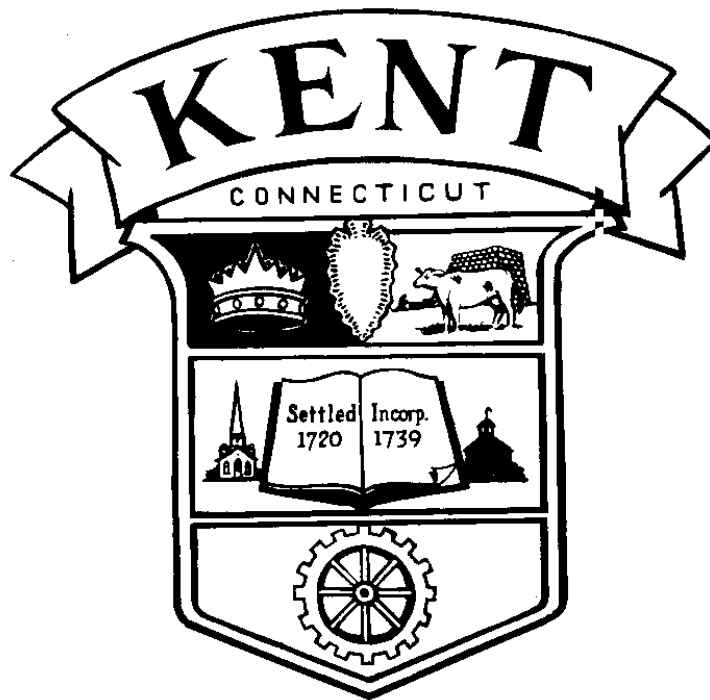


TOWN OF KENT, CONNECTICUT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018



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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of the Town's proportionate share of the net pension liability – Teachers Retirement Plan on page 48, and the schedule of the Town's proportionate share of the net OPEB liability – Connecticut State Teachers' OPEB on page 49 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 8, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Danbury, Connecticut
October 8, 2018, except for
Notes 10 and 14, as to which
the date is December 4, 2018

TOWN OF KENT, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018

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, 2018. 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 \$26,487,283 exceeded its liabilities and deferred inflows of \$3,737,322 at June 30, 2018, resulting in total net position of \$22,749,961. Of that, \$16,189,709 was invested in capital assets while \$6,502,210 represented unrestricted net position, available to meet ongoing government obligations. The Town's net position increased \$1,097,233 or 5% during the fiscal year.

The Town's governmental funds reported, on a current financial resources basis, a combined ending fund balance of \$5,708,402, an increase of \$677,387 or 13%, during the fiscal year. The General Fund operating surplus for this fiscal year was \$485,656. The General Fund balance at June 30, 2018, was \$3,036,444 of which \$388,500 is committed for expenditures in the 2018-2019 fiscal year, \$29,416 is committed for Schaghticoke Litigation expenses, and \$44,888 is committed for Maple Street Debt Service.

The unassigned fund balance of \$2,517,261 of the General Fund represents 21% of the General Fund budgeted appropriations for the fiscal year ending June 30, 2019.

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, 2018 (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 47 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 \$22,749,961 at June 30, 2018.

| | Net Position | | | | | |
|---------------------------------------|-------------------------|----------------------|--------------------------|---------------------|---------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Totals | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| <u>Assets</u> | | | | | | |
| Current assets | \$ 6,446,815 | \$ 5,696,424 | \$ 857,974 | \$ 968,581 | \$ 7,304,789 | \$ 6,665,005 |
| Capital assets | 15,564,543 | 15,535,119 | 3,357,563 | 3,410,896 | 18,922,106 | 18,946,015 |
| Noncurrent assets | - | - | 219,789 | 218,791 | 219,789 | 218,791 |
| | <u>22,011,358</u> | <u>21,231,543</u> | <u>4,435,326</u> | <u>4,598,268</u> | <u>26,446,684</u> | <u>25,829,811</u> |
| <u>Deferred outflows of resources</u> | <u>40,599</u> | <u>54,927</u> | <u>-</u> | <u>-</u> | <u>40,599</u> | <u>54,927</u> |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 1,240,580 | 1,162,973 | 35,576 | 24,549 | 1,276,156 | 1,187,522 |
| Noncurrent liabilities | 888,188 | 1,449,398 | 1,572,978 | 1,595,090 | 2,461,166 | 3,044,488 |
| | <u>2,128,768</u> | <u>2,612,371</u> | <u>1,608,554</u> | <u>1,619,639</u> | <u>3,737,322</u> | <u>4,232,010</u> |
| <u>Deferred inflows of resources</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Net position</u> | | | | | | |
| Net investment in capital assets | 14,207,841 | 13,602,520 | 1,981,868 | 2,013,407 | 16,189,709 | 15,615,927 |
| Restricted | 58,042 | 57,379 | - | - | 58,042 | 57,379 |
| Unrestricted | <u>5,657,306</u> | <u>5,014,200</u> | <u>844,904</u> | <u>965,222</u> | <u>6,502,210</u> | <u>5,979,422</u> |
| | <u>\$ 19,923,189</u> | <u>\$ 18,674,099</u> | <u>\$ 2,826,772</u> | <u>\$ 2,978,629</u> | <u>\$22,749,961</u> | <u>\$ 21,652,728</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 \$522,788 or 8.7%, during the fiscal year.

Town of Kent, Connecticut
Management's Discussion and Analysis (Unaudited)
June 30, 2018 (continued)

| | Changes in Net Position | | | | | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Totals | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Program revenues | | | | | | |
| Charges for services | \$ 450,087 | \$ 448,762 | \$ 366,451 | \$ 398,896 | \$ 816,538 | \$ 847,658 |
| Operating grants and contributions | 1,146,236 | 1,046,163 | - | - | 1,146,236 | 1,046,163 |
| Capital grants and contributions | 373,429 | 1,979,850 | - | - | 373,429 | 1,979,850 |
| General revenues | | | | | | |
| Property taxes | 11,202,466 | 10,970,030 | - | - | 11,202,466 | 10,970,030 |
| Grants and contributions not restricted to specific programs | 173,032 | 360,987 | - | - | 173,032 | 360,987 |
| Investment income | 78,957 | 36,174 | 525 | 534 | 79,482 | 36,708 |
| Miscellaneous | 153,130 | 103,186 | - | - | 153,130 | 103,186 |
| Total revenues | <u>13,577,337</u> | <u>14,945,152</u> | <u>366,976</u> | <u>399,430</u> | <u>13,944,313</u> | <u>15,344,582</u> |
| Expenses | | | | | | |
| General government | 1,284,391 | 1,122,490 | - | - | 1,284,391 | 1,122,490 |
| Public safety | 353,624 | 315,387 | - | - | 353,624 | 315,387 |
| Public works | 1,819,013 | 1,734,919 | - | - | 1,819,013 | 1,734,919 |
| Health and welfare | 152,796 | 134,238 | - | - | 152,796 | 134,238 |
| Recreation | 261,696 | 244,845 | - | - | 261,696 | 244,845 |
| Sanitation | 107,132 | 106,066 | 546,376 | 441,837 | 653,508 | 547,903 |
| Education | 8,272,460 | 8,185,854 | - | - | 8,272,460 | 8,185,854 |
| Interest on long-term debt | 49,592 | 78,805 | - | - | 49,592 | 78,805 |
| Transfers | <u>27,543</u> | <u>(842,532)</u> | <u>(27,543)</u> | <u>842,532</u> | <u>-</u> | <u>-</u> |
| Total expenses | <u>12,328,247</u> | <u>11,080,072</u> | <u>518,833</u> | <u>1,284,369</u> | <u>12,847,080</u> | <u>12,364,441</u> |
| Change in net position | 1,249,090 | 3,865,080 | (151,857) | (884,939) | 1,097,233 | 2,980,141 |
| Net position, July 1 | <u>18,674,099</u> | <u>14,809,019</u> | <u>2,978,629</u> | <u>3,863,568</u> | <u>21,652,728</u> | <u>18,672,587</u> |
| Net position, June 30 | <u>\$ 19,923,189</u> | <u>\$ 18,674,099</u> | <u>\$ 2,826,772</u> | <u>\$ 2,978,629</u> | <u>\$ 22,749,961</u> | <u>\$ 21,652,728</u> |

Governmental Activities

Governmental activities increased the Town's net position by \$1,249,090. The largest portion of the Town's governmental activities revenues, 82.6%, was derived from property taxes, 8.3% from operating grants and contributions, 3.3% from charges for services, 2.8% from capital grants and contributions, and 3% from all other sources.

Revenues of governmental activities decreased \$1,367,815 or 9.2% from the previous year. The most significant factor affecting this decrease was diminished grant funds received for Carter Road bridge work. However, positive variances in property tax collection, interest and lien fees, interest on investments, fees collected by the Town Clerk and additional revenue from leasing the cell tower helped to offset the decrease.

Expenses increased \$1,248,175 or 11.3% from the previous year. Significant factors affecting this increase are principally related to the reclassification of debt service in FY '17 to Business-Type Activities. Modest increases in education spending and public works also contributed.

