

Town of Pomfret, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2012

Town of Pomfret, Connecticut

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Independent Auditors' Report

The Board of Finance Town of Pomfret, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Pomfret, Connecticut ("Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2013 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors Report (Continued)

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying financial information listed as combining fund financial statements and supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as combining fund financial statements and supplementary schedules in the table of contents is fairly stated in all material respects in relation to the financial statements taken as a whole.

O'Connor Davies, LLP

Wethersfield, Connecticut
February 15, 2013

Town of Pomfret, Connecticut

Management's Discussion and Analysis
June 30, 2012

Our discussion and analysis of the Town of Pomfret's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town of Pomfret, Connecticut's net assets increased by \$ 483,789. The net assets are a measure of the Town's long-term health. They are reported in exhibits 1 and 2.
- The Town of Pomfret's General Fund's fund balance increased by \$86,793 primarily due to the Town spending coming in under budgeted levels.
- The Town's total fund balance increased by \$4,087,635 due to new bonding.

USING THIS ANNUAL REPORT

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

Reporting the Government as a Whole

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

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

Town of Pomfret, Connecticut

Management's Discussion and Analysis
June 30, 2012

In the Statement of Net Assets, Exhibit 1, and the Statement of Activities, Exhibit 2, the Government shows the following activity:

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

Reporting the Government's Most Significant Funds

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

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

The Government as Trustee

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

THE GOVERNMENT AS A WHOLE

The Government's *combined* net assets increased by \$483,789 from a year ago—*increasing* from \$13,602,728 to \$14,086,517. Last year net assets *decreased* by \$198,123. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Government.

Town of Pomfret, Connecticut

Management's Discussion and Analysis
June 30, 2012

Table 1
Change in Net Assets (on Exhibit 1)

	2012	Change During Year		2011
		Dollars	Percent	
Current and other assets	\$ 4,708,900	\$ 1,558,878	49.49%	\$ 3,150,022
Capital assets	16,127,587	954,676	6.29%	15,172,911
Total assets	20,836,487	2,513,554	13.72%	18,322,933
Long-term debt outstanding	6,072,126	4,632,549	321.80%	1,439,577
Other liabilities	677,844	(2,602,784)	-79.34%	3,280,628
Total liabilities	6,749,970	2,029,765	43.00%	4,720,205
Net assets:				
Invested in capital assets, net of related debt	11,161,587	(747,136)	-6.27%	11,908,723
Restricted				
Expendable	551,589	48,783	9.70%	502,806
Nonexpendable	255,167	658	0.26%	254,509
Unrestricted	2,118,174	1,181,484	126.13%	936,690
Total net assets	\$ 14,086,517	\$ 483,789	3.56%	\$ 13,602,728

The Town's total assets increased by \$2,513,554 primarily due to the purchase of land and development rights. The town's liabilities increased by \$2,029,765 as the Town's portion of the purchase price was funded through long term debt. This resulted in an increase in the town's net assets of \$483,789.

Table 2
Change in Net Assets (on Exhibit 2)

	2012	Change During Year		2011
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 319,909	\$ 21,873	7.34%	\$ 298,036
Operating grants and contributions	4,823,475	(2,774)	-0.06%	4,826,249
Capital grants and contributions	345,412	(1,618,226)	-82.41%	1,963,638
General revenues:				
Property taxes	8,108,244	353,391	4.56%	7,754,853
Grants and contributions	70,366	38,607	121.56%	31,759
Interest and investment earnings	40,156	(6,083)	-13.16%	46,239
Loss on disposal of equipment	(8,513)	(7,915)	-100.00%	(598)
Other general revenues	23,809	10,996	85.82%	12,813
Total revenues	13,722,858	(1,210,131)	-8.10%	14,932,989
Program expenses				
General government	1,176,680	(80,304)	-6.39%	1,256,984
Public works	663,958	(82,766)	-11.08%	746,724
Education	11,203,057	24,265	0.22%	11,178,792
Public safety	116,101	(12,088)	-9.43%	128,189
Interest on long-term debt	79,273	54,958	226.03%	24,315
Total expenses	13,239,069	(95,935)	-0.72%	13,335,004
Increase (decrease) in net assets	\$ 483,789	\$ (1,114,196)	-69.73%	\$ 1,597,985

Town of Pomfret, Connecticut

Management's Discussion and Analysis
June 30, 2012

- A decrease of \$1,618,226 in capital grants and contributions is a result of not having a project on the scale of the solar panel and roof replacement at PCS that received funding.
- An increase of \$353,391 in property tax revenues was due to an increase in the mil rate as well as some growth in the Town's grand list.
- Overall the Town once again under spent its budget. This, along with the Education budget coming in as planned, resulted in our ability to stabilize and see some growth in our general fund.

Governmental Activities

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

Table 3
Governmental Type Activities

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2012	2011		2012	2011	
Governmental Activities						
General government	\$ 1,176,680	\$ 1,256,984	-6.39%	\$ 822,365	\$ 679,707	20.99%
Public works	\$ 663,958	\$ 746,724	-11.08%	\$ 348,615	\$ 167,596	108.01%
Education	\$ 11,203,057	\$ 11,178,792	0.22%	\$ 6,386,919	\$ 5,249,924	21.66%
Public safety	\$ 116,101	\$ 128,189	-9.43%	\$ 113,101	\$ 125,539	-9.91%
Interest on long-term debt	\$ 79,273	\$ 24,315	226.03%	\$ 79,273	\$ 24,315	226.03%
Totals	\$ 13,239,069	\$ 13,335,004	-0.72%	\$ 7,750,273	\$ 6,247,081	24.06%

The net cost for public works increased by 108% due to a reduction in grant money year over year, as well as, increases in the salary line item to bring us in line with surrounding towns. This was partially offset by a drop in overall spending.

The net cost for Education Services shows a 21.66% increase over 2011. Last year it was reported that the relatively low cost for 2011 was due to capital grants totaling \$1,105,155. These grants were received for the roof work at PCS. Grants of this magnitude were not received in 2012 and therefore the net costs move back in line with previous years. The total cost for Education Services were only up 0.22% for the year.

The cost of long-term debt service increased by 226%. The Town borrowed funds to finance its portion of land and development rights purchases. This resulted in the increased debt service.

Town of Pomfret, Connecticut

Management's Discussion and Analysis
June 30, 2012

THE GOVERNMENT'S FUNDS

The Fund Balance in the government funds increased by \$4,087,635 to \$3,681,496. This was due to proceeds from long-term debt that were received when our short term debt was converted to long term debt as part of our strategy with the land and development rights purchases for the town. This plan was noted in the 2011 Management Discussion section of the Town's Financial Statements.

The Town's unassigned general fund balance increased by \$108,418 versus 2011. This was largely a result of a slightly better than anticipated tax collection rate along with the Town spending under budgeted levels.

General Fund Budgetary Highlights

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

Table 4
General Fund - Budget Summary

	Final		
Revenues	Budget	Actual	Variance
Property Taxes	\$ 7,866,748	\$ 7,895,000	\$ 28,252
Funds and Reserves	1,400	1,309	(91)
Intergovernmental	3,342,590	3,368,199	25,609
Local Revenue	150,690	214,079	63,389
Total Revenues	11,361,428	11,478,587	117,159
Expenditures			
General Government	2,303,348	2,208,452	94,896
Education	9,177,824	9,183,342	(5,518)
Total Expenditures	11,481,172	11,391,794	89,378
Increase (Decrease) in Fund Balance	\$ (119,744)	\$ 86,793	\$ 206,537

The Government approved an original budget for the year showing expenditures as \$119,744 over revenues. The final spending allowed for \$86,793 to be returned to the fund balance to balance the budget. This was due to an under expenditures by the general government \$94,896 along with a positive variance of \$117,159 in total revenues and an over expenditure of \$5,518 in the education budget. This is a positive variance of \$206,537.

Town of Pomfret, Connecticut

Management's Discussion and Analysis
June 30, 2012

Property tax revenues account for approximately 69 percent of the Town's General Fund revenues. This compares favorably to the published State of Connecticut statistics which show on average property tax collections account for 69 percent of total revenues in the General Fund. In addition, small towns in Connecticut (population over 10,000) average property tax collections of 76 percent of total revenues. Like most towns in Eastern Connecticut, the Town of Pomfret receives a larger amount of aid from the State than many towns in the western portion of the State which accounts for the difference between the Town of Pomfret and the State averages.

