting Estimates

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

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

The Town follows these procedures in establishing budgetary data reflected in the financial statements:

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. The Board of Finance recommends budgets, as revised, for adoption at the annual Town meeting in May or, if a petition is filed with the Town Clerk in accordance with Section 7-7 of the Connecticut General Statutes, at Town referendum.

The budget is legally adopted by a vote at the Annual Town Budget meeting referendum.

The Board of Finance is authorized to transfer budgeted amounts between departmental appropriations of up to \$20,000 per department per year. Subsequent appropriations and appropriations of more than \$20,000 for any one department per year must be approved by Town Meeting referendum.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

Appropriations for capital projects do not lapse until completions of the applicable projects. All General Fund unexpended appropriations lapse at year end.

There were no supplemental budgetary appropriations for the fiscal year ended June 30, 2016.

The Town does not have legally adopted annual budgets for its special revenue funds because budgetary control is alternatively achieved by constraints imposed by the project authorization and grant awards related to these funds. The Town does not have legally adopted budgets for its fiduciary funds.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major difference between the budgetary basis and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued, and, accordingly, encumbrances outstanding at year end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis encumbrances are recorded as reservations of fund balance.

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in reporting in conformity with GAAP. A reconciliation of revenues, expenditures, and fund balance of the General Fund between the accounting treatment required by GAAP and budgetary requirements is as follows:

	<u>Fund balance beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>	<u>Fund balance ending</u>
Balance, GAAP basis	\$ 2,153,273	\$ 12,019,962	\$ (11,137,058)	\$ (695,973)	\$ 2,340,204
Reclassifications	-	900,000	22,540	(922,540)	-
State Teachers' retirement on behalf payments	-	(423,120)	423,120	-	-
GASB 54 reclassification and adjustment	<u>(19,262)</u>	<u>47,402</u>	<u>(46,381)</u>	<u>(45,187)</u>	<u>(63,428)</u>
Balance, budgetary basis	<u>\$ 2,134,011</u>	<u>\$ 12,544,244</u>	<u>\$ (10,737,779)</u>	<u>\$ (1,663,700)</u>	<u>\$ 2,276,776</u>

Note 3 – Cash, Cash Equivalents, and Investments – All Funds

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 the Statutes, 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".

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 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. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Deposits

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$2,635,497 of the Town's bank balance of \$3,171,275 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,304,941
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>330,556</u>
Total amount subject to custodial credit risk	<u>\$ 2,635,497</u>

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2016, the Town's cash equivalents amounted to \$2,682,873. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

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

Investments

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Investment Maturities (Years)</u>		
		<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-10</u>
Certificates of deposit	N/A	<u>\$ 554,007</u>	<u>\$ 59,421</u>	<u>\$ 494,586</u>
Total investments		<u>\$ 554,007</u>	<u>\$ 59,421</u>	<u>\$ 494,586</u>

Investment Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Credit Risk – The Town has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments in obligations of any state or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk – The Town places no limit on the amount invested in any one issuer. No more than 5% of the Town's investments were invested in any one issuer in which credit risk was applicable.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (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.

Note 4 – Receivables

Receivables by type at year end for the Town's fund financial statements, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Funds	Sewer Operating Fund	Total
Receivables:				
Taxes	\$ 129,054	\$ -	\$ -	\$ 129,054
Interest and liens	32,364	-	-	32,364
Other	<u>16,857</u>	<u>3,262</u>	<u>7,605</u>	<u>27,724</u>
Gross receivables	178,275	3,262	7,605	189,142
Less allowance for collection losses	<u>(23,987)</u>	<u>-</u>	<u>-</u>	<u>(23,987)</u>
	<u>\$ 154,288</u>	<u>\$ 3,262</u>	<u>\$ 7,605</u>	<u>\$ 165,155</u>

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Note 5 – Governmental Fund Balances

The components of fund balance for the governmental funds at June 30, 2016, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>				
Prepaid expenses	\$ 13,115	\$ -	\$ -	\$ 13,115
Inventory	-	-	471	471
Trusts	-	-	57,379	57,379
	<u>13,115</u>	<u>-</u>	<u>57,850</u>	<u>70,965</u>
<u>Restricted:</u>				
Capital projects	-	2,172,557	-	2,172,557
General government	-	-	2,386	2,386
Endowment	-	-	14,743	14,743
Education	-	-	6,818	6,818
	<u>-</u>	<u>2,172,557</u>	<u>23,947</u>	<u>2,196,504</u>
<u>Committed:</u>				
Subsequent year's budget	225,000	-	-	225,000
General government	-	-	88,325	88,325
Public safety	-	-	6,116	6,116
Recreation	-	-	9,526	9,526
Health and welfare	-	-	4,884	4,884
Schaghticoke litigation	28,930	-	-	28,930
Maple Street extension	34,498	-	-	34,498
Education	-	-	5,856	5,856
	<u>288,428</u>	<u>-</u>	<u>114,707</u>	<u>403,135</u>
<u>Unassigned</u>	<u>2,038,661</u>	<u>-</u>	<u>-</u>	<u>2,038,661</u>
	<u>\$ 2,340,204</u>	<u>\$ 2,172,557</u>	<u>\$ 196,504</u>	<u>\$ 4,709,265</u>