Business-Type Activities

Business-type activities decreased the Town's net position by \$151,857 principally related to the reduced collection of user fees as well as costs associated with replacing equipment.

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, 2018, the Town's governmental funds reported combined ending fund balances of \$5,708,402. Of this amount, \$58,042 was nonspendable and held in permanent funds; \$2,569,468 was restricted for capital projects; \$15,562 was restricted by permanent funds; \$85,265 was committed through special revenue funds; and \$462,804 was committed for specific purposes. The remaining \$2,517,261 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 \$2,517,261 represented 21% of total general fund budgetary basis expenditures. The General Fund's total fund balance of \$3,036,444 represented 25.6% of total General Fund budgetary basis expenditures. For the fiscal year, the General Fund's fund balance increased \$482,819. See "General Fund Budgetary Highlights" for further discussion.

The fund balance of the capital projects fund was \$2,569,468 at June 30, 2018, an increase of \$282,576 from the previous fiscal year.

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 \$2,826,772 at June 30, 2018. 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 \$485,656 or 19.6% during the fiscal year. The original budget proposed and adopted in May 2017 included an appropriation of \$225,000 from the available fund balance. Actual revenues exceeded budgetary estimates by \$248,428 and actual expenditures were \$237,228 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, 2018 (continued)

The primary factors affecting the budget results were; tax collection resulting in a positive variance of \$144,969; intergovernmental revenues resulting in a positive variance of \$99,558; departmental revenues resulting in a positive variance of \$55,991, Investment income resulting in a positive variance of \$39,762 and other revenues resulting in a negative variance of \$110,475. Expenditures were principally aligned with budgeted amounts. The Board of Education variance was the largest at \$112,487 and that was AFTER an appropriation of \$60,000 to the KCS Window project - pursuant to CT Statute 10-248a .

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, 2018, amounted to \$18,922,106 (net of accumulated depreciation). The investment in capital assets included land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The decrease in the Town's investment in capital assets for the fiscal year was \$23,909.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|----------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Land | \$ 1,378,530 | \$ 1,378,530 | \$ - | \$ - | \$ 1,378,530 | \$ 1,378,530 |
| Construction in progress | 200,327 | 2,487,166 | - | - | 200,327 | 2,487,166 |
| Buildings and improvements | 7,717,751 | 8,125,518 | 1,141,731 | 1,138,340 | 8,859,482 | 9,263,858 |
| Land improvements | 76,584 | 85,113 | - | - | 76,584 | 85,113 |
| Machinery and equipment | 176,867 | 242,572 | 126,042 | 143,175 | 302,909 | 385,747 |
| Vehicles | 386,926 | 468,780 | - | - | 386,926 | 468,780 |
| Infrastructure | <u>5,627,558</u> | <u>2,747,440</u> | <u>2,089,790</u> | <u>2,129,381</u> | <u>7,717,348</u> | <u>4,876,821</u> |
| | <u>\$ 15,564,543</u> | <u>\$ 15,535,119</u> | <u>\$ 3,357,563</u> | <u>\$ 3,410,896</u> | <u>\$ 18,922,106</u> | <u>\$ 18,946,015</u> |

Major capital asset additions during FY 2017-2018 include the Carter Road improvements and bridge #18 on Kent Hollow road.

Debt Administration

At June 30, 2018, the Town's long-term debt included general obligation bond debt outstanding totaling \$1,340,000. The Town's general obligation debt is backed by the full faith and credit of the Town. General obligation bonds totaling \$570,000 were repaid during the fiscal year.

Including \$953,895 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 \$76,636,518 (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 2019 fiscal year:

- Possible elimination of the Town Aid Road grant by the State of Connecticut.
- Escalating costs for Health Insurance Coverage.
- Elimination by the state of their cost share portion of the resident state trooper program.
- Estimated future capital costs for the Kent Center School.

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, 2018**

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 6,010,260 | \$ 856,534 | \$ 6,866,794 |
| Investments | 269,452 | - | 269,452 |
| Receivables | 166,494 | 1,440 | 167,934 |
| Other assets | 609 | - | 609 |
| Restricted cash and investments | - | 219,789 | 219,789 |
| Noncurrent assets: | | | |
| Capital assets not being depreciated | 1,578,857 | - | 1,578,857 |
| Capital assets, net of accumulated depreciation | 13,985,686 | 3,357,563 | 17,343,249 |
| Total assets | 22,011,358 | 4,435,326 | 26,446,684 |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred charge on refunding | 40,599 | - | 40,599 |
| <u>Liabilities</u> | | | |
| Accounts payable | 616,021 | 13,070 | 629,091 |
| Accrued liabilities | 1,323 | - | 1,323 |
| Accrued interest payable | 33,837 | - | 33,837 |
| Unearned revenue | 29,399 | - | 29,399 |
| Noncurrent liabilities: | | | |
| Due within one year | 560,000 | 22,506 | 582,506 |
| Due in more than one year | 888,188 | 1,572,978 | 2,461,166 |
| Total liabilities | 2,128,768 | 1,608,554 | 3,737,322 |
| <u>Net Position</u> | | | |
| Net investments in capital assets | 14,207,841 | 1,981,868 | 16,189,709 |
| Permanent endowments: | | | |
| Endowments - nonexpendable | 58,042 | - | 58,042 |
| Unrestricted | 5,657,306 | 844,904 | 6,502,210 |
| Total net position | \$ 19,923,189 | \$ 2,826,772 | \$ 22,749,961 |

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, 2018

| 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 | \$ 1,284,391 | \$ 276,679 | \$ - | \$ - | \$ (1,007,712) | \$ - | \$ (1,007,712) |
| Public safety | 353,624 | 3,761 | - | - | (349,863) | - | (349,863) |
| Public works | 1,819,013 | - | 285,338 | 373,429 | (1,160,246) | - | (1,160,246) |
| Parks and recreation | 261,696 | 12,381 | - | - | (249,315) | - | (249,315) |
| Health and welfare | 152,796 | - | - | - | (152,796) | - | (152,796) |
| Sanitation | 107,132 | 106,094 | - | - | (1,038) | - | (1,038) |
| Education | 8,272,460 | 51,172 | 860,898 | - | (7,360,390) | - | (7,360,390) |
| Interest on long-term debt | 49,592 | - | - | - | (49,592) | - | (49,592) |
| | <u>12,300,704</u> | <u>450,087</u> | <u>1,146,236</u> | <u>373,429</u> | <u>(10,330,952)</u> | <u>-</u> | <u>(10,330,952)</u> |
| Business-Type Activities: | | | | | | | |
| Sewer Fund | <u>546,376</u> | <u>366,451</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(179,925)</u> | <u>(179,925)</u> |
| Total | <u>\$ 12,847,080</u> | <u>\$ 816,538</u> | <u>\$ 1,146,236</u> | <u>\$ 373,429</u> | <u>(10,330,952)</u> | <u>(179,925)</u> | <u>(10,510,877)</u> |
| General revenues: | | | | | | | |
| Property taxes, interest, and lien fees | | | | | 11,202,466 | - | 11,202,466 |
| Grants and contributions not restricted to specific programs | | | | | 173,032 | - | 173,032 |
| Unrestricted investment earnings | | | | | 78,957 | 525 | 79,482 |
| Miscellaneous | | | | | 153,130 | - | 153,130 |
| Transfers | | | | | (27,543) | 27,543 | - |
| Total general revenues and transfers | | | | | <u>11,580,042</u> | <u>28,068</u> | <u>11,608,110</u> |
| Change in net position | | | | | <u>1,249,090</u> | <u>(151,857)</u> | <u>1,097,233</u> |
| Net position, beginning of year | | | | | <u>18,674,099</u> | <u>2,978,629</u> | <u>21,652,728</u> |
| Net position, end of year | | | | | <u>\$ 19,923,189</u> | <u>\$ 2,826,772</u> | <u>\$ 22,749,961</u> |

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

TOWN OF KENT, CONNECTICUT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total |
|--|-------------------------|--------------------------------------|--|---------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 3,360,211 | \$ 2,547,369 | \$ 102,680 | \$ 6,010,260 |
| Investments | 269,452 | - | - | 269,452 |
| Receivables | 152,017 | 10,000 | 4,477 | 166,494 |
| Due from other funds | 1,279 | 60,000 | - | 61,279 |
| Other | - | - | 609 | 609 |
| Total assets | \$ 3,782,959 | \$ 2,617,369 | \$ 107,766 | \$ 6,508,094 |
| <u>Liabilities</u> | | | | |
| Accounts and other payables | \$ 564,123 | \$ 47,901 | \$ 3,997 | \$ 616,021 |
| Due to other funds | 60,000 | - | 1,279 | 61,279 |
| Unearned revenue | 29,399 | - | - | 29,399 |
| Other liabilities | 1,323 | - | - | 1,323 |
| Total liabilities | 654,845 | 47,901 | 5,276 | 708,022 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - property taxes | 91,670 | - | - | 91,670 |
| Total deferred inflows of resources | 91,670 | - | - | 91,670 |
| <u>Fund Balances</u> | | | | |
| Nonspendable | 56,379 | - | 1,663 | 58,042 |
| Restricted | - | 2,569,468 | 15,562 | 2,585,030 |
| Committed | 462,804 | - | 85,265 | 548,069 |
| Unassigned | 2,517,261 | - | - | 2,517,261 |
| Total fund balances | 3,036,444 | 2,569,468 | 102,490 | 5,708,402 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,782,959 | \$ 2,617,369 | \$ 107,766 | \$ 6,508,094 |