Tax collections are generally divided into two percentages. The first is the taxes collected in the current year compared to the current year levy. This would indicate what percentage of the taxpayers paid their taxes in the year in which they were due. The Town collected 97.0 percent of the current year taxes during the year. This compares unfavorably to last year's collections of 97.8 percent.

The second percentage used to compare tax collections is the total tax collections (current year taxes and back year taxes) to the current year levy. When this is greater than 100 percent, the total taxes outstanding at year end are lower than the prior year. When this is less than 100 percent, the total taxes outstanding at year end are higher than the prior year. The Town collected 97.7 percent of the current year tax levy when considering current and back taxes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$16,127,587 invested government activity capital assets. This amount represents a net increase (including additions and deductions) of \$963,189 from last year. This is primarily due to an increase in land and intangible assets, along with an increase in buildings and systems, land improvements and infrastructure. This was partially offset by a drop in depreciation resulting in a net increase of \$963,189 over 2011. More detailed information about the Government's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the Government had \$6,072,126 in bonds and notes outstanding. This is an increase of \$4,632,549 from last year. This is primarily due to the additional of general purpose bonds to cover the Town's portion of the purchase of land and development rights to preserve open space in town. More detailed information about the Government's long-term liabilities is presented in Note 7 to the financial statements. The Government does not have a general obligation bond rating because it has been a long time since the government issued bonds.

Town of Pomfret, Connecticut

Management's Discussion and Analysis
June 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2012/2013 budget and tax rates. The major factor was to stop the use of the Town's fund balance to mitigate tax increases. This was driven by the fact that over the past few years this practice has resulted in the unassigned fund balance falling below recommended levels. This combined with a desire to maintain town services and a quality education resulted in a mill rate increase of 0.72. The Town is 144 out of 169 towns for taxes per capita at \$1,791.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

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

Town of Pomfret, Connecticut

Statement of Net Assets
June 30, 2012

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 2,890,865
Investments	1,339,478
Receivables	
Taxes, net	259,061
Accounts	13,705
Intergovernmental	201,929
Prepaid expenses	3,125
Inventory	737
Capital assets	
Nondepreciable	5,201,921
Depreciable, net of accumulated depreciation	<u>10,925,666</u>
Total Assets	<u>20,836,487</u>
LIABILITIES	
Accounts payable	139,846
Accrued payroll and related	23,389
Intergovernmental payable	446,840
Unearned revenues	1,953
Accrued interest payable	65,816
Non-current liabilities	
Due within one year	284,071
Due in more than one year	<u>5,788,055</u>
Total Liabilities	<u>6,749,970</u>
NET ASSETS	
Invested in capital assets, net of related debt	11,161,587
Restricted	
Expendable	551,589
Nonexpendable	255,167
Unrestricted	<u>2,118,174</u>
Total Net Assets	<u>\$ 14,086,517</u>

Town of Pomfret, Connecticut

Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ (1,176,680)	\$ 160,496	\$ 45,343	\$ 148,476	\$ (822,365)
Public safety	(116,101)	-	-	3,000	(113,101)
Public works	(663,958)	-	121,390	193,953	(348,615)
Education	(11,203,057)	159,413	4,656,742	(17)	(6,386,919)
Interest on long-term debt	(79,273)	-	-	-	(79,273)
Total Governmental Activities	<u>\$ (13,239,069)</u>	<u>\$ 319,909</u>	<u>\$ 4,823,475</u>	<u>\$ 345,412</u>	<u>(7,750,273)</u>
General Revenues					
Property taxes, payments in lieu of taxes, interest and liens					8,108,244
Grants and contributions not restricted to specific programs					70,366
Unrestricted interest and investment earnings					40,156
Loss on disposal of equipment					(8,513)
Other general revenues					23,809
Total General Revenues					<u>8,234,062</u>
Change in Net Assets					483,789
Net Assets - Beginning of Year					<u>13,602,728</u>
Net Assets - End of Year					<u>\$ 14,086,517</u>

Town of Pomfret, Connecticut

Balance Sheet
 Governmental Funds
 June 30, 2012

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Road and Bridges Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equivalents	\$ 166,367	\$ 1,791,763	\$ 3,275	\$ 79,704	\$ 849,756	\$ 2,890,865
Investments	1,339,478	-	-	-	-	1,339,478
Taxes receivable, net of allowance for uncollectible amounts	259,061	-	-	-	-	259,061
Other receivables						
Accounts	1,504	-	12,201	-	-	13,705
Intergovernmental	-	5,400	-	189,378	7,151	201,929
Prepaid expenditures	-	-	3,125	-	-	3,125
Inventories	-	-	-	-	737	737
Total Assets	<u>\$ 1,766,410</u>	<u>\$ 1,797,163</u>	<u>\$ 18,601</u>	<u>\$ 269,082</u>	<u>\$ 857,644</u>	<u>\$ 4,708,900</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 108,722	\$ 5,400	\$ 2,142	\$ 1,440	\$ 22,142	\$ 139,846
Accrued payroll and related	23,389	-	-	-	-	23,389
Intergovernmental payable	444,609	-	-	-	2,231	446,840
Unearned revenues	-	-	1,853	-	100	1,953
Deferred revenues	225,998	-	-	189,378	-	415,376
Total Liabilities	<u>802,718</u>	<u>5,400</u>	<u>3,995</u>	<u>190,818</u>	<u>24,473</u>	<u>1,027,404</u>
Fund Balances (Deficits)						
Nonspendable	-	-	3,125	-	255,904	259,029
Restricted	-	70,771	11,481	-	466,212	548,464
Committed	-	1,815,033	-	292,353	-	2,107,386
Assigned	363,907	-	-	-	111,055	474,962
Unassigned	599,785	(94,041)	-	(214,089)	-	291,655
Total Fund Balances	<u>963,692</u>	<u>1,791,763</u>	<u>14,606</u>	<u>78,264</u>	<u>833,171</u>	<u>3,681,496</u>
Total Liabilities and Fund Balances	<u>\$ 1,766,410</u>	<u>\$ 1,797,163</u>	<u>\$ 18,601</u>	<u>\$ 269,082</u>	<u>\$ 857,644</u>	<u>\$ 4,708,900</u>

Town of Pomfret, ConnecticutReconciliation of Governmental Funds Balance Sheet
to the Government Wide Statement of Net Assets - Governmental Activities
June 30, 2012

Fund Balances - Total Governmental Funds	\$ 3,681,496
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,127,587
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	415,376
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,137,942)</u>
Net Assets of Governmental Activities	<u>\$14,086,517</u>

Town of Pomfret, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Road and Bridges Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$7,895,000	\$ -	\$ -	\$ -	\$ -	\$ 7,895,000
Intergovernmental	4,495,615	188,355	335,405	71,333	172,288	5,262,996
Local revenue	<u>243,494</u>	<u>14,908</u>	<u>24,800</u>	<u>-</u>	<u>147,776</u>	<u>430,978</u>
Total Revenues	<u>12,634,109</u>	<u>203,263</u>	<u>\$ 360,205</u>	<u>\$ 71,333</u>	<u>320,738</u>	<u>13,589,648</u>
EXPENDITURES						
Current						
General government	935,638	-	-	-	57,104	992,742
Public safety	63,710	-	-	-	-	63,710
Public works	508,004	-	-	495,357	27,662	1,031,023
Education	10,355,646	-	358,099	-	136,409	10,850,154
Principal retirement	-	458,046	-	-	-	458,046
Interest and fiscal charges	-	91,457	-	-	-	91,457
Capital outlay	<u>-</u>	<u>965,480</u>	<u>-</u>	<u>-</u>	<u>15,401</u>	<u>980,881</u>
Total Expenditures	<u>11,862,998</u>	<u>1,514,983</u>	<u>358,099</u>	<u>495,357</u>	<u>236,576</u>	<u>14,468,013</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>771,111</u>	<u>(1,311,720)</u>	<u>2,106</u>	<u>(424,024)</u>	<u>84,162</u>	<u>(878,365)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	16,782	428,600	-	270,000	2,518	717,900
Transfers out	(701,100)	-	-	-	(16,800)	(717,900)
Long-term debt issued	<u>-</u>	<u>4,966,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,966,000</u>
Total Other Financing Sources (Uses)	<u>(684,318)</u>	<u>5,394,600</u>	<u>-</u>	<u>270,000</u>	<u>(14,282)</u>	<u>4,966,000</u>
Net Change in Fund Balances	86,793	4,082,880	2,106	(154,024)	69,880	4,087,635
Fund Balances (Deficits) - Beginning of Year	<u>876,899</u>	<u>(2,291,117)</u>	<u>12,500</u>	<u>232,288</u>	<u>763,291</u>	<u>(406,139)</u>
Fund Balances - End of Year	<u>\$ 963,692</u>	<u>\$ 1,791,763</u>	<u>\$ 14,606</u>	<u>\$ 78,264</u>	<u>\$ 833,171</u>	<u>\$ 3,681,496</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2012