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,186,507	\$ 192,023	\$ -	\$ 1,378,530
Construction in progress	97,058	88,818	-	185,876
Total capital assets not being depreciated	<u>1,283,565</u>	<u>280,841</u>	<u>-</u>	<u>1,564,406</u>
Capital assets being depreciated:				
Buildings and improvements	12,730,630	496,203		13,226,833
Land improvements	127,939	-	-	127,939
Machinery and equipment	1,010,932	-	-	1,010,932
Vehicles	874,518	26,013	24,450	876,081
Infrastructure	<u>7,639,085</u>	<u>-</u>	<u>-</u>	<u>7,639,085</u>
Total capital assets being depreciated	<u>22,383,104</u>	<u>522,216</u>	<u>24,450</u>	<u>22,880,870</u>
Less accumulated depreciation for:				
Buildings and improvements	4,574,881	392,786	-	4,967,667
Land improvements	25,768	8,529	-	34,297
Machinery and equipment	609,052	80,482	-	689,534
Vehicles	456,829	76,809	23,573	510,065
Infrastructure	<u>4,692,046</u>	<u>110,099</u>	<u>-</u>	<u>4,802,145</u>
Total accumulated depreciation	<u>10,358,576</u>	<u>668,705</u>	<u>23,573</u>	<u>11,003,708</u>
Total capital assets being depreciated, net	<u>12,024,528</u>	<u>(146,489)</u>	<u>877</u>	<u>11,877,162</u>
Governmental activities capital assets, net	<u>\$ 13,308,093</u>	<u>\$ 134,352</u>	<u>\$ 877</u>	<u>\$ 13,441,568</u>
Business-Type Activities				
Capital assets being depreciated:				
Buildings and improvements	\$ 2,075,328	\$ -	\$ -	\$ 2,075,328
Machinery and equipment	245,568	-	-	245,568
System infrastructure	<u>2,442,787</u>	<u>-</u>	<u>-</u>	<u>2,442,787</u>
Total capital assets being depreciated	<u>4,763,683</u>	<u>-</u>	<u>-</u>	<u>4,763,683</u>
Less accumulated depreciation for:				
Buildings and improvements	822,638	55,141	-	877,779
Machinery and equipment	84,040	8,519	-	92,559
System infrastructure	<u>228,458</u>	<u>45,355</u>	<u>-</u>	<u>273,813</u>
Total accumulated depreciation	<u>1,135,136</u>	<u>109,015</u>	<u>-</u>	<u>1,244,151</u>
Total capital assets being depreciated, net	<u>3,628,547</u>	<u>(109,015)</u>	<u>-</u>	<u>3,519,532</u>
Business-type activities capital assets, net	<u>\$ 3,628,547</u>	<u>\$ (109,015)</u>	<u>\$ -</u>	<u>\$ 3,519,532</u>

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 42,253
Public works	259,206
Recreation	48,284
Public safety	5,714
Education	<u>313,248</u>
Total depreciation expense – governmental activities	<u>\$ 668,705</u>
Business-type activities:	
Sewer operating	<u>\$ 109,015</u>
Total depreciation expense – business-type activities	<u>\$ 109,015</u>

Note 7 – Interfund Receivables, Payables, and Transfers

Interfund receivables and payables that resulted from various interfund transactions as of June 30, 2016 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 330,854
General Fund	Nonmajor Funds	<u>6,112</u>
Total		<u>\$ 336,966</u>

All balances are expected to be repaid within a year.

Interfund transfers are generally used to supplement revenues of other funds. The transfers that occurred during the year are as follows:

	<u>Transfers In</u>			<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:				
General Fund	\$ -	\$ 726,200	\$ 32,500	\$ 758,700
Nonmajor Governmental Funds	32,540	-	-	32,540
Sewer Operating Fund	<u>30,187</u>	<u>-</u>	<u>-</u>	<u>30,187</u>
Total transfers in	<u>\$ 62,727</u>	<u>\$ 726,200</u>	<u>\$ 32,500</u>	<u>\$ 821,427</u>

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Note 8 – Long -Term Obligations

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, 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:					
General obligation bonds	\$ 3,080,000	\$ -	\$ 590,000	\$ 2,490,000	\$ 580,000
Premium on general obligation bonds	34,390	-	5,896	28,494	-
Clean water loan	864,000	-	10,826	853,174	11,178
Compensated absences	39,478	3,938	-	43,416	-
Teachers' severance	62,847	1,188	13,540	50,495	-
Total governmental activities long-term liabilities	<u>\$ 4,080,715</u>	<u>\$ 5,126</u>	<u>\$ 620,262</u>	<u>\$ 3,465,579</u>	<u>\$ 591,178</u>
Business-type activities:					
Clean water loan	<u>\$ 574,645</u>	<u>\$ -</u>	<u>\$ 9,761</u>	<u>\$ 564,884</u>	<u>\$ 9,390</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town.