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

TOWN OF KENT, CONNECTICUT

**GOVERNMENTAL FUNDS
BALANCE SHEET
(CONTINUED)
JUNE 30, 2018**

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

| | | |
|--|----|---------------------|
| Fund balances - total governmental funds | \$ | 5,708,402 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | |
| Governmental capital assets | \$ | 27,917,819 |
| Less accumulated depreciation | | <u>(12,353,276)</u> |
| Net capital assets | | 15,564,543 |
| 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 | | 91,670 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Bonds payable | | (1,340,000) |
| Bond premium | | (16,702) |
| Deferred charge on refunding | | 40,599 |
| Compensated absences | | (51,383) |
| Accrued interest payable | | (33,837) |
| Teacher severance | | <u>(40,103)</u> |
| Net position of governmental activities | \$ | <u>19,923,189</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, 2018**

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total |
|--|---------------------|-----------------------------|-----------------------------------|---------------------|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 11,166,068 | \$ - | \$ - | \$ 11,166,068 |
| Interest and lien fees | 59,123 | - | - | 59,123 |
| Intergovernmental | 1,295,801 | 248,157 | 23,462 | 1,567,420 |
| Charges for services | 284,082 | 1,225 | 201,163 | 486,470 |
| Investment income | 54,563 | 23,669 | 725 | 78,957 |
| Other | 221,464 | - | 20,560 | 242,024 |
| Total revenues | 13,081,101 | 273,051 | 245,910 | 13,600,062 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General government | 997,717 | 12,635 | 100,919 | 1,111,271 |
| Public safety | 337,305 | - | 10,605 | 347,910 |
| Public works | 1,536,283 | - | - | 1,536,283 |
| Health and welfare | 145,485 | - | 15,387 | 160,872 |
| Recreation | 201,031 | - | 12,381 | 213,412 |
| Sanitation | 107,132 | - | - | 107,132 |
| Board of Education | 7,868,135 | - | 95,381 | 7,963,516 |
| Debt service | 619,282 | - | - | 619,282 |
| Capital outlay | - | 809,194 | 26,260 | 835,454 |
| Total expenditures | 11,812,370 | 821,829 | 260,933 | 12,895,132 |
| Excess (deficiency) of revenues over (under) expenditures | 1,268,731 | (548,778) | (15,023) | 704,930 |
| <u>Other Financings Sources (Uses)</u> | | | | |
| Transfers in | 105,131 | 831,354 | 32,500 | 968,985 |
| Transfers out | (891,043) | - | (105,485) | (996,528) |
| Total other financing sources (uses) | (785,912) | 831,354 | (72,985) | (27,543) |
| Net change in fund balances | 482,819 | 282,576 | (88,008) | 677,387 |
| Fund balances, beginning of year | 2,553,625 | 2,286,892 | 190,498 | 5,031,015 |
| Fund balances, end of year | \$ 3,036,444 | \$ 2,569,468 | \$ 102,490 | \$ 5,708,402 |

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, 2018

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 | \$ 677,387 |
|--|------------|

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 | 720,369 |
| Depreciation expense | (690,945) |

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 | (22,725) |
|--|----------|

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 payments | 570,000 |
| Amortization of premium and deferred charges on refunding | (8,432) |
| Change in accrued interest | 8,122 |

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 | (3,834) |
| Teacher severance | (852) |

| | |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ 1,249,090</u> |
|---|---------------------|

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, 2018**

| | Budgeted Amounts | | | | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------|-------------------|---------------------|---|
| | Original | Transfers | Final | Actual | |
| Revenues | | | | | |
| Property taxes | \$ 11,021,099 | \$ - | \$ 11,021,099 | \$ 11,166,068 | 144,969 |
| Interest and lien fees | 40,500 | - | 40,500 | 59,123 | 18,623 |
| Intergovernmental | 369,569 | - | 369,569 | 469,127 | 99,558 |
| Investment income | 14,000 | - | 14,000 | 53,762 | 39,762 |
| Departmental | 262,100 | - | 262,100 | 318,091 | 55,991 |
| Other | 1,099,199 | - | 1,099,199 | 988,724 | (110,475) |
| Total revenues | 12,806,467 | - | 12,806,467 | 13,054,895 | 248,428 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,037,971 | (4,145) | 1,033,826 | 997,717 | 36,109 |
| Public safety | 357,267 | 545 | 357,812 | 337,305 | 20,507 |
| Public works | 1,582,439 | - | 1,582,439 | 1,536,283 | 46,156 |
| Health and welfare | 156,976 | - | 156,976 | 145,485 | 11,491 |
| Recreation | 203,237 | 3,600 | 206,837 | 201,031 | 5,806 |
| Sanitation | 111,804 | - | 111,804 | 107,132 | 4,672 |
| Education | 7,263,948 | - | 7,263,948 | 7,151,461 | 112,487 |
| Debt service | 646,825 | - | 646,825 | 646,825 | - |
| Total expenditures | 11,360,467 | - | 11,360,467 | 11,123,239 | 237,228 |
| Excess of revenues over expenditures | 1,446,000 | - | 1,446,000 | 1,931,656 | 485,656 |
| Other Financing Uses | | | | | |
| Transfers out | (1,446,000) | - | (1,446,000) | (1,446,000) | - |
| Excess of revenues over expenditures and other financing uses | \$ - | \$ - | \$ - | 485,656 | \$ 485,656 |
| Fund balance, beginning of year | | | | 2,476,484 | |
| Fund balance, end of year | | | | \$ 2,962,140 | |

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

TOWN OF KENT, CONNECTICUT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | Business-Type Activities Enterprise Funds Sewer Operating Fund |
|--|---|
| <u>Assets</u> | |
| Current assets: | |
| Cash and cash equivalents | \$ 856,534 |
| Accounts receivable | 1,440 |
| Total current assets | <u>857,974</u> |
| Noncurrent assets: | |
| Restricted cash and investments | 219,789 |
| Capital assets, net of accumulated depreciation: | |
| Plant and pumping station | <u>3,357,563</u> |
| Total assets | <u><u>4,435,326</u></u> |
| <u>Liabilities</u> | |
| Current liabilities: | |
| Accounts payable | 13,070 |
| Current portion of notes payable | 22,506 |
| Total current liabilities | <u>35,576</u> |
| Noncurrent liabilities: | |
| Permanent maintenance agreements | 219,789 |
| Notes payable, less current portion | <u>1,353,189</u> |
| Total liabilities | <u><u>1,608,554</u></u> |
| <u>Net Position</u> | |
| Net investment in capital assets | 1,981,868 |
| Unrestricted | <u>844,904</u> |
| Total net position | <u><u>\$ 2,826,772</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, 2018**

| | Business-Type Activities Enterprise Funds Sewer Operating Fund |
|--|---|
| Operating revenues: | |
| Charges for services | \$ 366,451 |
| Operating expenses: | |
| Payroll and payroll taxes | 130,180 |
| Materials and supplies | 13,762 |
| Operating expenses | 136,825 |
| Administration | 16,044 |
| Outside services | 57,177 |
| Insurance | 27,386 |
| Other expenses | 11,727 |
| Depreciation | 111,210 |
| Total operating expenses | 504,311 |
| Operating loss | (137,860) |
| Nonoperating revenue (expenses): | |
| Investment income | 525 |
| Interest expense | (42,065) |
| Total nonoperating revenue (expenses) | (41,540) |
| Income before transfers | (179,400) |
| Transfer in | 27,543 |
| Total transfers in (out) | 27,543 |
| Change in net position | (151,857) |
| Net position, beginning of year | 2,978,629 |
| Net position, end of year | \$ 2,826,772 |

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, 2018

| | Business-Type Activities Enterprise Funds Sewer Operating Fund |
|---|---|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 365,694 |
| Payments to suppliers and personnel | (383,728) |
| Net cash used by operating activities | (18,034) |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets | (62,599) |
| Proceeds from sale of capital assets | 8,500 |
| Receipts from other funds | 27,543 |
| Principal payments of clean water fund loans | (21,794) |
| Interest paid on capital debt | (42,065) |
| Net cash used by capital and related financing activities | (90,415) |
| Cash flows from investing activities: | |
| Investment income | 525 |
| Net cash provided by investing activities | 525 |
| Net decrease in cash and cash equivalents | (107,924) |
| Cash and cash equivalents, beginning of year | 964,458 |
| Cash and cash equivalents, end of year | \$ 856,534 |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (137,860) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 111,210 |
| Gain on sale of capital assets | (3,749) |
| (Increase) decrease in accounts receivable | 2,683 |
| Increase (decrease) in accounts payable | 9,682 |
| Net cash used by operating activities | \$ (18,034) |

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, 2018

| | <u>Private Purpose Trust Funds</u> | <u>Agency Funds</u> |
|----------------------------------|---|--------------------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 2,158 | \$ 30,301 |
| Total assets | <u>2,158</u> | <u>\$ 30,301</u> |
| <u>Liabilities</u> | | |
| Accounts and other payables | 100 | \$ - |
| Due to beneficiaries | <u>-</u> | <u>30,301</u> |
| Total liabilities | <u>100</u> | <u>\$ 30,301</u> |
| <u>Net Position</u> | | |
| Held in trust for other purposes | <u>\$ 2,058</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, 2018

| | <u>Private Purpose Trust Funds</u> |
|--|--|
| Additions: | |
| Interest and dividends | \$ 21 |
| Deductions: | |
| Scholarships awarded | <u>100</u> |
| Change in net position | (79) |
| Net position held in trust, beginning of year | <u>2,137</u> |
| Net position held in trust, end of year | <u><u>\$ 2,058</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, 2018

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.