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

Net Change in Fund Balances - Total Governmental Funds	<u>4,087,635</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>	
Capital outlay expenditures	1,515,386
Depreciation expense	(552,197)
Undepreciated basis of assets disposed of or sold	<u>(8,513)</u>
	<u>954,676</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes and other revenues in the General Fund	107,853
Revenues in the Capital Nonrecurring Fund	(90,630)
Revenues in the Road and Bridge Projects Fund	<u>122,620</u>
	<u>139,843</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Long-term debt issued - general obligation bonds	(4,966,000)
Principal payments on long-term debt	<u>458,046</u>
	<u>(4,507,954)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	(65,816)
Claims	16,697
Compensated absences	47,189
Pension and other post employment benefits asset/liability	<u>(188,481)</u>
	<u>(190,411)</u>
Change in Net Assets of Governmental Activities	<u>\$ 483,789</u>

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

Town of Pomfret, Connecticut

Statement of Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>99,915</u>
LIABILITIES	
Due to others	\$ <u>99,915</u>

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

Town of Pomfret, Connecticut

Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

B. Government-Wide Financial Statements

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

The Statement of Net Assets presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

C. Fund Financial Statements

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

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

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

Fund Categories

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

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

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

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

Dog Fund – This fund processes the dog licenses and related expenditures.

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

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

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

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

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

Miscellaneous Grants Fund – This fund consists of monies received from miscellaneous grants, fundraisers, and donations for the general government.

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

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

School Building Committee – This fund accounts for preliminary transactions of the school building committee.

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

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

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

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

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

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

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

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

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

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Fund Balances

Deposits, Investments and Risk Disclosure

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

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

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

Investments are stated at fair value, based on quoted market prices.

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

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

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

1. Summary of Significant Accounting Policies (Continued)

Unearned/Deferred Revenues - Unearned/deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met. Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Compensated Absences - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt and restricted. The balance is classified as unrestricted.

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

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority, a motion at a Town Meeting. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing boards.
- Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Currently, this is done by the Board of Finance. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

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

F. Encumbrances

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

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 15, 2013.

2. Stewardship, Compliance and Accountability

A. Budget Basis

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

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

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

2. Stewardship, Compliance and Accountability (Continued)

B. Budget Calendar

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

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

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

C. Budget Control

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

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

D. Expenditures in Excess of Budget

During the year \$19,744 of additional appropriations were made. After the additional appropriations, the appropriation for Board of Education expenditures was over expended by \$5,518.

E. Fund Deficit

The Capital Nonrecurring Fund has an unassigned deficit of \$94,041 and the Roads and Bridges Fund has an unassigned deficit of \$214,089 at June 30, 2012. These deficits are primarily the result of timing issues where the reimbursement were not received within 60 days.

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds

A. Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2012:

Statement of Net Assets

Cash and equivalents	\$ 2,890,865
Investments	<u>1,339,478</u>
	<u>4,230,343</u>

Fiduciary Funds

Cash and equivalents	<u>99,915</u>
Total Cash and Investments	<u><u>\$ 4,330,258</u></u>

Cash and Cash Equivalents - As of June 30, 2012 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 650,722
Plus external investment pools	1,000,572
Less Certificates of deposits (in investments)	<u>1,339,486</u>
	<u><u>\$ 2,990,780</u></u>

The bank balance of the deposits was \$3,486,214 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 994,374
Collateralized by securities held in trust	
Not in the Town's name	657,197
Uninsured and uncollateralized	<u>1,834,643</u>
	<u><u>\$ 3,486,214</u></u>

Investments – Investments are summarized as follows at June 30, 2012

	General Fund	Capital Nonrecurring	Education Grants	Road and Bridge	Other Governmental
Certificates of deposit	<u>\$ 1,339,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Below is a summary of the interest rate risk and credit risk as of June 30, 2012

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Certificates of deposit	*	<u>\$ 1,339,478</u>	<u>\$ 1,339,478</u>	<u>\$ -</u>	<u>\$ -</u>

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

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

B. Receivables, Deferred Revenue and Unearned Revenue

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

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Road and Bridge Projects	Other Governmental Funds
Property taxes	\$ 225,998	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	189,378	-
	<u>\$ 225,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,378</u>	<u>\$ -</u>

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2012

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Road and Bridge Projects	Other Governmental Funds
Advances on grants	\$ -	\$ -	\$ 1,853	\$ -	\$ 100

C. Interfund Transactions

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2012 there were no outstanding balances between funds.

Fund transfers are generally used to fund special projects with general fund revenues. In addition, the Town has a policy to transfer certain operating profits from the Recreation Commission and Dog Fund back to the General Fund annually. Transfers during the year ended June 30, 2012 were as follows:

	Transfers into				Total
	General Fund	Capital Nonrecurring Fund	Road and Bridge Projects	Other Governmental Funds	
Transfers out of General Fund	\$ -	\$ 428,600	\$ 270,000	\$ 2,500	\$ 701,100
Other governmental funds	16,782	-	-	18	16,800
	<u>\$ 16,782</u>	<u>\$ 428,600</u>	<u>\$ 270,000</u>	<u>\$ 2,518</u>	<u>\$ 717,900</u>

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

Changes in the Town's capital assets used in the governmental activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,532,046	\$ 99,959	\$ -	\$ 1,632,005
Intangible assets	3,060,000	509,916	-	3,569,916
	<u>4,592,046</u>	<u>609,875</u>	<u>-</u>	<u>5,201,921</u>
Capital assets being depreciated				
Buildings and systems	11,302,431	127,217	-	11,429,648
Land improvements	866,789	213,560	-	1,080,349
Machinery and equipment	1,317,517	8,041	(50,527)	1,275,031
Infrastructure	3,591,045	556,693	-	4,147,738
	<u>17,077,782</u>	<u>905,511</u>	<u>(50,527)</u>	<u>17,932,766</u>
Less accumulated depreciation	<u>(6,496,917)</u>	<u>(552,197)</u>	<u>42,014</u>	<u>(7,007,100)</u>
	<u>\$ 15,172,911</u>	<u>\$ 963,189</u>	<u>\$ (8,513)</u>	<u>\$ 16,127,587</u>

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 103,485
Public works	238,163
Education	210,549
	<u>\$ 552,197</u>

E. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ -	\$ 4,966,000	\$ -	\$ 4,966,000	\$ 254,000
Notes and loans	458,046	-	(458,046)	-	-
Claims and judgments	35,058	-	(16,697)	18,361	9,448
Compensated absences	459,656	-	(47,189)	412,467	20,623
OPEB obligations	486,817	188,481	-	675,298	-
	<u>\$ 1,439,577</u>	<u>\$ 5,154,481</u>	<u>\$ (521,932)</u>	<u>\$ 6,072,126</u>	<u>\$ 284,071</u>

Each governmental funds liability are liquidated by the respective fund, primarily the General Fund. Interest on these obligations are expenditures in the respective fund, primarily the General Fund.