General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2016</u>
General obligation bonds:					
Kent Fire Department Project	09/08	09/18	avg 3.13%	\$ 1,250,000	\$ 375,000
Kent Center School Refunding	04/12	02/21	1-2.25%	<u>4,055,000</u>	<u>2,115,000</u>
Total general obligation bonds				<u>\$ 5,305,000</u>	<u>\$ 2,490,000</u>

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 580,000	\$ 51,082
2018	570,000	37,920
2019	560,000	26,581
2020	395,000	16,562
2021	<u>385,000</u>	<u>8,662</u>
Total	<u>\$ 2,490,000</u>	<u>\$ 140,807</u>

Overlapping Debt

The Town is a member of Regional School District No.1, which provides education facilities for the Towns of Canaan, Cornwall, Kent, North Canaan, Salisbury, and Sharon. As of June 30, 2016, the outstanding bonded indebtedness of the District was \$3,951,000. The Town's share will be 13.5% of the remaining balance. These are general obligations of Regional School District No. 1 and its member towns.

At June 30, 2016, the Town is contingently liable for Regional School District No. 1 debt in the amount of \$531,481.

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2016.

Clean Water Fund Loans Payable

The United States Department of Agriculture under the Clean Water Fund Program issued project loan obligations. The loan proceeds financed the sanitary sewer construction projects. The obligation will be paid from future user fees.

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Project loan obligations payable to the United States Department of Agriculture mature as follows:

	Governmental Activities	
	Clean Water Loan	
	Principal	Interest
2017	\$ 11,178	\$ 27,728
2018	11,541	27,365
2019	11,916	26,990
2020	12,303	26,603
2021	12,703	26,203
2022-2026	69,985	124,545
2027-2031	82,121	112,409
2032-2036	96,361	98,169
2037-2041	113,072	81,458
2042-2046	132,680	61,850
2047-2051	155,688	38,842
2052-2055	<u>143,626</u>	<u>11,849</u>
Total	<u>\$ 853,174</u>	<u>\$ 664,011</u>

	Business Type Activities	
	Clean Water Loan	
	Principal	Interest
2017	\$ 9,390	\$ 15,534
2018	9,649	15,276
2019	9,914	15,011
2020	10,187	14,738
2021	10,467	14,458
2022-2026	56,815	67,810
2027-2031	65,068	59,557
2032-2036	74,521	50,104
2037-2041	85,347	39,278
2042-2046	97,745	26,880
2047-2051	112,567	12,680
2052	<u>23,214</u>	<u>655</u>
Total	<u>\$ 564,884</u>	<u>\$ 331,981</u>

Teachers' Severance

Under the teachers' contract agreement between the Kent Board of Education (BOE) and the Kent Center Faculty Association (KCFA), a severance benefit was offered to members of KCFA who have been employed by the BOE for at least 20 years. Teachers who are eligible shall receive a severance benefit equal to 15% of their basic salary. At June 30, 2016, liabilities totaling \$50,495 for five teachers qualifying for the contract severance benefit are accrued in the government-wide Statement of Net Position.

Note 9 – Employee Retirement Plans

Defined Contribution Plan

The Town provides retirement benefits through a single-employer defined contribution pension plan for all eligible employees except certified personnel of the Board of Education who are covered by the State of Connecticut Teachers' Retirement System. The Board of Selectmen has oversight and fiduciary responsibility for the plan.

All eligible employees who have completed one year of service with a minimum of 1,000 hours during the year and who have reached age 21 are eligible for inclusion in the plan. The plan provides that benefits are 100% vested at all times with respect to all of the amounts allocated to employees' accounts. The Town contributes an amount equal to 5% of each eligible employee's base compensation. During the year, the Town's contributions totaled \$16,033.

Connecticut State Teachers' Retirement System

Plan Description

Teachers within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing, multiple employer defined benefit pension system with a special funding situation.

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

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

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Summary of Significant Accounting Policies

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about the System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided: 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 employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest 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 benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times 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 Statutes Section 10-183z (which reflects Public Act 79-436 as amended), 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.

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.

Participants are required to contribute 7.25% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2015/2016 school year, \$140,343 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$1,935,841. The Town had 26 active participants in the System at June 30, 2016.

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases, including inflation	3.75-7.00%
Long-term investment rate of return, net of pension investment expense, including inflation	8.50%

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992, are assumed to be an annual cost-of-living adjustment of 2%

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equities	21.0%	7.3%
Developed Non-U.S. Equities	18.0%	7.5%
Emerging Markets (Non-U.S.)	9.0%	8.6%
Core Fixed Income	7.0%	1.7%
Inflation Linked Bonds	3.0%	1.3%
Emerging Market Bonds	5.0%	4.8%
High Yield Bonds	5.0%	3.7%
Real Estate	7.0%	5.9%
Private Investments	11.0%	10.9%
Alternative Investments	8.0%	0.7%
Liquidity Fund	6.0%	0.4%

Discount Rate

The discount rate used to measure the total pension liability was 8.50 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The 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.

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

The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$5,280,686 and 100% of the collective net pension liability is allocated to the State.

June 30, 2014, is the actuarial valuation date upon which the total pension liability is based. The total pension liability is determined as of June 30, 2015, using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the System's total pension liability as of June 30, 2015, which is the measurement date.

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2016, the Town recognized \$423,120 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Note 10 – Contingent Liabilities

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by Town management to result in a judgment or judgments that would have a material adverse effect on the Town's financial statements.

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

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2016 (continued)

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

Note 11 – Jointly Governed Organizations

The Town is a participant in three jointly governed organizations as described below:

Housatonic Resource Recovery Authority

The Town and ten other local municipalities each appoint the governing board of the Housatonic Resource Recovery Authority, with which the Town contracts for waste management services. Each town is awarded voting rights based upon population.