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, 2018 (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.

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, 2018 (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 hat 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, 2018.

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, 2018 (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 | \$ 2,553,625 | \$ 13,081,101 | \$ (11,812,370) | \$ (785,912) | \$ 3,036,444 |
| Reclassifications | - | (840,717) | 1,515,805 | (675,088) | - |
| State Teachers' retirement and OPEB on behalf payments | - | 826,674 | (826,674) | - | - |
| GASB 54 reclassification and adjustment | <u>(77,141)</u> | <u>(12,163)</u> | <u>-</u> | <u>15,000</u> | <u>(74,304)</u> |
| Balance, budgetary basis | <u>\$ 2,476,484</u> | <u>\$ 13,054,895</u> | <u>\$ (11,123,239)</u> | <u>\$ (1,446,000)</u> | <u>\$ 2,962,140</u> |

Special Revenue Funds

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

Capital Project Funds

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

Note 3 – 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.

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

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.

Deposits

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$2,093,689 of the Town's bank balance of \$2,623,990 was exposed to custodial credit risk as follows:

| | |
|---|---------------------|
| Uninsured and uncollateralized | \$ 1,822,193 |
| Uninsured and collateral held by the pledging bank's trust department, not in the Town's name | <u>271,496</u> |
| Total amount subject to custodial credit risk | <u>\$ 2,093,689</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, 2018, the Town's cash equivalents amounted to \$4,385,011. 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 AAAm</u> |
|--|---|

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>\$ 383,006</u> | <u>\$ -</u> | <u>\$ 383,006</u> |
| Total investments | | <u>\$ 383,006</u> | <u>\$ -</u> | <u>\$ 383,006</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.

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

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.

Fair Value Measurements

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

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

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

Note 4 – Receivables

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

| | General Fund | Capital Projects Funds | Nonmajor Governmental Fund | Total |
|---|-------------------|------------------------------|----------------------------------|-------------------|
| Receivables: | | | | |
| Taxes | \$ 124,555 | \$ - | \$ - | \$ 124,555 |
| Interest and liens | 43,360 | - | - | 43,360 |
| Other | 8,089 | 10,000 | 4,477 | 22,566 |
| Gross receivables | 176,004 | 10,000 | 4,477 | 190,481 |
| Less allowance for collection losses | (23,987) | - | - | (23,987) |
| | <u>\$ 152,017</u> | <u>\$ 10,000</u> | <u>\$ 4,477</u> | <u>\$ 166,494</u> |

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

To reflect that a portion of property taxes, interest, and lien fees receivable at June 30, 2018, are not considered available to liquidate general fund liabilities of the current period, the General Fund column of the governmental funds Balance Sheet reports property tax revenue, unavailable for expenditure in the current fiscal year of \$91,670, as a deferred inflow of resources.

Note 5 – Governmental Fund Balances

The components of fund balance for the governmental funds at June 30, 2018, are as follows:

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|-----------------------------|---------------------|----------------------------------|--|---------------------|
| <u>Nonspendable:</u> | | | | |
| Inventory | \$ - | \$ - | \$ 609 | \$ 609 |
| Trusts | <u>56,379</u> | <u>-</u> | <u>1,054</u> | <u>57,433</u> |
| | <u>56,379</u> | <u>-</u> | <u>1,663</u> | <u>58,042</u> |
| <u>Restricted:</u> | | | | |
| Capital projects | - | 2,569,468 | - | 2,569,468 |
| General government | - | - | 4,923 | 4,923 |
| Education | <u>-</u> | <u>-</u> | <u>10,639</u> | <u>10,639</u> |
| | <u>-</u> | <u>2,569,468</u> | <u>15,562</u> | <u>2,585,030</u> |
| <u>Committed:</u> | | | | |
| Subsequent year's budget | 388,500 | - | - | 388,500 |
| General government | - | - | 51,348 | 51,348 |
| Public safety | - | - | 7,559 | 7,559 |
| Recreation | - | - | 9,686 | 9,686 |
| Health and welfare | - | - | 10,804 | 10,804 |
| Schaghticoke litigation | 29,416 | - | - | 29,416 |
| Maple Street extension | 44,888 | - | - | 44,888 |
| Education | <u>-</u> | <u>-</u> | <u>5,868</u> | <u>5,868</u> |
| | <u>462,804</u> | <u>-</u> | <u>85,265</u> | <u>548,069</u> |
| <u>Unassigned</u> | <u>2,517,261</u> | <u>-</u> | <u>-</u> | <u>2,517,261</u> |
| | <u>\$ 3,036,444</u> | <u>\$ 2,569,468</u> | <u>\$ 102,490</u> | <u>\$ 5,708,402</u> |

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

Note 6 – Capital Assets

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

| | Balance at July 1, 2017 | Increases | Decreases | Balance at June 30, 2018 |
|--|----------------------------|--------------|--------------|-----------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,378,530 | \$ - | \$ - | \$ 1,378,530 |
| Construction in progress | 2,487,166 | - | 2,286,839 | 200,327 |
| Total capital assets not being depreciated | 3,865,696 | - | 2,286,839 | 1,578,857 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 13,496,042 | - | - | 13,496,042 |
| Land improvements | 127,939 | - | - | 127,939 |
| Machinery and equipment | 1,010,932 | - | - | 1,010,932 |
| Vehicles | 1,057,756 | - | - | 1,057,756 |
| Infrastructure | 7,639,085 | 3,007,208 | - | 10,646,293 |
| Total capital assets being depreciated | 23,331,754 | 3,007,208 | - | 26,338,962 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 5,370,524 | 407,767 | - | 5,778,291 |
| Land improvements | 42,826 | 8,529 | - | 51,355 |
| Machinery and equipment | 768,360 | 65,705 | - | 834,065 |
| Vehicles | 588,976 | 81,854 | - | 670,830 |
| Infrastructure | 4,891,645 | 127,090 | - | 5,018,735 |
| Total accumulated depreciation | 11,662,331 | 690,945 | - | 12,353,276 |
| Total capital assets being depreciated, net | 11,669,423 | 2,316,263 | - | 13,985,686 |
| Governmental activities capital assets, net | \$ 15,535,119 | \$ 2,316,263 | \$ 2,286,839 | \$ 15,564,543 |
| Business-Type Activities | | | | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 2,075,328 | \$ 62,599 | \$ - | \$ 2,137,927 |
| Machinery and equipment | 245,568 | - | (12,650) | 232,918 |
| System infrastructure | 2,442,787 | - | - | 2,442,787 |
| Total capital assets being depreciated | 4,763,683 | 62,599 | (12,650) | 4,813,632 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 936,988 | 59,208 | - | 996,196 |
| Machinery and equipment | 102,393 | 12,411 | (7,928) | 106,876 |
| System infrastructure | 313,406 | 39,591 | - | 352,997 |
| Total accumulated depreciation | 1,352,787 | 111,210 | (7,928) | 1,456,069 |
| Total capital assets being depreciated, net | 3,410,896 | (48,611) | (4,722) | 3,357,563 |
| Business-type activities capital assets, net | \$ 3,410,896 | \$ (48,611) | \$ (4,722) | \$ 3,357,563 |

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

Depreciation expense was charged to functions/programs as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 49,960 |
| Public works | 282,729 |
| Recreation | 48,284 |
| Public safety | 5,714 |
| Education | <u>304,258</u> |
| Total depreciation expense – governmental activities | <u>\$ 690,945</u> |
| Business-type activities: | |
| Sewer operating | <u>\$ 111,210</u> |
| Total depreciation expense – business-type activities | <u>\$ 111,210</u> |

Note 7 – Interfund Receivables, Payables, and Transfers

Interfund receivables and payables that resulted from various interfund transactions as of June 30, 2018, are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|------------------|
| Capital Projects Funds | General Fund | \$ 60,000 |
| General Fund | Nonmajor Funds | <u>1,279</u> |
| Total | | <u>\$ 61,279</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>General Fund</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Sewer Operating Fund</u> | <u>Total Transfers Out</u> |
| Transfers out: | | | | | |
| General Fund | \$ - | \$ 831,000 | \$ 32,500 | \$ 27,543 | \$ 891,043 |
| Nonmajor Governmental Funds | <u>105,131</u> | <u>354</u> | <u>-</u> | <u>-</u> | <u>105,485</u> |
| Total transfers in | <u>\$ 105,131</u> | <u>\$ 831,354</u> | <u>\$ 32,500</u> | <u>\$ 27,543</u> | <u>\$ 996,528</u> |