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

3. Detailed Notes on All Funds (Continued)

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 and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2012 consisted of the following:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Land acquisition and solar panels	2012	\$ 4,966,000	2032	2.25 - 4.60%	<u>\$ 4,966,000</u>

Payments to maturity on the general obligation bonds are as follows

<u>Year End</u>	<u>General Obligation Bonds</u>		<u>Year End</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2013	\$ 254,000	\$ 175,510	2024	255,000	99,450
2014	253,000	169,795	2025	255,000	89,250
2015	253,000	164,103	2026	255,000	79,050
2016	253,000	158,410	2027	255,000	68,850
2017	253,000	152,718	2028	255,000	58,650
2018	180,000	147,025	2029	255,000	46,920
2019	230,000	141,175	2030	255,000	35,190
2020	230,000	133,700	2031	255,000	23,460
2021	255,000	126,225	2032	255,000	11,730
2022	255,000	117,938		<u>\$ 4,966,000</u>	<u>\$ 2,108,799</u>
2023	255,000	109,650			

There was \$65,816 accrued and no interest paid on general obligation bonds for the year ended June 30, 2012.

Loans and Notes Payable

Duffy Road Note - The Town has an installment note for the purchase of land in the initial amount of \$418,000. The land note is payable in monthly installments of \$5,102.23 over 95 months at an interest rate of 3.98%. The note was paid off during the year with the general obligation bond referred to above. During the year, \$1,301 of interest was incurred and expensed.

Rich Road Property Note - The Town has a second installment note for the purchase of land in the initial amount of \$600,000. The land note is payable in monthly installments of \$6,311.99 over 120 months at an interest rate of 4.75%. The note was paid off during the year with the general obligation bond referred to above. During the year, \$12,156 of interest was incurred and expensed.

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

3. Detailed Notes on All Funds (Continued)

Short-Term Debt

The Town used short-term debt during the year as follows:

	Total Available	Opening Balance	Additions	Reductions	Ending Balance
Various Properties Line of Credit	\$ 1,500,000	\$ 1,206,809	\$ -	\$ (1,206,809)	\$ -
Various Properties Note	1,000,000	999,333	-	(999,333)	-
School Roof and Panels Note	600,000	600,000	-	(600,000)	-
	<u>\$ 3,100,000</u>	<u>\$ 2,806,142</u>	<u>\$ -</u>	<u>\$ (2,806,142)</u>	<u>\$ -</u>

Each of these is at a market rate of interest, paid monthly. The principal was paid off with the general obligation bond noted above during the year ended June 30, 2012. During the year \$77,954 of interest was incurred and expensed on this short-term debt.

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. The value of all compensated absences has been reflected in the government-wide financial statements.

Claims and Judgments

The Town has a structured settlement to pay a supplemental premium assessment to the Municipal Interlocal Risk Management Agency (MIRMA). Annual payments in the amount of \$12,367 are due on July 1st through 2013. This liability is recorded at the present value of the future payments.

Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$ 7,875,780
Total tax collections (including interest and lien fees) for the year - coterminous governments	289,172
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	2,000
Debt limitation base	<u>\$ 8,166,952</u>

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 18,375,642	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	36,751,284	-	-	-
3 3/4 times base	-	-	30,626,070	-	-
3 1/4 times base	-	-	-	26,542,594	-
3 times base	-	-	-	-	24,500,856
Total debt limitation	<u>18,375,642</u>	<u>36,751,284</u>	<u>30,626,070</u>	<u>26,542,594</u>	<u>24,500,856</u>
Indebtedness					
Bonds payable					
Town	4,366,000	600,000	-	-	-
Fire District	315,002	-	-	-	-
Total indebtedness	<u>4,681,002</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 13,694,640</u>	<u>\$ 36,151,284</u>	<u>\$ 30,626,070</u>	<u>\$ 26,542,594</u>	<u>\$ 24,500,856</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 57,168,664

F. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets, Net of Related Debt - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Nonexpendable - the component of net assets that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$255,167 in principal balances on trust funds.

Restricted Net Assets – Expendable - the component of net assets that reflects funds that can only be spent subject to the laws, regulations, grants and other agreements relating to these funds. This is made up of:

General Government	\$ 51,480
Education	16,778
Public Works	314,916
Culture and Recreation	94,519
Capital Projects	70,771
	<u>\$ 548,464</u>

Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

3. Detailed Notes on All Funds (Continued)

G. Fund Balances

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Capital Nonrecurring Fund	Educational Grants Fund	Road and Bridge Projects	Other Governmental Funds
Nonspendable					
Not in spendable form					
Prepaid expenditures	\$ -	\$ -	\$ 3,125	\$ -	\$ -
Inventories	-	-	-	-	737
Required to be maintained					
Trust principal	-	-	-	-	255,167
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,125</u>	<u>\$ -</u>	<u>\$ 255,904</u>
Restricted					
General Government	\$ -	\$ -	\$ -	\$ -	\$ 51,480
Education	-	-	11,481	-	5,297
Public Works	-	-	-	-	314,916
Culture and Recreation	-	-	-	-	94,519
Capital Projects	-	70,771	-	-	-
	<u>\$ -</u>	<u>\$ 70,771</u>	<u>\$ 11,481</u>	<u>\$ -</u>	<u>\$ 466,212</u>
Committed					
Public Works	\$ -	\$ -	\$ -	292,353	\$ -
Capital Projects	-	1,815,033	-	-	-
	<u>\$ -</u>	<u>\$ 1,815,033</u>	<u>\$ -</u>	<u>\$ 292,353</u>	<u>\$ -</u>
Assigned					
General Government	\$ 263,907	\$ -	\$ -	\$ -	\$ 62,665
Education	-	-	-	-	9,040
Public Works	-	-	-	-	11,630
Culture and Recreation	-	-	-	-	27,720
To balance next year's budget	100,000	-	-	-	-
	<u>\$ 363,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,055</u>

H. Employee Retirement Systems and Pension Plans

Teachers Retirement System

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit when he or she (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers Retirement Board.

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

3. Detailed Notes on All Funds (Continued)

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (seven percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2012, the State contributed \$570,963 into the pension plan on behalf of the Town. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2012 was \$4,760,267 of which \$2,781,309 was covered under this pension plan.

Defined Contribution Plan

The Town of Pomfret, Connecticut has a defined contribution plan for general government employees and certain Board of Education employees under Internal Revenue Code 401(a). This is administered through the Aetna Life Insurance and Annuity Company. Provisions are made and amended as necessary by the Retirement Board. Contributions are based on the approved annual budget and are allocated to eligible participants on a pro rata share of their compensation compared to the total compensation for all eligible participants. Contributions in this fiscal year were as follows:

	Covered Salaries	Contributions	Percent Covered
General Government	\$ 541,450	\$ 37,000	6.8%
Board of Education	804,811	39,289	4.9%
	<u>\$ 1,346,261</u>	<u>\$ 76,289</u>	5.7%

I. Other Post Employment Benefits

Plan Description - The Pomfret Public Schools Other Post Employment Benefit Program ("OPEB") is a single-employer defined benefit plan administered by the Town in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility	Teachers and Administrators - 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 earlier of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earlier of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.
Cost Sharing	All retirees pay 100% of the premiums less the amount paid to the town by the Teachers' Retirement Board.
Plan of Coverage	Various medical, dental and pharmaceutical plans depending on whether retirement age is prior to age 65 or after 65.

3. Detailed Notes on All Funds (Continued)

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

Actuarial Assumptions and Methods

The government has elected to use the alternative approach to calculate OPEB related benefits. This allows financial statement preparers to use certain simplifying assumptions to project benefits without the use of an actuary. The significant assumptions to apply this method were developed by the Board of Education with the use of an outside vendor.

Latest Actuarial Date	June 30, 2010
Actuarial Cost Method	Entry Age
Discount Rate	3.50%
Payroll Growth Rate	2.90%
Medical Inflation	Initial rate of 8.0% grading down to an ultimate inflation rate of 4.7% in 2020 and later.
Amortization Method	Level percentage of payroll amortization
Remaining amortization	30 years, closed
Mortality	RP-2000 Mortality Table for males and females projected 10 years.
Turnover	Standard Turnover Assumptions – GASB 45 Paragraph 35b
Retirement	Average retirement age of 65
Future Retiree Coverage	100% are assumed to elect coverage at retirement

Schedule of Funding Progress

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time. Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.):

Valuation Date	Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a % of Covered Payroll
June 30, 2010	\$ -	\$ 2,805,531	\$ 2,805,531	0.0%	\$ 3,194,515	87.8%

Schedule of Employer Contributions

The schedule of employer contributions is as follows. (Data in the table below is only presented since the year of transition):

Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2012	\$ 275,657	\$ 42,685	15.5%
2011	\$ 275,657	\$ 28,364	10.3%
2010	\$ 267,888	\$ 28,364	10.6%

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

3. Detailed Notes on All Funds (Continued)

Annual Required Contribution (ARC)

The Annual Required Contribution (“ARC”) for the OPEB program consists of two pieces:

Past Service Cost (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting on July 1, 2007. The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution.