Lake Waramaug Interlocal Commission

The Lake Waramaug Interlocal Commission (the Commission) was created by the towns of Kent, Warren, and Washington to jointly finance and conduct projects for the purpose of controlling water pollution and improving water quality. The Town appoints one member of the five member Commission. The Town expended \$1,594 for the operation of the Commission for the year ended June 30, 2016.

Lake Waramaug Authority

The Lake Waramaug Authority (the Authority) was created by the towns of Kent, Warren, and Washington to enforce water safety. The Authority is comprised of three members from each town. The Town expended \$2,753 for the operation of the Authority for the year ended June 30, 2016.

Note 12 – Operating Leases

The Town has entered into operating leases for office equipment that expire at various dates through July 2021. At June 30, 2016, the minimum annual future rental commitments under operating leases are as follows:

2017	\$ 18,288
2018	14,874
2019	4,632
2020	4,632
2021	<u>3,474</u>
Total	<u>\$ 45,900</u>

Note 13 – Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The portfolio quality and monthly shadow pricing requirements of this Statement are effective for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No.14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

TOWN OF KENT, CONNECTICUT

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

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>5,280,686</u>	<u>4,880,935</u>
Total	<u>\$ 5,280,686</u>	<u>\$ 4,880,935</u>
Town's covered-employee payroll	<u>\$ 1,935,841</u>	<u>\$ 1,971,669</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%
System fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

Notes to Connecticut State Teacher's Retirement System

Changes in Assumptions

In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted more closely to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

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

Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Single equivalent amortization period	22.4 years
Asset valuation method	4-year smoothed market
Inflation	3.00 percent
Salary increase	3.75-7.00 percent, including inflation
Investment rate of return	8.50 percent, net of investment related expense

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

TOWN OF KENT, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Property Taxes					
Property taxes	\$ 10,460,551	\$ -	\$ 10,460,551	\$ 10,579,383	\$ 118,832
Interest and Lien Fees	40,500	-	40,500	63,176	22,676
Intergovernmental Revenues					
Education assistance	167,342	-	167,342	167,174	(168)
Education transportation	2,909	-	2,909	2,690	(219)
Elderly tax relief	-	-	-	21,604	21,604
Mashantucket Pequot	9,473	-	9,473	9,953	480
Town aid roads	281,659	-	281,659	282,751	1,092
In lieu of taxes	52,038	-	52,038	29,220	(22,818)
Other	1,000	-	1,000	7,374	6,374
	514,421	-	514,421	520,766	6,345
Investment Income					
Interest and dividends	8,000	-	8,000	11,634	3,634
	8,000	-	8,000	11,634	3,634
Departmental					
Building fees	35,000	-	35,000	32,119	(2,881)
Planning and zoning	10,000	-	10,000	17,162	7,162
Parks and recreation	36,600	-	36,600	39,131	2,531
Town clerk recording fees and conveyance taxes	80,000	-	80,000	95,299	15,299
Transfer station	93,000	-	93,000	92,468	(532)
Other	8,400	-	8,400	59,046	50,646
	263,000	-	263,000	335,225	72,225
Other					
Rental income	41,732	-	41,732	58,622	16,890
Telecommunications property	17,000	-	17,000	17,690	690
Miscellaneous	129,297	-	129,297	57,748	(71,549)
Capital Projects	900,000	-	900,000	900,000	-
Surplus	225,000	-	225,000	-	(225,000)
	1,313,029	-	1,313,029	1,034,060	(278,969)
Total revenues	<u>\$ 12,599,501</u>	<u>\$ -</u>	<u>\$ 12,599,501</u>	<u>\$ 12,544,244</u>	<u>\$ (55,257)</u>

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Transfers	Final		
General Government					
Board of Selectmen	\$ 163,879	\$ -	\$ 163,879	\$ 157,041	\$ 6,838
Probate Court	4,531	-	4,531	4,531	-
Elections	25,696	-	25,696	24,585	1,111
Board of Finance	30,506	-	30,506	28,890	1,616
Treasurer	41,701	-	41,701	41,647	54
Assessors	87,462	-	87,462	77,613	9,849
Tax Collector	69,066	-	69,066	67,938	1,128
Assessment Appeals	2,570	-	2,570	-	2,570
Conservation Commission	2,775	-	2,775	2,767	8
Town Clerk	121,683	-	121,683	113,440	8,243
Planning and Zoning	69,485	-	69,485	63,121	6,364
Zoning Board of Appeals	2,559	-	2,559	1,296	1,263
Inland Wetlands Commission	31,258	152	31,410	31,410	-
Building Inspector	13,400	594	13,994	13,994	-
Town Hall	85,242	-	85,242	83,709	1,533
Legal	20,500	33,196	53,696	44,643	9,053
Town library grant	88,000	-	88,000	88,000	-
Cemetery Association grant	33,665	398	34,063	34,063	-
Council of Governments	2,351	-	2,351	2,351	-
Insurance	97,850	-	97,850	93,613	4,237
Retirees health benefits	3,500	-	3,500	2,565	935
Contingency	10,000	(10,000)	-	-	-
Historic District Commission	1,500	-	1,500	58	1,442
Other	23,189	233	23,422	23,145	277
	<u>1,032,368</u>	<u>24,573</u>	<u>1,056,941</u>	<u>1,000,420</u>	<u>56,521</u>
Public Safety					
Fire Marshal	29,656	-	29,656	27,665	1,991
Fire protection grant	84,000	-	84,000	84,000	-
Litchfield County dispatch	30,931	-	30,931	30,242	689
Resident trooper	100,000	10,133	110,133	110,133	-
Paramedic Association	39,479	-	39,479	39,479	-
Civil preparedness	2,000	-	2,000	1,843	157
	<u>286,066</u>	<u>10,133</u>	<u>296,199</u>	<u>293,362</u>	<u>2,837</u>
Public Works					
Highways	1,147,480	(38,811)	1,108,669	1,080,233	28,436
Town aid road	281,659	-	281,659	281,659	-
Town utilities	46,105	-	46,105	42,127	3,978
Town garage building	19,920	-	19,920	16,844	3,076
Tree upkeep	18,000	-	18,000	17,775	225
	<u>1,513,164</u>	<u>(38,811)</u>	<u>1,474,353</u>	<u>1,438,638</u>	<u>35,715</u>