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

Note 8 – Long -Term Obligations

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, 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 | \$ 1,910,000 | \$ - | \$ 570,000 | \$ 1,340,000 | \$ 560,000 |
| Premium on general obligation bonds | 22,598 | - | 5,896 | 16,702 | - |
| Compensated absences | 47,549 | 3,834 | - | 51,383 | - |
| Teachers' severance | <u>39,251</u> | <u>13,936</u> | <u>13,084</u> | <u>40,103</u> | <u>-</u> |
| Total governmental activities long-term liabilities | <u>\$ 2,019,398</u> | <u>\$ 17,770</u> | <u>\$ 588,980</u> | <u>\$ 1,448,188</u> | <u>\$ 560,000</u> |
| Business-type activities: | | | | | |
| Clean water loan | <u>\$ 1,397,489</u> | <u>\$ -</u> | <u>\$ 21,794</u> | <u>\$ 1,375,695</u> | <u>\$ 22,506</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, 2018</u> |
|--------------------------------|--------------------------|-----------------------------|------------------------------|---|--|
| General obligation bonds: | | | | | |
| Kent Fire Department Project | 09/08 | 09/18 | avg 3.13% | \$ 1,250,000 | \$ 125,000 |
| Kent Center School Refunding | 04/12 | 02/21 | 1-2.25% | <u>4,055,000</u> | <u>1,215,000</u> |
| Total general obligation bonds | | | | <u>\$ 5,305,000</u> | <u>\$ 1,340,000</u> |

Town of Kent, Connecticut
Notes to Financial Statements
June 30, 2018 (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> |
|-----------------------------|---------------------|------------------|
| 2019 | \$ 560,000 | \$ 26,581 |
| 2020 | 395,000 | 16,563 |
| 2021 | <u>385,000</u> | <u>8,663</u> |
| Total | <u>\$ 1,340,000</u> | <u>\$ 51,807</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, 2018, the outstanding bonded indebtedness of the District was \$6,694,000. The Town's share will be 14.25% of the remaining balance. These are general obligations of Regional School District No. 1 and its member towns.

At June 30, 2018, the Town is contingently liable for Regional School District No. 1 debt in the amount of \$953,895.

Statutory Debt Limitation

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

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.

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

| | <u>Principal</u> | <u>Interest</u> |
|-----------|---------------------|-------------------|
| 2019 | \$ 22,506 | \$ 42,001 |
| 2020 | 22,490 | 41,341 |
| 2021 | 23,170 | 40,661 |
| 2022-2026 | 126,800 | 192,355 |
| 2027-2031 | 147,189 | 171,966 |
| 2032-2036 | 170,882 | 148,273 |
| 2037-2041 | 198,419 | 120,736 |
| 2042-2046 | 230,425 | 88,730 |
| 2047-2051 | 268,255 | 51,522 |
| 2052-2055 | <u>165,559</u> | <u>12,504</u> |
| Total | <u>\$ 1,375,695</u> | <u>\$ 910,089</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, 2018, liabilities totaling \$40,103 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 \$14,200.

Connecticut State Teachers' Retirement System

Description of System

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

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

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for 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, 2018 (continued)

Benefits Provided

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

Normal Benefit: A member at age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

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

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

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

Contribution Requirements

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

Participants are required to contribute 6.00% (7.00% effective January 1, 2018) of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2017/2018 school year, \$128,730 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The covered payroll for the Town is \$1,950,362. The Town had 27 active participants in the System at June 30, 2018.

Employers are not required to make contributions to the System. The Town makes no contribution to the plan.

Actuarial Assumptions

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

| | 1% Decrease <u>(7.00%)</u> | Current Discount Rate <u>(8.00%)</u> | 1% Increase <u>(9.00%)</u> |
|--|-------------------------------|--|-------------------------------|
| Sensitivity of the system's proportionate share of the net pension liability related to the Town | \$ 8,109,401 | \$ 6,478,683 | \$ 5,100,013 |

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 \$6,478,683 and 100% of the collective net pension liability is allocated to the State.

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

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2018, the Town recognized \$749,392 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Note 10 – Connecticut State Teachers' Other Post Employment Benefits (OPEB)

Description of the Plan

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

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

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

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

Eligibility

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

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

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

Benefit Provisions

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

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

Contributions

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

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

Participants are required to contribute 1.25% of their annual salary rate to the Connecticut State Teachers' OPEB as required by CGS Section 10-183b (7). For the 2017/2018 school year, \$24,378 mandatory contributions were deducted from the salaries of teachers who were participants of the Connecticut State Teachers' OPEB during that school year. The covered payroll for the Town is \$1,950,362. The Town had 27 active participants in the Connecticut State Teachers' OPEB at June 30, 2018.

Employers are not required to make contributions to the Connecticut State Teachers' OPEB. The Town makes no contribution to the plan.

Actuarial Assumptions and Other Inputs

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

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

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

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

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

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

Discount Rate

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

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

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

| | <u>1% Decrease (2.56%)</u> | <u>Discount rate (3.56%)</u> | <u>1% Increase (4.56%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Sensitivity of the plan's proportionate share of the net OPEB liability related to the Town | \$ 2,009,653 | \$ 1,667,540 | \$ 1,398,541 |

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

The following presents the total OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|---|--------------------|--|--------------------|
| Sensitivity of the plan's proportionate share of the net OPEB liability related to the Town | \$ 1,372,987 | \$ 1,667,540 | \$ 2,064,119 |

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

The State makes all contributions to the Connecticut State Teachers' OPEB on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 75 and the State is treated as a non-employer contributing entity in the Connecticut State Teachers' OPEB. Since the districts do not contribute directly to the Connecticut State Teachers' OPEB, there is no net OPEB liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the State's net OPEB liability that was associated with the Town was \$1,667,540 and 100 percent of the collective net OPEB liability is allocated to the State. The Town's proportionate share of the OPEB liability is zero.

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

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

The Town recognized the OPEB expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective OPEB expense associated with the Town. For the fiscal year ended June 30, 2018, the Town recognized \$77,282 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Note 11 – 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.

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 12 – 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 \$1,703 for the operation of the Commission for the year ended June 30, 2018.

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 \$1,833 for the operation of the Authority for the year ended June 30, 2018.

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

Note 13 – Operating Leases

The Town has entered into operating leases for office equipment that expire at various dates through September 2023. At June 30, 2018, the minimum annual future rental commitments under operating leases are as follows:

| | |
|-------|-------------------|
| 2019 | \$ 25,452 |
| 2020 | 25,452 |
| 2021 | 24,294 |
| 2022 | 20,820 |
| 2023 | 20,820 |
| 2024 | <u>4,740</u> |
| Total | <u>\$ 121,578</u> |

Note 14 – Adoption of New Accounting Standard

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

The Town adopted GASB Statement No. 75 during the current fiscal year for the Connecticut State Teachers' OPEB. The adoption of this statement requires the Town to provide significant additional footnote disclosures regarding the Connecticut State Teachers' OPEB.

Note 15 – Recently Issued Accounting Standards

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to

settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2018. The Town does not expect this statement to have a material effect on its financial statements.

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

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

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

**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>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Town's proportion of the net pension liability | 0.00% | 0.00% | 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>6,478,683</u> | <u>6,835,035</u> | <u>5,280,686</u> | <u>4,880,935</u> |
| Total | <u>\$ 6,478,683</u> | <u>\$ 6,835,035</u> | <u>\$ 5,280,686</u> | <u>\$ 4,880,935</u> |
| Town's covered-employee payroll | <u>\$ 1,950,362</u> | <u>\$ 1,970,441</u> | <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% | 0.00% | 0.00% |
| System fiduciary net position as a percentage of the total pension liability | 55.93% | 52.26% | 59.50% | 61.51% |

Notes to Connecticut State Teacher's Retirement System

Method and Assumptions used in Calculations of Actuarially Determined Contributions

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

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

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT

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

| | <u>2018</u> |
|--|-------------------------|
| Town's proportion of the net OPEB liability | 0.00% |
| Town's proportionate share of the net OPEB liability | \$ - |
| State's proportionate share of the net OPEB liability associated with the Town | <u>1,667,540</u> |
| Total | <u>\$ 1,667,540</u> |
| Town's covered-employee payroll | <u>\$ 1,950,362</u> |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | <u>0.00%</u> |
| OPEB fiduciary net position as a percentage of the total OPEB liability | <u>1.79%</u> |