Normal Cost is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year).

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation (asset):

Annual required contribution	\$ 275,657
Interest on net OPEB obligation	17,039
Adjustment to Annual Required Contribution	<u>(17,735)</u>
Annual OPEB cost	274,961
Age adjusted contributions made	<u>(86,480)</u>
Increase in net OPEB obligation	188,481
Net OPEB obligation - beginning of the year	<u>486,817</u>
	<u><u>\$ 675,298</u></u>

The Net OPEB Obligation history is as follows. (Data in the table below is only presented since the year of transition):

Year Ended June 30	Annual APEB Cost	Actual Contribution Made	Percentage of AOC Contributed	Net OPEB Obligation
2012	\$ 274,961	\$ 86,480	31.5%	\$ 675,298
2011	\$ 275,657	\$ 28,364	10.3%	\$ 486,817
2010	\$ 267,888	\$ 28,364	10.6%	\$ 239,524

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

4. Other Information

A. Litigation

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

B. Contingencies

Grants - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

School Building Grants - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

For projects with a cost of over two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

C. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

4. Other Information (Continued)

D. Commitments

The Town has the following large commitments which are not fully described elsewhere in the statement:

Project	Amount Approved	Spent to Date	Open Commitments	Balance Remaining	Ultimately Financed With
Land Acquisition	\$ 4,000,000	\$ 3,302,200	\$ 599,000	\$ 98,800	New Debt
Land Acquisition	608,000	-	608,000	-	Grant
	<u>\$ 4,608,000</u>	<u>\$ 3,302,200</u>	<u>\$ 1,207,000</u>	<u>\$ 98,800</u>	

E. GASB Pronouncements Issued, But Not yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. This statement provides guidance for governments that are either transferors or operators of service concession arrangements. A service concession arrangement is one in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant considerations, and the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 61 – *The Financial Reporting Entity: Omnibus* – This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units, and clarifies the reporting of equity interests in legally separate organizations. This statement is effective for periods beginning after June 15, 2012.
- GASB Statement 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – This statement incorporates certain authoritative literature into the GASB codification. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – This statement discusses transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods and provides guidance for reporting them. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 65 – *Items Previously Reported as Assets and Liabilities* – This statement further clarifies that appropriate use of the financial statement elements of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for periods beginning after December 15, 2012.

4. Other Information (Continued)

Town of Pomfret, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance. This statement is effective for periods beginning after December 15, 2012.
- GASB Statement 68 - *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 30 15, 2014.

Town of Pomfret, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Taxation Effort					
Property taxes	\$ 7,716,748	\$ -	\$ 7,716,748	\$ 7,688,703	\$ (28,045)
Prior taxes	50,000	-	50,000	73,129	23,129
Interest and lien fees	35,000	-	35,000	58,068	23,068
Supplemental motor vehicle taxes	52,000	-	52,000	59,115	7,115
Miscellaneous tax fees	1,000	-	1,000	8,163	7,163
Overpayments and refunds	12,000	-	12,000	7,822	(4,178)
	<u>7,866,748</u>	<u>-</u>	<u>7,866,748</u>	<u>7,895,000</u>	<u>28,252</u>
Funds and Reserves					
Canine control	1,400	-	1,400	1,309	(91)
Intergovernmental Revenue					
Education					
Education cost sharing	3,092,817	-	3,092,817	3,093,429	612
Transportation aid	55,552	-	55,552	54,880	(672)
	<u>3,148,369</u>	<u>-</u>	<u>3,148,369</u>	<u>3,148,309</u>	<u>(60)</u>
General Government					
Mashantucket Pequot grant	19,392	-	19,392	20,781	1,389
Manufacturing machinery and equipment	25,030	-	25,030	-	(25,030)
Elderly freeze	2,000	-	2,000	2,000	-
Circuit breaker	17,488	-	17,488	17,696	208
PILOT - State owned property	49,210	-	49,210	49,230	20
PILOT - Disability	450	-	450	490	40
Circuit court	700	-	700	2,014	1,314
Library grant	1,400	-	1,400	1,328	(72)
PILOT - Boat grant	350	-	350	-	(350)
Miscellaneous	-	-	-	16,409	16,409
FEMA - emergency management	-	-	-	27,615	27,615
Telephone access	25,000	-	25,000	29,204	4,204
PILOT - Veterans exemption	4,254	-	4,254	4,891	637
Local capital improvement program	48,947	-	48,947	48,232	(715)
	<u>194,221</u>	<u>-</u>	<u>194,221</u>	<u>219,890</u>	<u>25,669</u>
Departmental Revenue					
Investment income	38,000	-	38,000	36,027	(1,973)
School fund	8	-	8	5	(3)
Hammond	110	-	110	70	(40)
Overlock	75	-	75	65	(10)
Averill	1,200	-	1,200	797	(403)
Miscellaneous local	1,000	-	1,000	5,543	4,543
Contributions/rent	12,500	-	12,500	32,502	20,002
Assessor	350	-	350	521	171
Selectmen	1,000	-	1,000	1,690	690
Pomfret Fire District	1,000	-	1,000	2,270	1,270
Yield tax	-	-	-	202	202
Registrars	50	-	50	-	(50)
Fire marshall	50	-	50	-	(50)
Building inspector	20,000	-	20,000	59,934	39,934
Cemeteries	37	-	37	24	(13)
	<u>75,380</u>	<u>-</u>	<u>75,380</u>	<u>139,650</u>	<u>64,270</u>

(Continued)

Town of Pomfret, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Town Clerk					
Conveyance	25,000	-	25,000	14,204	(10,796)
Recording	22,500	-	22,500	17,070	(5,430)
Photocopies	4,000	-	4,000	4,321	321
Vitals	3,000	-	3,000	5,151	2,151
Dog fund fees	360	-	360	405	45
Sport license	200	-	200	134	(66)
Miscellaneous	200	-	200	241	41
Map filing	200	-	200	100	(100)
Land desclassification	5,000	-	5,000	13,965	8,965
	<u>60,460</u>	<u>-</u>	<u>60,460</u>	<u>55,591</u>	<u>(4,869)</u>
Commissions					
Planning commission	2,000	-	2,000	2,273	273
Inland wetlands	1,500	-	1,500	1,699	199
Green team	50	-	50	-	(50)
Recreation commission	10,000	-	10,000	14,512	4,512
Zoning board of appeals	300	-	300	354	54
Senior center	1,000	-	1,000	-	(1,000)
	<u>14,850</u>	<u>-</u>	<u>14,850</u>	<u>18,838</u>	<u>3,988</u>
Total Revenues	<u>11,361,428</u>	<u>-</u>	<u>11,361,428</u>	<u>11,478,587</u>	<u>117,159</u>
EXPENDITURES					
General Government					
Board of finance	35,025	-	35,025	33,533	1,492
Board of selectmen	106,067	-	106,067	104,218	1,849
Treasurer	30,591	-	30,591	30,243	348
Tax collector	64,637	-	64,637	62,376	2,261
Tax assessor	58,566	-	58,566	56,101	2,465
Board of assessment appeals	900	-	900	802	98
Planning & zoning commission	24,730	-	24,730	21,082	3,648
Conservation commission	1,550	-	1,550	112	1,438
Inland wetlands commission	27,360	-	27,360	23,030	4,330
Zoning board of appeals	2,250	-	2,250	1,563	687
Regional grants	14,485	48	14,533	14,533	-
Economic development	1,450	-	1,450	1,026	424
Town counsel	18,000	-	18,000	4,843	13,157
Probate court	2,700	-	2,700	1,935	765
Town clerk	69,125	-	69,125	66,143	2,982
Central services	31,505	-	31,505	27,861	3,644
Elections & primaries	9,850	-	9,850	7,515	2,335
Registrars of voters	10,135	1,210	11,345	11,345	-
Town hall	34,115	1,925	36,040	36,040	-
	<u>543,041</u>	<u>3,183</u>	<u>546,224</u>	<u>504,301</u>	<u>41,923</u>
Public Safety					
Fire marshal	10,565	-	10,565	8,705	1,860
Civil preparedness	1,025	-	1,025	967	58
Canine control	12,965	-	12,965	12,924	41
	<u>24,555</u>	<u>-</u>	<u>24,555</u>	<u>22,596</u>	<u>1,959</u>