(continued on next page)

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Transfers	Final		
Health and Welfare					
General assistance	\$ 52,889	\$ -	\$ 52,889	\$ 52,280	\$ 609
Director of Health and health district	19,391	-	19,391	19,391	-
Nursing Association grant	10,000	-	10,000	10,000	-
Kent Children's Center grant	15,000	-	15,000	15,000	-
Youth Service Bureau	6,749	-	6,749	6,749	-
Other grants	16,410	1,340	17,750	17,750	-
	<u>120,439</u>	<u>1,340</u>	<u>121,779</u>	<u>121,170</u>	<u>609</u>
Recreation					
Community house	21,749	-	21,749	21,562	187
Parks and recreation	163,487	-	163,487	162,367	1,120
Lake Waramaug Interlocal	1,594	-	1,594	1,594	-
Lake Waramaug Authority	2,250	503	2,753	2,753	-
Kent Center School ballfield maintenance	6,000	-	6,000	5,755	245
Swift house	6,375	646	7,021	7,021	-
	<u>201,455</u>	<u>1,149</u>	<u>202,604</u>	<u>201,052</u>	<u>1,552</u>
Sanitation					
Landfill monitoring	1,500	1,616	3,116	3,116	-
Transfer station	109,099	-	109,099	106,277	2,822
	<u>110,599</u>	<u>1,616</u>	<u>112,215</u>	<u>109,393</u>	<u>2,822</u>
Board of Education					
Local expenditures:					
Salaries	2,688,539	-	2,688,539	2,658,306	30,233
Employee benefits	859,006	-	859,006	756,907	102,099
Purchased professional services	5,000	-	5,000	-	5,000
Purchased property services	162,246	-	162,246	221,445	(59,199)
Other purchased services	401,615	-	401,615	405,892	(4,277)
Supplies and energy	204,325	-	204,325	215,030	(10,705)
Dues and fees	20,750	-	20,750	17,006	3,744
Cafeteria subsidy	20,000	-	20,000	25,000	(5,000)
Contingency	20,000	-	20,000	-	20,000
Other	53,625	-	53,625	47,130	6,495
Regional Expenditures:					
Pupil services	1,018,670	-	1,018,670	1,005,865	12,805
HVRHS tuition	1,353,333	-	1,353,333	1,330,789	22,544
Administrative services	171,407	-	171,407	172,180	(773)
Undesignated budget reduction	(25,000)	-	(25,000)	-	(25,000)
Capital outlay	25,000	-	25,000	25,000	-
	<u>6,978,516</u>	<u>-</u>	<u>6,978,516</u>	<u>6,880,550</u>	<u>97,966</u>

(continued on next page)

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Debt Service					
Principal	\$ 600,826	\$ -	\$ 600,826	\$ 600,826	\$ -
Interest	92,368	-	92,368	92,368	-
	<u>693,194</u>	<u>-</u>	<u>693,194</u>	<u>693,194</u>	<u>-</u>
Total expenditures	<u>10,935,801</u>	<u>-</u>	<u>10,935,801</u>	<u>10,737,779</u>	<u>198,022</u>
Other Financing Uses					
Transfers out:					
Capital projects fund	1,626,200	-	1,626,200	1,626,200	-
Appropriation Schaghticoke litigation	30,000	-	30,000	30,000	-
Dog fund	7,500	-	7,500	7,500	-
	<u>1,663,700</u>	<u>-</u>	<u>1,663,700</u>	<u>1,663,700</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 12,599,501</u>	<u>\$ -</u>	<u>\$ 12,599,501</u>	<u>\$ 12,401,479</u>	<u>\$ 198,022</u>

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
GENERAL FUND
SPECIAL ACTIVITIES - BALANCE SHEET
JUNE 30, 2016

	<u>Schaghticoke Litigation Fund</u>	<u>Maple Street Extension Fund</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 29,177	\$ 19,107
Receivables	-	14,663
Due from other funds	-	728
Total assets	<u><u>\$ 29,177</u></u>	<u><u>\$ 34,498</u></u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 247	\$ -
Total liabilities	<u>247</u>	<u>-</u>
<u>Fund Balances</u>		
Committed	28,930	34,498
Unassigned	-	-
Total fund balances	<u>28,930</u>	<u>34,498</u>
Total liabilities and fund balances	<u><u>\$ 29,177</u></u>	<u><u>\$ 34,498</u></u>

Note to Schedule

The above Special Activities are included in the General Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance in conformity with GAAP basis.