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

TOWN OF KENT, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budgeted Amounts | | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|----------------------|----------------------|---|
| | Original | Transfers | Final | Actual | |
| Property Taxes | | | | | |
| Property taxes | \$ 11,021,099 | \$ - | \$ 11,021,099 | \$ 11,166,068 | \$ 144,969 |
| Interest and Lien Fees | 40,500 | - | 40,500 | 59,123 | 18,623 |
| Intergovernmental Revenues | | | | | |
| Education assistance | 1,754 | - | 1,754 | 13,462 | 11,708 |
| Property tax relief | - | - | - | 846 | 846 |
| Mashantucket Pequot | 8,957 | - | 8,957 | 8,957 | - |
| Town aid roads | 284,619 | - | 284,619 | 285,338 | 719 |
| In lieu of taxes | 73,239 | - | 73,239 | 33,937 | (39,302) |
| Other | 1,000 | - | 1,000 | 126,587 | 125,587 |
| | 369,569 | - | 369,569 | 469,127 | 99,558 |
| Investment Income | | | | | |
| Interest and dividends | 14,000 | - | 14,000 | 53,762 | 39,762 |
| | 14,000 | - | 14,000 | 53,762 | 39,762 |
| Departmental | | | | | |
| Building fees | 35,000 | - | 35,000 | 34,009 | (991) |
| Planning and zoning | 12,000 | - | 12,000 | 18,660 | 6,660 |
| Parks and recreation | 33,250 | - | 33,250 | 34,274 | 1,024 |
| Town clerk recording fees and conveyance taxes | 80,000 | - | 80,000 | 115,845 | 35,845 |
| Transfer station | 94,000 | - | 94,000 | 106,094 | 12,094 |
| Other | 7,850 | - | 7,850 | 9,209 | 1,359 |
| | 262,100 | - | 262,100 | 318,091 | 55,991 |
| Other | | | | | |
| Rental income | 51,199 | - | 51,199 | 93,871 | 42,672 |
| Telecommunications property | 17,000 | - | 17,000 | 13,546 | (3,454) |
| Miscellaneous | 98,500 | - | 98,500 | 102,685 | 4,185 |
| Capital Projects | 692,500 | - | 692,500 | 692,500 | - |
| Surplus | 225,000 | - | 225,000 | - | (225,000) |
| Transfer from other funds | 15,000 | - | 15,000 | 86,122 | 71,122 |
| | 1,099,199 | - | 1,099,199 | 988,724 | (110,475) |
| Total revenues | \$ 12,806,467 | \$ - | \$ 12,806,467 | \$ 13,054,895 | \$ 248,428 |

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, 2018**

| | Budgeted Amounts | | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------|------------------|----------------|------------------|------------------|---|
| | Original | Transfers | Final | | |
| General Government | | | | | |
| Board of Selectmen | \$ 169,094 | \$ 571 | \$ 169,665 | \$ 170,988 | \$ (1,323) |
| Probate Court | 4,545 | - | 4,545 | 4,505 | 40 |
| Elections | 29,344 | - | 29,344 | 23,154 | 6,190 |
| Board of Finance | 25,156 | - | 25,156 | 23,769 | 1,387 |
| Treasurer | 44,085 | - | 44,085 | 43,827 | 258 |
| Assessors | 90,128 | - | 90,128 | 77,489 | 12,639 |
| Tax Collector | 72,913 | - | 72,913 | 71,171 | 1,742 |
| Assessment Appeals | 2,695 | - | 2,695 | 402 | 2,293 |
| Conservation Commission | 2,775 | - | 2,775 | 2,608 | 167 |
| Town Clerk | 117,727 | - | 117,727 | 114,745 | 2,982 |
| Planning and Zoning | 73,290 | - | 73,290 | 71,001 | 2,289 |
| Zoning Board of Appeals | 2,637 | - | 2,637 | 1,491 | 1,146 |
| Inland Wetlands Commission | 33,379 | - | 33,379 | 32,450 | 929 |
| Building Inspector | 13,912 | - | 13,912 | 13,709 | 203 |
| Town Hall | 82,000 | 2,984 | 84,984 | 87,048 | (2,064) |
| Legal | 16,000 | 2,300 | 18,300 | 15,192 | 3,108 |
| Town library grant | 100,500 | - | 100,500 | 100,500 | - |
| Cemetery Association grant | 35,000 | - | 35,000 | 35,000 | - |
| Council of Governments | 2,295 | - | 2,295 | 2,295 | - |
| Insurance | 103,810 | - | 103,810 | 100,213 | 3,597 |
| Contingency | 10,000 | (10,000) | - | - | - |
| Historic District Commission | 500 | - | 500 | - | 500 |
| Other | 6,186 | - | 6,186 | 6,160 | 26 |
| | <u>1,037,971</u> | <u>(4,145)</u> | <u>1,033,826</u> | <u>997,717</u> | <u>36,109</u> |
| Public Safety | | | | | |
| Fire Marshal | 31,218 | - | 31,218 | 28,557 | 2,661 |
| Fire protection grant | 84,000 | - | 84,000 | 84,000 | - |
| Litchfield County dispatch | 31,072 | - | 31,072 | 31,071 | 1 |
| Resident trooper | 174,662 | - | 174,662 | 156,064 | 18,598 |
| Paramedic Association | 34,315 | 545 | 34,860 | 34,860 | - |
| Civil preparedness | 2,000 | - | 2,000 | 2,753 | (753) |
| | <u>357,267</u> | <u>545</u> | <u>357,812</u> | <u>337,305</u> | <u>20,507</u> |
| Public Works | | | | | |
| Highways | 1,210,100 | - | 1,210,100 | 1,172,795 | 37,305 |
| Town aid road | 284,619 | - | 284,619 | 284,619 | - |
| Town utilities | 46,210 | - | 46,210 | 43,154 | 3,056 |
| Town garage building | 20,410 | - | 20,410 | 18,942 | 1,468 |
| Tree upkeep | 21,100 | - | 21,100 | 16,773 | 4,327 |
| | <u>1,582,439</u> | <u>-</u> | <u>1,582,439</u> | <u>1,536,283</u> | <u>46,156</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, 2018**

| | Budgeted Amounts | | | | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------|------------------|------------------|---|
| | Original | Transfers | Final | Actual | |
| Health and Welfare | | | | | |
| General assistance | \$ 56,557 | \$ - | \$ 56,557 | \$ 55,463 | \$ 1,094 |
| Senior Center | 17,650 | | 17,650 | 15,697 | 1,953 |
| Director of Health and health district | 19,200 | - | 19,200 | 19,184 | 16 |
| Nursing Association grant | 10,000 | - | 10,000 | 10,000 | - |
| Kent Children's Center grant | 15,000 | - | 15,000 | 15,000 | - |
| Welcome Center | 15,000 | - | 15,000 | 8,076 | 6,924 |
| Youth Service Bureau | 6,749 | - | 6,749 | 6,749 | - |
| Other grants | 16,820 | - | 16,820 | 15,316 | 1,504 |
| | <u>156,976</u> | <u>-</u> | <u>156,976</u> | <u>145,485</u> | <u>11,491</u> |
| Recreation | | | | | |
| Community house | 22,249 | 3,600 | 25,849 | 27,197 | (1,348) |
| Parks and recreation | 164,838 | - | 164,838 | 159,092 | 5,746 |
| Lake Waramaug Interlocal | 1,600 | - | 1,600 | 1,703 | (103) |
| Lake Waramaug Authority | 2,250 | - | 2,250 | 1,833 | 417 |
| Kent Center School ballfield maintenance | 6,000 | - | 6,000 | 5,690 | 310 |
| Swift house | 6,300 | - | 6,300 | 5,516 | 784 |
| | <u>203,237</u> | <u>3,600</u> | <u>206,837</u> | <u>201,031</u> | <u>5,806</u> |
| Sanitation | | | | | |
| Landfill monitoring | 2,000 | - | 2,000 | 1,758 | 242 |
| Transfer station | 109,804 | - | 109,804 | 105,374 | 4,430 |
| | <u>111,804</u> | <u>-</u> | <u>111,804</u> | <u>107,132</u> | <u>4,672</u> |
| Board of Education | | | | | |
| Local expenditures: | | | | | |
| Salaries | 2,770,893 | - | 2,770,893 | 2,720,700 | 50,193 |
| Employee benefits | 889,415 | - | 889,415 | 825,790 | 63,625 |
| Purchased professional services | 75,950 | - | 75,950 | 66,417 | 9,533 |
| Purchased property services | 91,495 | - | 91,495 | 83,939 | 7,556 |
| Pupil transportation | 316,184 | - | 316,184 | 299,128 | 17,056 |
| Supplies and utilities | 291,713 | - | 291,713 | 281,786 | 9,927 |
| Insurance | 56,434 | - | 56,434 | 56,407 | 27 |
| Dues and fees | 8,750 | - | 8,750 | 8,075 | 675 |
| Cafeteria subsidy | 20,000 | - | 20,000 | 25,000 | (5,000) |
| Contingency | 20,000 | - | 20,000 | - | 20,000 |
| Other | 25,000 | - | 25,000 | 25,000 | - |
| Regional Expenditures: | | | | | |
| Pupil services | 1,041,790 | - | 1,041,790 | 1,036,136 | 5,654 |
| HVRHS tuition | 1,423,148 | - | 1,423,148 | 1,410,061 | 13,087 |
| Administrative services | 188,376 | - | 188,376 | 197,828 | (9,452) |
| Capital outlay | 44,800 | - | 44,800 | 115,194 | (70,394) |
| | <u>7,263,948</u> | <u>-</u> | <u>7,263,948</u> | <u>7,151,461</u> | <u>112,487</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, 2018**

| | Budgeted Amounts | | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|----------------------|----------------------|---|
| | Original | Transfers | Final | Actual | |
| Debt Service | | | | | |
| Principal | \$ 581,916 | \$ - | \$ 581,916 | \$ 581,916 | \$ - |
| Interest | 64,909 | - | 64,909 | 64,909 | - |
| | <u>646,825</u> | <u>-</u> | <u>646,825</u> | <u>646,825</u> | <u>-</u> |
| Total expenditures | <u>11,360,467</u> | <u>-</u> | <u>11,360,467</u> | <u>11,123,239</u> | <u>237,228</u> |
| Other Financing Uses | | | | | |
| Transfers out: | | | | | |
| Capital projects fund | 1,438,500 | - | 1,438,500 | 1,438,500 | - |
| Dog fund | 7,500 | - | 7,500 | 7,500 | - |
| | <u>1,446,000</u> | <u>-</u> | <u>1,446,000</u> | <u>1,446,000</u> | <u>-</u> |
| Total expenditures and other financing uses | <u>\$ 12,806,467</u> | <u>\$ -</u> | <u>\$ 12,806,467</u> | <u>\$ 12,569,239</u> | <u>\$ 237,228</u> |