(Continued)

Town of Pomfret, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Public Works					
Roads & drainage	232,012	20,363	252,375	252,374	1
Snow removal	85,000	-	85,000	85,000	-
Town garage	16,275	-	16,275	11,165	5,110
Fleet maintenance	81,835	(25,087)	56,748	37,797	18,951
Bulky waster/recycling	35,200	-	35,200	26,682	8,518
Cemeteries	7,450	-	7,450	6,350	1,100
Grounds/park maintenance	17,300	-	17,300	15,147	2,153
Building inspection	24,909	-	24,909	24,098	811
	<u>499,981</u>	<u>(4,724)</u>	<u>495,257</u>	<u>458,613</u>	<u>36,644</u>
Human Services					
Health supervision and operation	19,167	126	19,293	19,292	1
Senior services	26,820	-	26,820	21,822	4,998
	<u>45,987</u>	<u>126</u>	<u>46,113</u>	<u>41,114</u>	<u>4,999</u>
Civic and Cultural					
Pomfret public library	71,552	-	71,552	70,548	1,004
Abington social library	21,000	-	21,000	21,000	-
Recreation	49,632	-	49,632	49,391	241
Community programs	3,300	-	3,300	3,171	129
Pomfret historical society	3,500	-	3,500	3,500	-
	<u>148,984</u>	<u>-</u>	<u>148,984</u>	<u>147,610</u>	<u>1,374</u>
Debt and Sundry					
Employment expense and insurance	302,700	1,415	304,115	304,115	-
Insurance	35,000	-	35,000	32,003	2,997
Loan consolidation/bond interest	385,000	-	385,000	385,000	-
Contingency	5,000	-	5,000	-	5,000
Capital and Non-recurring	313,100	-	313,100	313,100	-
	<u>1,040,800</u>	<u>1,415</u>	<u>1,042,215</u>	<u>1,034,218</u>	<u>7,997</u>
Total General Government Expenditures	2,303,348	-	2,303,348	2,208,452	94,896
Board of Education	<u>9,158,080</u>	<u>19,744</u>	<u>9,177,824</u>	<u>9,183,342</u>	<u>(5,518)</u>
Total Expenditures	<u>11,461,428</u>	<u>19,744</u>	<u>11,481,172</u>	<u>11,391,794</u>	<u>89,378</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ (119,744)</u>	86,793	<u>\$ 206,537</u>

(Continued)

Town of Pomfret, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from teachers' retirement				570,963	
Expenditures for teachers' retirement				(570,963)	
Revenues Netted with Expenditures in the Budget					
Revenues from student tuition				44,888	
Expenditures for board of education				(44,888)	
Revenues from excess cost grant				556,453	
Expenditures for board of education				<u>(556,453)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 86,793</u>	

Notes to Required Supplementary Information: A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing or refunding long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Payroll is budgeted on a cash basis; 5. The budget for the Board of Education expenditures are net with the "excess cost grant" received from the State of Connecticut as per Connecticut General Statutes 10-76g.

Town of Pomfret, Connecticut

Combining Balance Sheet
 Other Governmental Funds
 June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and equivalents	\$ 523,274	\$ 18,242	\$ 308,240	\$ 849,756
Other receivables				
Intergovernmental	7,151	-	-	7,151
Inventories	737	-	-	737
Total Assets	<u>\$ 531,162</u>	<u>\$ 18,242</u>	<u>\$ 308,240</u>	<u>\$ 857,644</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 21,770	\$ -	\$ 372	\$ 22,142
Intergovernmental	2,231	-	-	2,231
Unearned revenues	100	-	-	100
Total Liabilities	<u>24,101</u>	<u>-</u>	<u>372</u>	<u>24,473</u>
Fund Balances				
Nonspendable	737	-	255,167	255,904
Restricted	413,511	-	52,701	466,212
Assigned	92,813	18,242	-	111,055
Total Fund Balances	<u>507,061</u>	<u>18,242</u>	<u>307,868</u>	<u>833,171</u>
Total Liabilities and Fund Balances	<u>\$ 531,162</u>	<u>\$ 18,242</u>	<u>\$ 308,240</u>	<u>\$ 857,644</u>

Town of Pomfret, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Other Governmental Funds
 Year Ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
REVENUES				
Intergovernmental	\$172,288	\$ -	\$ -	\$ 172,288
Miscellaneous Grants & Contributions	-	-	674	674
Local Revenue	<u>144,162</u>	<u>105</u>	<u>3,509</u>	<u>147,776</u>
Total Revenues	<u>316,450</u>	<u>105</u>	<u>4,183</u>	<u>320,738</u>
EXPENDITURES				
Current Expenditures				
General Government	54,661	-	2,443	57,104
Public Works	27,662	-	-	27,662
Education	136,338	-	71	136,409
Capital Outlay	-	<u>15,401</u>	-	<u>15,401</u>
Total Expenditures	<u>218,661</u>	<u>15,401</u>	<u>2,514</u>	<u>236,576</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>97,789</u>	<u>(15,296)</u>	<u>1,669</u>	<u>84,162</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,518	-	-	2,518
Transfers out	<u>(15,821)</u>	-	<u>(979)</u>	<u>(16,800)</u>
Total Other Financing Sources (Uses)	<u>(13,303)</u>	-	<u>(979)</u>	<u>(14,282)</u>
Net Change in Fund Balances	84,486	(15,296)	690	69,880
Fund Balances - Beginning of Year	<u>422,575</u>	<u>33,538</u>	<u>307,178</u>	<u>763,291</u>
Fund Balances - End of Year	<u>\$507,061</u>	<u>\$18,242</u>	<u>\$ 307,868</u>	<u>\$ 833,171</u>

Town of Pomfret, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2012

	Dog Fund	Town Aid Road	Child Nutrition Fund	Recreation Commission	Town Celebrations Funds	Citizens Assistance Fund	Miscellaneous Grants Fund	Aicher Memorial	Pomfret Library Trusts	Total Special Revenue Funds
ASSETS										
Cash and equivalents	\$ 2,231	\$ 335,783	\$ 2,112	\$ 24,151	\$ 11,821	\$ 50,844	\$ 4,806	\$ 4,580	\$ 86,946	\$ 523,274
Other receivables										
Intergovernmental	-	-	7,151	-	-	-	-	-	-	7,151
Inventories	-	-	737	-	-	-	-	-	-	737
Total Assets	<u>\$ 2,231</u>	<u>\$ 335,783</u>	<u>\$ 10,000</u>	<u>\$ 24,151</u>	<u>\$ 11,821</u>	<u>\$ 50,844</u>	<u>\$ 4,806</u>	<u>\$ 4,580</u>	<u>\$ 86,946</u>	<u>\$ 531,162</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -	\$ 20,867	\$ 223	\$ 50	\$ -	\$ -	\$ 630	\$ -	\$ -	\$ 21,770
Intergovernmental	2,231	-	-	-	-	-	-	-	-	2,231
Unearned revenues	-	-	-	-	-	-	100	-	-	100
Total Liabilities	<u>2,231</u>	<u>20,867</u>	<u>223</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>730</u>	<u>-</u>	<u>-</u>	<u>24,101</u>
Fund Balances										
Nonspendable	-	-	737	-	-	-	-	-	-	737
Restricted	-	314,916	-	2,993	-	-	4,076	4,580	86,946	413,511
Assigned	-	-	9,040	21,108	11,821	50,844	-	-	-	92,813
Total Fund Balances	<u>-</u>	<u>314,916</u>	<u>9,777</u>	<u>24,101</u>	<u>11,821</u>	<u>50,844</u>	<u>4,076</u>	<u>4,580</u>	<u>86,946</u>	<u>507,061</u>
Total Liabilities and Fund Balances:	<u>\$ 2,231</u>	<u>\$ 335,783</u>	<u>\$ 10,000</u>	<u>\$ 24,151</u>	<u>\$ 11,821</u>	<u>\$ 50,844</u>	<u>\$ 4,806</u>	<u>\$ 4,580</u>	<u>\$ 86,946</u>	<u>\$ 531,162</u>