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT

**GENERAL FUND
SPECIAL ACTIVITIES - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Schaghticoke Litigation Fund	Maple Street Extension Fund
<u>Revenues</u>		
Investment income	\$ 82	\$ 56
Total revenues	82	56
<u>Expenditures</u>		
Current:		
General government	1,159	-
Total expenditures	1,159	-
Excess of revenues over (under) expenditures	(1,077)	56
<u>Other Financing Sources (Uses)</u>		
Transfers in	30,000	30,187
Transfers out	-	(15,000)
Total other financing sources (uses)	30,000	15,187
Net change in fund balances	28,923	15,243
Fund balances, beginning of year	7	19,255
Fund balances, end of year	\$ 28,930	\$ 34,498

Note to Schedule

The above Special Activities are included in the General Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance in conformity with GAAP basis.

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS AND PERMANENT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Special Revenue Funds								
	Dog Fund	School Cafeteria	KCS Technology	Shunichi Kuga	Selectmen's Fund	Santa Fund	Ward Recreation	Hopson Swift House	Kenico Road Fund
<u>Assets</u>									
Cash	\$ 7,877	\$ 3,625	\$ 5,856	\$ 6,424	\$ 3,114	\$ 1,156	\$ 9,526	\$ 34,205	\$ 43,426
Investments	-	-	-	-	-	-	-	-	-
Receivables	-	3,262	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	3,065	-
Other	-	471	-	-	-	-	-	-	-
Total assets	\$ 7,877	\$ 7,358	\$ 5,856	\$ 6,424	\$ 3,114	\$ 1,156	\$ 9,526	\$ 37,270	\$ 43,426
<u>Liabilities</u>									
Accounts and other payables	\$ 1,761	\$ 69	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	3,065
Total liabilities	1,761	69	-	-	-	-	-	-	3,065
<u>Fund Balances</u>									
Nonspendable	-	471	-	-	-	-	-	-	-
Restricted	-	6,818	-	-	-	-	-	-	-
Committed	6,116	-	5,856	6,424	3,114	1,156	9,526	37,270	40,361
Total fund balances	6,116	7,289	5,856	6,424	3,114	1,156	9,526	37,270	40,361
Total liabilities and fund balances	\$ 7,877	\$ 7,358	\$ 5,856	\$ 6,424	\$ 3,114	\$ 1,156	\$ 9,526	\$ 37,270	\$ 43,426

(continued on next page)

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS AND PERMANENT FUNDS
COMBINING BALANCE SHEET
(CONTINUED)
JUNE 30, 2016

	<u>Special Revenue Funds</u>				<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Building Inspection Fund</u>	<u>Recreation Programs</u>	<u>Food Bank</u>	<u>Records Preservation</u>	<u>Walter Skiff Fund</u>	<u>General Endowment Fund</u>	<u>Eliminations</u>	
<u>Assets</u>								
Cash	\$ 5,384	\$ 855	\$ 4,884	\$ 2,349	\$ 1,037	\$ -	\$ -	\$ 129,718
Investments	-	-	-	-	-	71,850	-	71,850
Receivables	-	-	-	-	-	-	-	3,262
Due from other funds	-	-	-	-	-	-	(3,065)	-
Other	-	-	-	-	-	-	-	471
Total assets	\$ 5,384	\$ 855	\$ 4,884	\$ 2,349	\$ 1,037	\$ 71,850	\$ (3,065)	\$ 205,301
<u>Liabilities</u>								
Accounts and other payables	\$ -	\$ 855	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,685
Due to other funds	5,384	-	-	-	-	728	(3,065)	6,112
Total liabilities	5,384	855	-	-	-	728	(3,065)	8,797
<u>Fund Balances</u>								
Nonspendable	-	-	-	-	1,000	56,379	-	57,850
Restricted	-	-	-	2,349	37	14,743	-	23,947
Committed	-	-	4,884	-	-	-	-	114,707
Total fund balances	-	-	4,884	2,349	1,037	71,122	-	196,504
Total liabilities and fund balances	\$ 5,384	\$ 855	\$ 4,884	\$ 2,349	\$ 1,037	\$ 71,850	\$ (3,065)	\$ 205,301

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS AND PERMANENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds								
	Dog Fund	School Cafeteria	KCS Technology	Shunichi Kuga	Selectmen's Fund	Santa Fund	Ward Recreation	Hopson Swift House	Kenico Road Fund
Revenues									
Intergovernmental	\$ -	\$ 19,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	3,209	38,937	-	2,266	-	-	-	-	-
Investment Income	-	-	6	17	10	3	27	105	-
Donations and other	15	-	-	3,024	-	725	-	-	-
Total revenues	3,224	58,354	6	5,307	10	728	27	105	-
Expenditures									
Current:									
General government	-	-	-	6,250	100	-	-	-	-
Public safety	12,483	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	500	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Education	-	85,632	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	3,361
Total expenditures	12,483	85,632	-	6,250	100	500	-	-	3,361
Excess of revenues over (under) expenditures	(9,259)	(27,278)	6	(943)	(90)	228	27	105	(3,361)
Other Financing Sources (Uses)									
Transfers in	7,500	25,000	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,500	25,000	-	-	-	-	-	-	-
Net change in fund balances	(1,759)	(2,278)	6	(943)	(90)	228	27	105	(3,361)
Fund balances, beginning of year	7,875	9,567	5,850	7,367	3,204	928	9,499	37,165	43,722
Fund balances, end of year	\$ 6,116	\$ 7,289	\$ 5,856	\$ 6,424	\$ 3,114	\$ 1,156	\$ 9,526	\$ 37,270	\$ 40,361