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT

GENERAL FUND

SPECIAL ACTIVITIES - BALANCE SHEET

JUNE 30, 2018

| | Schaghticoke Litigation Fund | Maple Street Extension Fund |
|--|---|--|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 29,416 | \$ 44,888 |
| Receivables | - | - |
| Due from other funds | - | - |
| Total assets | \$ 29,416 | \$ 44,888 |
| <u>Liabilities</u> | | |
| Accounts payable and accrued liabilities | \$ - | \$ - |
| Total liabilities | - | - |
| <u>Fund Balances</u> | | |
| Committed | 29,416 | 44,888 |
| Unassigned | - | - |
| Total fund balances | 29,416 | 44,888 |
| Total liabilities and fund balances | \$ 29,416 | \$ 44,888 |

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, 2018**

| | Schaghticoke Litigation Fund | Maple Street Extension Fund |
|---|---|--|
| <u>Revenues</u> | | |
| Investment income | \$ 317 | \$ 484 |
| Donations and other | - | 11,362 |
| Total revenues | <u>317</u> | <u>11,846</u> |
| <u>Expenditures</u> | | |
| Current: | | |
| General government | - | - |
| Total expenditures | <u>-</u> | <u>-</u> |
| Excess of revenues over (under) expenditures | <u>317</u> | <u>11,846</u> |
| <u>Other Financing Sources (Uses)</u> | | |
| Transfers in | - | - |
| Transfers out | - | (15,000) |
| Total other financing sources (uses) | <u>-</u> | <u>(15,000)</u> |
| Net change in fund balances | <u>317</u> | <u>(3,154)</u> |
| Fund balances, beginning of year | <u>29,099</u> | <u>48,042</u> |
| Fund balances, end of year | <u><u>\$ 29,416</u></u> | <u><u>\$ 44,888</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
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS AND PERMANENT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

| | Special Revenue Funds | | | | | | | | |
|--|-----------------------|-------------------------|-----------------------|----------------------|-------------------------|-------------------|------------------------|---------------------------|-------------------------|
| | <u>Dog Fund</u> | <u>School Cafeteria</u> | <u>KCS Technology</u> | <u>Shunichi Kuga</u> | <u>Selectmen's Fund</u> | <u>Santa Fund</u> | <u>Ward Recreation</u> | <u>Hopson Swift House</u> | <u>Kenico Road Fund</u> |
| <u>Assets</u> | | | | | | | | | |
| Cash | \$ 9,609 | \$ 6,234 | \$ 5,868 | \$ 8,129 | \$ 3,409 | \$ 1,335 | \$ 9,686 | \$ 37,897 | \$ 137 |
| Investments | - | - | - | - | - | - | - | - | - |
| Receivables | - | 4,477 | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | 441 | - | - | - |
| Other | - | 609 | - | - | - | - | - | - | - |
| Total assets | <u>\$ 9,609</u> | <u>\$ 11,320</u> | <u>\$ 5,868</u> | <u>\$ 8,129</u> | <u>\$ 3,409</u> | <u>\$ 1,776</u> | <u>\$ 9,686</u> | <u>\$ 37,897</u> | <u>\$ 137</u> |
| <u>Liabilities</u> | | | | | | | | | |
| Accounts and other payables | \$ 2,050 | \$ 72 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - | - | - | - | - |
| Total liabilities | <u>2,050</u> | <u>72</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Fund Balances</u> | | | | | | | | | |
| Nonspendable | - | 609 | - | - | - | - | - | - | - |
| Restricted | - | 10,639 | - | - | - | - | - | - | - |
| Committed | 7,559 | - | 5,868 | 8,129 | 3,409 | 1,776 | 9,686 | 37,897 | 137 |
| Total fund balances | <u>7,559</u> | <u>11,248</u> | <u>5,868</u> | <u>8,129</u> | <u>3,409</u> | <u>1,776</u> | <u>9,686</u> | <u>37,897</u> | <u>137</u> |
| Total liabilities and fund balances | <u>\$ 9,609</u> | <u>\$ 11,320</u> | <u>\$ 5,868</u> | <u>\$ 8,129</u> | <u>\$ 3,409</u> | <u>\$ 1,776</u> | <u>\$ 9,686</u> | <u>\$ 37,897</u> | <u>\$ 137</u> |

(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, 2018

| | <u>Special Revenue Funds</u> | | | | <u>Permanent Funds</u> | | | Total Nonmajor Governmental Funds |
|--|---|--------------------------------|----------------------|---------------------------------|----------------------------------|---------------------------------------|---------------------|--|
| | Building Inspection Fund | Recreation Programs | Food Bank | Records Preservation | Walter Skiff Fund | General Endowment Fund | Eliminations | |
| <u>Assets</u> | | | | | | | | |
| Cash | \$ 1,279 | \$ 1,875 | \$ 11,245 | \$ 4,923 | \$ 1,054 | \$ - | \$ - | \$ 102,680 |
| Investments | - | - | - | - | - | - | - | - |
| Receivables | - | - | - | - | - | - | - | 4,477 |
| Due from other funds | - | - | - | - | - | - | (441) | - |
| Other | - | - | - | - | - | - | - | 609 |
| Total assets | \$ 1,279 | \$ 1,875 | \$ 11,245 | \$ 4,923 | \$ 1,054 | \$ - | \$ (441) | \$ 107,766 |
| <u>Liabilities</u> | | | | | | | | |
| Accounts and other payables | \$ - | \$ 1,875 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,997 |
| Due to other funds | 1,279 | - | 441 | - | - | - | (441) | 1,279 |
| Total liabilities | 1,279 | 1,875 | 441 | - | - | - | (441) | 5,276 |
| <u>Fund Balances</u> | | | | | | | | |
| Nonspendable | - | - | - | - | 1,054 | - | - | 1,663 |
| Restricted | - | - | - | 4,923 | - | - | - | 15,562 |
| Committed | - | - | 10,804 | - | - | - | - | 85,265 |
| Total fund balances | - | - | 10,804 | 4,923 | 1,054 | - | - | 102,490 |
| Total liabilities and fund balances | \$ 1,279 | \$ 1,875 | \$ 11,245 | \$ 4,923 | \$ 1,054 | \$ - | \$ (441) | \$ 107,766 |

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, 2018

| | 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 | \$ - | \$ 20,762 | \$ - | \$ 2,700 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 3,761 | 51,172 | - | 884 | - | - | - | - | - |
| Investment Income | - | - | 12 | 88 | 29 | 19 | 104 | 409 | - |
| Donations and other | - | - | - | 276 | 750 | 1,125 | - | - | - |
| Total revenues | 3,761 | 71,934 | 12 | 3,948 | 779 | 1,144 | 104 | 409 | - |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | - | - | 3,141 | 225 | - | - | - | - |
| Public safety | 10,605 | - | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | 657 | - | - | - |
| Recreation | - | - | - | - | - | - | - | - | - |
| Education | - | 95,381 | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | 26,260 |
| Total expenditures | 10,605 | 95,381 | - | 3,141 | 225 | 657 | - | - | 26,260 |
| Excess of revenues over (under) expenditures | (6,844) | (23,447) | 12 | 807 | 554 | 487 | 104 | 409 | (26,260) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | 7,500 | 25,000 | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | (354) |
| Total other financing sources (uses) | 7,500 | 25,000 | - | - | - | - | - | - | (354) |
| Net change in fund balances | 656 | 1,553 | 12 | 807 | 554 | 487 | 104 | 409 | (26,614) |
| Fund balances, beginning of year | 6,903 | 9,695 | 5,856 | 7,322 | 2,855 | 1,289 | 9,582 | 37,488 | 26,751 |
| Fund balances, end of year | \$ 7,559 | \$ 11,248 | \$ 5,868 | \$ 8,129 | \$ 3,409 | \$ 1,776 | \$ 9,686 | \$ 37,897 | \$ 137 |