Town of Pomfret, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 Year Ended June 30, 2012

	Dog Fund	Town Aid Road	Child Nutrition Fund	Recreation Commission	Town Celebrations Funds	Citizens Assistance Fund	Miscellaneous Grants Fund	Aicher Memorial	Pomfret Library Trusts	Total Special Revenue Funds
REVENUES										
Intergovernmental	\$ -	\$ 121,390	\$ 45,612	\$ -	\$ -	\$ -	\$ 5,286	\$ -	\$ -	\$ 172,288
Local Revenue	3,540	-	89,740	39,788	216	7,523	940	143	2,272	144,162
Total Revenues	<u>3,540</u>	<u>121,390</u>	<u>135,352</u>	<u>39,788</u>	<u>216</u>	<u>7,523</u>	<u>6,226</u>	<u>143</u>	<u>2,272</u>	<u>316,450</u>
EXPENDITURES										
Current Expenditures										
General Government	2,231	-	-	24,743	343	7,571	5,211	1,942	12,620	54,661
Public Works	-	27,662	-	-	-	-	-	-	-	27,662
Education	-	-	136,338	-	-	-	-	-	-	136,338
Total Expenditures	<u>2,231</u>	<u>27,662</u>	<u>136,338</u>	<u>24,743</u>	<u>343</u>	<u>7,571</u>	<u>5,211</u>	<u>1,942</u>	<u>12,620</u>	<u>218,661</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,309</u>	<u>93,728</u>	<u>(986)</u>	<u>15,045</u>	<u>(127)</u>	<u>(48)</u>	<u>1,015</u>	<u>(1,799)</u>	<u>(10,348)</u>	<u>97,789</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	18	2,500	-	-	-	-	2,518
Transfers out	(1,309)	-	-	(14,512)	-	-	-	-	-	(15,821)
Total Other Financing Sources (Uses)	<u>(1,309)</u>	<u>-</u>	<u>-</u>	<u>(14,494)</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,303)</u>
Net Change in Fund Balance	-	93,728	(986)	551	2,373	(48)	1,015	(1,799)	(10,348)	84,486
Fund Balances - Beginning of Yea	-	<u>221,188</u>	<u>10,763</u>	<u>23,550</u>	<u>9,448</u>	<u>50,892</u>	<u>3,061</u>	<u>6,379</u>	<u>97,294</u>	<u>422,575</u>
Fund Balances - End of Yea	\$ -	\$ 314,916	\$ 9,777	\$ 24,101	\$ 11,821	\$ 50,844	\$ 4,076	\$ 4,580	\$ 86,946	\$ 507,061

Town of Pomfret, Connecticut

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2012

	School Building Committee	Recreation Park	Total Capital Projects Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and equivalents	\$ 11,630	\$ 6,612	\$ 18,242
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Assigned	\$ 11,630	\$ 6,612	\$ 18,242
	<u> </u>	<u> </u>	<u> </u>

Town of Pomfret, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Funds
 Year Ended June 30, 2012

	School Building Committee	Recreation Park	Total Capital Projects Funds
REVENUES			
Local Revenue	\$ -	\$ 105	\$ 105
EXPENDITURES			
Capital Outlay	<u>-</u>	<u>15,401</u>	<u>15,401</u>
Net Change in Fund Balances	-	(15,296)	(15,296)
Fund Balances - Beginning of Year	<u>11,630</u>	<u>21,908</u>	<u>33,538</u>
Fund Balances - End of Year	<u>\$ 11,630</u>	<u>\$ 6,612</u>	<u>\$ 18,242</u>

Town of Pomfret, Connecticut

Combining Balance Sheet
 Permanent Funds
 June 30, 2012

	Cemetery Funds	Library Funds	Youth Fund	PCS Scholarship Trusts	Library E. Woods Memorial	Total Permanent Funds
ASSETS						
Cash and equivalents	<u>\$ 166,081</u>	<u>\$ 97,200</u>	<u>\$ 1,801</u>	<u>\$ 9,009</u>	<u>\$ 34,149</u>	<u>\$ 308,240</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	<u>\$ 301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 372</u>
Fund Balances						
Nonspendable	125,292	97,200	1,801	3,641	27,233	255,167
Restricted	<u>40,488</u>	<u>-</u>	<u>-</u>	<u>5,297</u>	<u>6,916</u>	<u>52,701</u>
Total Fund Balances	<u>165,780</u>	<u>97,200</u>	<u>1,801</u>	<u>8,938</u>	<u>34,149</u>	<u>307,868</u>
Total Liabilities and Fund Balances	<u>\$ 166,081</u>	<u>\$ 97,200</u>	<u>\$ 1,801</u>	<u>\$ 9,009</u>	<u>\$ 34,149</u>	<u>\$ 308,240</u>

Town of Pomfret, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Permanent Funds
 Year Ended June 30, 2012

	Cemetery Funds	Library Funds	Youth Fund	PCS Scholarship Trusts	Library E. Woods Memorial	Total Permanent Funds
REVENUES						
Local Revenue	\$ 2,131	\$ 945	\$ 18	\$ 86	\$ 329	\$ 3,509
EXPENDITURES						
Current Expenditures						
General Government	2,443	-	-	-	-	2,443
Education	-	-	-	71	-	71
Total Expenditures	2,443	-	-	71	-	2,514
Excess (Deficiency) of Revenues Over Expenditures	(312)	1,619	18	15	329	1,669
OTHER FINANCING USES						
Transfers out	-	(961)	(18)	-	-	(979)
Net Change in Fund Balance	(312)	658	-	15	329	690
Fund Balances - Beginning of Year	166,092	96,542	1,801	8,923	33,820	307,178
Fund Balances - End of Year	\$ 165,780	\$ 97,200	\$ 1,801	\$ 8,938	\$ 34,149	\$ 307,868

Town of Pomfret, Connecticut

Combining Statement of Net Assets
 Agency Funds
 Year Ended June 30, 2012

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Student Activity Fund				
Assets				
Cash	<u>\$ 44,534</u>	<u>\$123,165</u>	<u>\$ (110,139)</u>	<u>\$ 57,560</u>
Liabilities				
Due to students	<u>\$ 44,534</u>	<u>\$123,165</u>	<u>\$ (110,139)</u>	<u>\$ 57,560</u>
Land Use Fees				
Assets				
Cash	<u>\$ (7,819)</u>	<u>\$ 15,878</u>	<u>\$ (9,502)</u>	<u>\$ (1,443)</u>
Liabilities				
Due to others	<u>\$ (7,819)</u>	<u>\$ 15,878</u>	<u>\$ (9,502)</u>	<u>\$ (1,443)</u>
Escrow Accounts				
Assets				
Cash	<u>\$ 87,812</u>	<u>\$ 175</u>	<u>\$ (44,189)</u>	<u>\$ 43,798</u>
Liabilities				
Due to others	<u>\$ 87,812</u>	<u>\$ 175</u>	<u>\$ (44,189)</u>	<u>\$ 43,798</u>
Combined Total				
Assets				
Cash	<u>\$124,527</u>	<u>\$139,218</u>	<u>\$ (163,830)</u>	<u>\$ 99,915</u>
Liabilities				
Due to others	<u>\$124,527</u>	<u>\$139,218</u>	<u>\$ (163,830)</u>	<u>\$ 99,915</u>