(continued on next page)

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS AND PERMANENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				Permanent Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Recreation Programs	Food Bank	Records Preservation	Walter Skiff Fund	General Endowment Fund	Eliminations	
Revenues								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,417
Charges for services	124,391	-	-	1,392	-	-	-	170,195
Investment Income	-	-	-	-	3	72	-	243
Donations and other	-	5,534	13,094	-	-	-	-	22,392
Total revenues	124,391	5,534	13,094	1,392	3	72	-	212,247
Expenditures								
Current:								
General government	92,476	-	-	-	-	-	-	98,826
Public safety	-	-	-	-	-	-	-	12,483
Health and welfare	-	-	10,406	-	-	-	-	10,906
Recreation	-	4,981	-	-	-	-	-	4,981
Education	-	-	-	-	-	-	-	85,632
Capital outlay	-	-	-	-	-	-	-	3,361
Total expenditures	92,476	4,981	10,406	-	-	-	-	216,189
Excess of revenues over (under) expenditures	31,915	553	2,688	1,392	3	72	-	(3,942)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	32,500
Transfers out	(31,915)	(553)	-	-	-	(72)	-	(32,540)
Total other financing sources (uses)	(31,915)	(553)	-	-	-	(72)	-	(40)
Net change in fund balances	-	-	2,688	1,392	3	-	-	(3,982)
Fund balances, beginning of year	-	-	2,196	957	1,034	71,122	-	200,486
Fund balances, end of year	\$ -	\$ -	\$ 4,884	\$ 2,349	\$ 1,037	\$ 71,122	\$ -	\$ 196,504

TOWN OF KENT, CONNECTICUT
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

		Private Purpose Trust Funds		
		Ward Scholarship	Ramesh Mali Scholarship	Total
<u>Assets</u>				
Cash		\$ 1,907	\$ 319	\$ 2,226
Net position held in trust		\$ 1,907	\$ 319	\$ 2,226

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Funds		
	Ward Scholarship	Ramesh Mali Scholarship	Total
Additions:			
Interest and dividends	\$ 6	\$ 1	\$ 7
Deductions:			
Scholarships awarded	200	100	300
Change in net position	(194)	(99)	(293)
Net position held in trust, beginning of year	2,101	418	2,519
Net position held in trust, end of year	<u>\$ 1,907</u>	<u>\$ 319</u>	<u>\$ 2,226</u>

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Saddle Ridge Repairs and Replacement</u>				
Assets:				
Cash and cash equivalents	\$ 71,269	\$ -	\$ 71,269	\$ -
Investments	65,100	-	65,100	-
	<u>\$ 136,369</u>	<u>\$ -</u>	<u>\$ 136,369</u>	<u>\$ -</u>
Liabilities:				
Due to beneficiaries	<u>\$ 136,369</u>	<u>\$ -</u>	<u>\$ 136,369</u>	<u>\$ -</u>
<u>Saddle Ridge Permanent</u>				
Assets:				
Cash and cash equivalents	\$ 10,807	\$ -	\$ 10,807	\$ -
Investments	15,702	-	15,702	-
	<u>\$ 26,509</u>	<u>\$ -</u>	<u>\$ 26,509</u>	<u>\$ -</u>
Liabilities:				
Due to beneficiaries	<u>\$ 26,509</u>	<u>\$ -</u>	<u>\$ 26,509</u>	<u>\$ -</u>
<u>Kent Affordable Housing</u>				
Assets:				
Cash and cash equivalents	\$ 23,809	\$ -	\$ 23,809	\$ -
Liabilities:				
Due to beneficiaries	<u>\$ 23,809</u>	<u>\$ -</u>	<u>\$ 23,809</u>	<u>\$ -</u>
<u>Brookwoods II Repair and Replacement</u>				
Assets:				
Investments	\$ 31,284	\$ -	\$ 31,284	\$ -
Liabilities:				
Due to beneficiaries	<u>\$ 31,284</u>	<u>\$ -</u>	<u>\$ 31,284</u>	<u>\$ -</u>
<u>Student Activities</u>				
Assets:				
Cash and cash equivalents	\$ 29,059	\$ 27,144	\$ 23,951	\$ 32,252
Liabilities:				
Due to beneficiaries	<u>\$ 29,059</u>	<u>\$ 27,144</u>	<u>\$ 23,951</u>	<u>\$ 32,252</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 134,944	\$ 27,144	\$ 129,836	\$ 32,252
Investments	112,086	-	112,086	-
	<u>\$ 247,030</u>	<u>\$ 27,144</u>	<u>\$ 241,922</u>	<u>\$ 32,252</u>
Liabilities:				
Due to beneficiaries	<u>\$ 247,030</u>	<u>\$ 27,144</u>	<u>\$ 241,922</u>	<u>\$ 32,252</u>