(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, 2018

| | 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 23,462 |
| Charges for services | 131,562 | 12,381 | - | 1,403 | - | - | - | 201,163 |
| Investment Income | - | - | - | 53 | 11 | - | - | 725 |
| Donations and other | - | - | 18,409 | - | - | - | - | 20,560 |
| Total revenues | 131,562 | 12,381 | 18,409 | 1,456 | 11 | - | - | 245,910 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General government | 97,553 | - | - | - | - | - | - | 100,919 |
| Public safety | - | - | - | - | - | - | - | 10,605 |
| Health and welfare | - | - | 14,730 | - | - | - | - | 15,387 |
| Recreation | - | 12,381 | - | - | - | - | - | 12,381 |
| Education | - | - | - | - | - | - | - | 95,381 |
| Capital outlay | - | - | - | - | - | - | - | 26,260 |
| Total expenditures | 97,553 | 12,381 | 14,730 | - | - | - | - | 260,933 |
| Excess of revenues over (under) expenditures | 34,009 | - | 3,679 | 1,456 | 11 | - | - | (15,023) |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 32,500 |
| Transfers out | (34,009) | - | - | - | - | (71,122) | - | (105,485) |
| Total other financing sources (uses) | (34,009) | - | - | - | - | (71,122) | - | (72,985) |
| Net change in fund balances | - | - | 3,679 | 1,456 | 11 | (71,122) | - | (88,008) |
| Fund balances, beginning of year | - | - | 7,125 | 3,467 | 1,043 | 71,122 | - | 190,498 |
| Fund balances, end of year | \$ - | \$ - | \$ 10,804 | \$ 4,923 | \$ 1,054 | \$ - | \$ - | \$ 102,490 |

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
FIDUCIARY FUNDS
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

| | Private Purpose Trust Funds | | |
|-----------------------------|-----------------------------|-------------------------------|-----------------|
| | Ward Scholarship | Ramesh Mali Scholarship | Total |
| <u>Assets</u> | | | |
| Cash | \$ 1,939 | \$ 219 | \$ 2,158 |
| Total assets | <u>1,939</u> | <u>219</u> | <u>2,158</u> |
| <u>Liabilities</u> | | | |
| Accounts and other payables | - | 100 | 100 |
| Total liabilities | <u>-</u> | <u>100</u> | <u>100</u> |
| <u>Net Position</u> | | | |
| Net position held in trust | <u>1,939</u> | <u>119</u> | <u>2,058</u> |
| Total Net Position | <u>\$ 1,939</u> | <u>\$ 119</u> | <u>\$ 2,058</u> |

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, 2018

| | Private Purpose Trust Funds | | |
|--|------------------------------------|--|-----------------|
| | Ward Scholarship | Ramesh Mali Scholarship | Total |
| Additions: | | | |
| Interest and dividends | \$ 21 | \$ - | \$ 21 |
| Deductions: | | | |
| Scholarships awarded | - | 100 | 100 |
| Change in net position | 21 | (100) | (79) |
| Net position held in trust, beginning of year | 1,918 | 219 | 2,137 |
| Net position held in trust, end of year | <u>\$ 1,939</u> | <u>\$ 119</u> | <u>\$ 2,058</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, 2018

| | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2018</u> |
|----------------------------------|-------------------------------------|------------------|-------------------|--------------------------------------|
| <u>Student Activities</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 33,377 | \$ 20,306 | \$ 23,382 | \$ 30,301 |
| Liabilities: | | | | |
| Due to beneficiaries | \$ 32,252 | \$ 20,306 | \$ 23,382 | \$ 30,301 |

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, 2018

| | |
|---|-----------------------------|
| Total tax collection including interest and lien fees for the year ended June 30, 2017 | \$ 10,948,074 |
| Reimbursement for revenue loss on: Tax relief for the elderly (CGS 12-129d) | <u>-</u> |
| Base | <u><u>\$ 10,948,074</u></u> |

| | General Purposes | Schools | Sewers | Urban Renewal | Pension Deficit |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt Limitation: | | | | | |
| 2 1/4 times base | \$ 24,633,167 | \$ - | \$ - | \$ - | \$ - |
| 4 1/2 times base | - | 49,266,333 | - | - | - |
| 3 3/4 times base | - | - | 41,055,278 | - | - |
| 3 1/4 times base | - | - | - | 35,581,241 | - |
| 3 times base | - | - | - | - | 32,844,222 |
| Total debt limitation | <u>24,633,167</u> | <u>49,266,333</u> | <u>41,055,278</u> | <u>35,581,241</u> | <u>32,844,222</u> |
| Indebtedness: | | | | | |
| Regional School District #1 (Town Share 14.3%) | - | 953,895 | - | - | - |
| Town bonds payable | 125,000 | 1,215,000 | - | - | - |
| USDA Loan | - | - | 1,375,695 | - | - |
| Total indebtedness | <u>125,000</u> | <u>2,168,895</u> | <u>1,375,695</u> | <u>-</u> | <u>-</u> |
| Debt limitation in excess of outstanding and authorized debt | <u><u>\$ 24,508,167</u></u> | <u><u>\$ 47,097,438</u></u> | <u><u>\$ 39,679,583</u></u> | <u><u>\$ 35,581,241</u></u> | <u><u>\$ 32,844,222</u></u> |

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

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT

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

| Grand List October 1, | Restated Uncollected Taxes July 1, 2017 | Lawful Corrections | | Suspense Transfers | Adjusted Taxes Collectible | Collections | | | Uncollected Taxes June 30, 2018 |
|----------------------------------|--|---------------------------|-------------------|-------------------------------|---|----------------------|-----------------------------------|----------------------|--|
| | | Additions | Deductions | | | Taxes | Interest and Lien Fees | Total | |
| 2016 | \$ 11,169,455 | \$ 7,318 | \$ 28,608 | \$ 3,278 | \$ 11,144,887 | \$ 11,073,778 | \$ 33,895 | \$ 11,107,673 | \$ 71,109 |
| 2015 | 96,727 | 445 | 5,294 | 2,424 | 89,454 | 68,606 | 14,227 | 82,833 | 20,848 |
| 2014 | 19,440 | 269 | 1,523 | 1,201 | 16,985 | 7,613 | 1,681 | 9,294 | 9,372 |
| 2013 | 10,637 | 274 | - | 1,249 | 9,662 | 1,878 | 974 | 2,852 | 7,784 |
| 2012 | 5,854 | - | - | 244 | 5,610 | 569 | 418 | 987 | 5,041 |
| 2011 | 7,771 | - | - | 168 | 7,603 | - | - | - | 7,603 |
| 2010 | 888 | - | - | 46 | 842 | - | - | - | 842 |
| 2009 | 811 | - | - | - | 811 | - | - | - | 811 |
| 2008 | 290 | - | - | 9 | 281 | - | - | - | 281 |
| 2007 | 768 | - | - | - | 768 | - | - | - | 768 |
| 2006 | 53 | - | - | - | 53 | - | - | - | 53 |
| 2005 | - | 43 | - | - | 43 | - | - | - | 43 |
| Total | \$ 11,312,694 | \$ 8,349 | \$ 35,425 | \$ 8,619 | \$ 11,276,999 | \$ 11,152,444 | \$ 51,195 | \$ 11,203,639 | \$ 124,555 |

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT

**SCHEDULE OF ASSESSED VALUE OF TAXABLE PROPERTY
PAST FOUR FISCAL YEARS
JUNE 30, 2018**

| Year End | Grand List Year | Real Estate Gross Assessment | Personal Property Gross Assessment | Motor Vehicle Gross Assessment | Exemptions | Net Taxable Grand List |
|---------------------|--------------------------------|---|---|---|-------------------|-----------------------------------|
| 2018 | 2016 | \$ 685,542,935 | \$ 17,617,621 | \$ 26,347,235 | \$ (128,637,574) | \$ 600,870,217 |
| 2017 | 2015 | \$ 682,092,735 | \$ 15,376,396 | \$ 25,735,430 | \$ (127,221,382) | \$ 595,983,179 |
| 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 |

See accompanying Independent Auditors' Report.

TOWN OF KENT, CONNECTICUT
SCHEDULE OF PRINCIPAL TAXPAYERS
2016 GRAND LIST
JUNE 30, 2018

| Taxpayer | (1) Assessment | Percent of Net Taxable Grand List |
|----------------------------|---------------------------|--|
| Connecticut Light & Power | \$ 8,307,000 | 1.38% |
| Rock Cobble Farm, LLC | 5,493,510 | 0.91% |
| Blitzer, David S. Trustee | 4,099,300 | 0.68% |
| Rachel Fitch LLC | 3,897,000 | 0.65% |
| Keswin, Jeffrey A. & Erica | 3,807,000 | 0.63% |
| Kent School Corporation | 3,843,135 | 0.64% |
| JLAA LLC | 3,766,900 | 0.63% |
| Iron Mountain Property LLC | 3,701,400 | 0.62% |
| Jacobs, Jeffrey | 3,633,700 | 0.60% |
| Cohn Mitchell D Trustee | 3,632,300 | 0.60% |
| | <u>\$ 44,181,245</u> | <u>7.35%</u> |

(1) The net taxable grand list as of October 1, 2016 totaled: \$ 600,870,217

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.