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7.374(b)
FOR THE YEAR ENDED JUNE 30, 2016

Total tax collection including interest and lien fees
for the year ended June 30, 2016 \$ 10,665,349

Reimbursement for revenue loss on:
Tax relief for the elderly (CGS 12-129d) 21,604

Base \$ 10,686,953

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times base	\$ 24,045,644	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	48,091,289	-	-	-
3 3/4 times base	-	-	40,076,074	-	-
3 1/4 times base	-	-	-	34,732,597	-
3 times base	-	-	-	-	32,060,859
Total debt limitation	<u>24,045,644</u>	<u>48,091,289</u>	<u>40,076,074</u>	<u>34,732,597</u>	<u>32,060,859</u>
Indebtedness:					
Regional School District #1 (Town Share 13.5%)	-	531,481	-	-	-
Town bonds payable	375,000	2,115,000	-	-	-
USDA Loan	-	-	1,418,058	-	-
Total indebtedness	<u>375,000</u>	<u>2,646,481</u>	<u>1,418,058</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 23,670,644</u></u>	<u><u>\$ 45,444,808</u></u>	<u><u>\$ 38,658,016</u></u>	<u><u>\$ 34,732,597</u></u>	<u><u>\$ 32,060,859</u></u>

Note 1: In no cash shall total indebtedness exceed seven times annual receipts from taxation.

Note 2: The Town of Kent is a member of Regional School District #1, which provides education facilities for grades kindergarten through twelve for the Towns of Kent, Canaan, North Canaan, Cornwall, Salisbury, and Sharon. As of June 30, 2016, the District has bonds outstanding of \$3,951,000. The Town of Kent's share is approximately 13.5% of the remainder or \$531,481. These are the general obligation of Regional School District #1 and its member towns.

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2016

Grand List October 1,	Restated Uncollected Taxes July 1, 2015	Lawful Corrections		Suspense Transfers	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2016
		Additions	Deductions			Taxes	Interest and Lien Fees	Total	
2014	\$ 10,589,950	\$ 12,003	\$ 24,244	\$ 1,413	\$ 10,576,296	\$ 10,499,416	\$ 34,378	\$ 10,533,794	\$ 76,880
2013	116,053	690	12,180	1,701	102,862	75,580	15,901	91,481	27,282
2012	36,229	884	62	835	36,216	25,368	10,024	35,392	10,848
2011	11,449	-	18	290	11,141	1,144	520	1,664	9,997
2010	2,338	-	-	41	2,297	215	166	381	2,082
2009	2,140	-	-	-	2,140	1,329	1,308	2,637	811
2008	290	-	-	-	290	-	-	-	290
2007	768	-	-	-	768	-	-	-	768
2006	53	-	-	-	53	-	-	-	53
2005	43	-	-	-	43	-	-	-	43
Total	\$ 10,759,313	\$ 13,577	\$ 36,504	\$ 4,280	\$ 10,732,106	\$ 10,603,052	\$ 62,297	\$ 10,665,349	\$ 129,054

Note to Schedule:

The uncollected taxes at July 1, 2015, have been restated to properly exclude tax balances that were written off to suspense in prior years.

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
SCHEDULE OF ASSESSED VALUE OF TAXABLE PROPERTY
PAST FOUR FISCAL YEARS
JUNE 30, 2016

Year End	Grand List Year	Real Estate Gross Assessment	Personal Property Gross Assessment	Motor Vehicle Gross Assessment	Exemptions	Net Taxable Grand List
2016	2014	\$ 681,010,035	\$ 14,972,119	\$ 25,306,710	\$ (126,872,263)	\$ 594,416,601
2015	2013	679,389,135	14,148,324	24,909,030	(125,906,060)	592,540,429
2014	2012	771,016,710	13,450,755	25,256,190	(137,864,510)	671,859,145
2013	2011	759,788,610	14,208,539	25,352,040	(133,728,700)	665,620,489

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
SCHEDULE OF PRINCIPAL TAXPAYERS
2014 GRAND LIST
JUNE 30, 2016

Taxpayer	(1) Assessment	Percent of Net Taxable Grand List
Rock Cobble Farm, LLC	\$ 6,977,990	1.17%
Connecticut Light & Power	6,898,490	1.16%
JLAA LLC	4,864,300	0.82%
First Light Hydro Generating Co.	4,519,100	0.76%
Iron Mountain Property LLC	4,083,100	0.69%
Blitzer, David S. Trustee	4,056,800	0.68%
Keswin, Jeffrey A. & Erica	3,800,500	0.64%
Lez, Robert H. as TR of the	3,612,600	0.61%
Rachel Fitch LLC	3,605,700	0.61%
Willow Brook Farms LLC	3,588,360	0.60%
	<u>\$ 46,006,940</u>	<u>7.74%</u>

(1) The net taxable grand list as of October 1, 2014 totaled: \$ 594,416,601

Source: Town Assessor Department

For further clarification of the above information, please contact the Kent Tax Assessor at (860) 927-3160.

See accompanying Independent Auditors' Report.