Town of Pomfret, Connecticut

Report of the Property Tax Collector
Year Ended June 30, 2012

Grand List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Transfer to Suspense	Net Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens	Total		
2010	-	\$7,939,251	\$54,266	\$93,527	\$7,899,990	\$7,747,819	\$28,374	\$ 3,603	\$7,779,796	\$ 916	\$ 151,255
2009	119,587	-	3,800	2,541	120,846	61,811	14,347	1,158	77,316	437	58,598
2008	28,525	-	5	326	28,204	12,844	4,622	281	17,747	709	14,651
2007	14,604	-	-	195	14,409	918	254	75	1,247	1,832	11,659
2006	1,242	-	-	200	1,042	(236)	-	-	(236)	-	1,278
2005	38	-	433	202	269	197	-	-	197	-	72
2004	(34)	-	-	199	(233)	(233)	-	-	(233)	-	-
2003	(54)	-	-	-	(54)	(54)	-	-	(54)	-	-
	<u>\$ 163,908</u>	#####	<u>\$58,504</u>	<u>\$ 97,190</u>	<u>\$8,064,473</u>	<u>\$7,823,066</u>	<u>\$47,597</u>	<u>\$ 5,117</u>	<u>\$7,875,780</u>	<u>\$ 3,894</u>	<u>\$ 237,513</u>

Town of Pomfret, Connecticut

Schedule of Changes in Fund Balance by Project
Capital Nonrecurring Fund
Year Ended June 30, 2012

	Beginning Fund Balance	Approved Budget Transfers In	Revenues and New Debt	Current Year Expenditures	Internal Transfers	Ending Fund Balance	Eliminating Deficit Balances per GASB 54	Reported Fund Balance
RESTRICTED FUND BALANCE								
Recreation Park								
Recreation fields	\$ 41,475	\$ 10,000	\$ -	\$ (50,975)	\$ -	\$ 500	\$ -	\$ 500
Fencing	10,765	-	-	(10,765)	-	-	-	-
Recreation fields fundraiser - corn maze	14,573	-	-	(14,571)	-	2	-	2
Walking trails	4,874	-	-	-	-	4,874	-	4,874
NE regional trailhead	6,404	-	5,352	(16,653)	-	(4,897)	4,897	-
Vehicles and Equipment								
Emergency Vehicles/Equip (EMPG)	(118)	-	3,000	(3,000)	-	(118)	118	-
Emergency Vehicles/Equip (ETE)	(457)	-	-	-	-	(457)	457	-
Emergency Vehicles/Equip (FEMA)	(1,577)	-	-	-	-	(1,577)	1,577	-
Emergency Vehicles/Equip (JAG)	3,029	-	-	-	-	3,029	-	3,029
Town Buildings								
PCS solar/roof project	(727,045)	-	690,613	(12,910)	-	(49,342)	49,342	-
Seely brown capital improvement	(3,467)	-	-	-	-	(3,467)	3,467	-
Rural utilities/sewer project (USDA)	(70)	-	-	-	-	(70)	70	-
Emergency shelter generator (DEMHS)	(648)	-	28,205	(27,557)	-	-	-	-
Land Preservation								
Land preservation fees - LOCIP	14,002	-	1,911	-	-	15,913	-	15,913
Land preservation fees - town clerk	4,333	-	637	-	-	4,970	-	4,970
Other								
Restoration of land records/indices	33,973	3,000	-	(8)	-	36,965	-	36,965
Historic Records Preservation	3,587	-	637	-	-	4,224	-	4,224
Grange/senior center (STEAP)	(7,146)	-	-	-	-	(7,146)	7,146	-
Airline trail - parking and kiosk (STEAP)	144	-	-	-	-	144	-	144
Old townhouse renovation (STEAP)	-	-	13,212	(13,212)	-	-	-	-
Tennis and Basketball Courts (STEAP)	(560)	-	18,302	(17,742)	-	-	-	-
Energy grant - town hall renovation	-	-	35,173	(35,023)	-	150	-	150
	(603,929)	13,000	797,042	(202,416)	-	3,697	67,074	70,771
COMMITTED FUND BALANCES								
Recreation Park								
Pomfret plan of development	7,547	-	-	-	-	7,547	-	7,547
Vehicles and Equipment								
Nonemergency vehicles/govt surplus	26,235	5,000	-	(800)	-	30,435	-	30,435
Nonemergency truck replacement	24,773	-	-	(920)	-	23,853	-	23,853
Nonemergency plows/sander	13,350	-	-	-	-	13,350	-	13,350
Radio replacement in trucks	295	-	-	-	-	295	-	295
Sander rack	3,500	-	-	-	-	3,500	-	3,500
Office equipment	2,667	-	-	-	-	2,667	-	2,667
Town Buildings								
Town hall addition	7,875	5,000	-	(7,299)	-	5,576	-	5,576
Library ramp	861	-	-	-	-	861	-	861
PCS parking lot improvements	(775)	-	-	-	-	(775)	775	-
PCS bathrooms	(2,946)	-	-	-	-	(2,946)	2,946	-
PCS boilers	(18,606)	-	-	-	-	(18,606)	18,606	-
PCS building maintenance	411	-	-	-	-	411	-	411
PCS classroom ceilings	2,677	-	-	-	-	2,677	-	2,677
PCS curbing repair	3,770	-	-	-	-	3,770	-	3,770
PCS flooring/hall	23,675	-	-	(23,675)	-	-	-	-
PCS modular siding/roof	6,105	-	-	(6,105)	-	-	-	-
PCS stage curtains	14	-	-	-	-	14	-	14
PCS technology	10,731	-	-	(15,371)	-	(4,640)	4,640	-
PCS well	30,000	-	-	(2,827)	-	27,173	-	27,173
PCS renovation and rehab.	2,790	-	-	(1,433)	-	1,357	-	1,357
Library drain/BLDG improvements	14,180	-	-	(719)	40	13,501	-	13,501
Library parking lot	40	-	-	-	(40)	-	-	-
Murdock property	26,052	500	-	(1,089)	-	25,463	-	25,463
Salt shed/booker property	71,038	-	-	-	-	71,038	-	71,038
Senior center - patio	1,500	-	-	-	-	1,500	-	1,500

Town of Pomfret, Connecticut

Schedule of Changes in Fund Balance by Project
Capital Nonrecurring Fund
Year Ended June 30, 2012

	Beginning Fund Balance	Approved Budget Transfers In	Revenues and New Debt	Current Year Expenditures	Internal Transfers	Ending Fund Balance	Eliminating Deficit Balances per GASB 54	Reported Fund Balance
Land Acquisition								
Open space land acquisition	81,654	100	6,200	-	-	87,954	-	87,954
Pomfret land preservation fund	43,059	-	-	-	-	43,059	-	43,059
Land purchase/bonds	-	-	1,167,083	(47,296)	-	1,119,787	-	1,119,787
Land acquisition of specific properties								
634 Brayman Hollow Road	(1,000,000)	-	1,000,000	-	-	-	-	-
202 and 228 Searles Road	(400,000)	-	400,000	-	-	-	-	-
343 Wrights Crossing Road	(196,810)	-	196,810	-	-	-	-	-
74 Seth Kimball and 21 Page Road	(610,000)	-	610,000	-	-	-	-	-
173 & 174 Babbit Hill Road	-	-	331,041	(329,916)	-	1,125	-	1,125
200A River Road	-	-	186,896	(186,896)	-	-	-	-
Putnam Road	-	-	7,291	(7,291)	-	-	-	-
Jericho Road	-	-	99,959	(99,959)	-	-	-	-
300 Hampton Road	-	-	1,566	(1,566)	-	-	-	-
Payoff Rich Road note	-	-	365,354	(365,354)	-	-	-	-
Other								
Long range planning	122,705	-	-	(17,025)	-	105,680	-	105,680
Computer/typewriter/office equipment	(938)	5,000	-	(534)	-	3,528	-	3,528
Revaluation	15,382	15,000	-	(12,342)	-	18,040	-	18,040
Loan consolidation/interest	-	385,000	21	(184,149)	-	200,872	-	200,872
	<u>(1,687,189)</u>	<u>415,600</u>	<u>4,372,221</u>	<u>(1,312,566)</u>	<u>-</u>	<u>1,788,066</u>	<u>26,967</u>	<u>1,815,033</u>
Unassigned Fund Balance								
GASB 54 adjustment for overages	-	-	-	-	-	-	(94,041)	(94,041)
Total Fund Balance	<u>\$(2,291,118)</u>	<u>\$ 428,600</u>	<u>\$5,169,263</u>	<u>\$(1,514,982)</u>	<u>\$ -</u>	<u>\$1,791,763</u>	<u>\$ -</u>	<u>\$1,791,763</u>

Town of Pomfret, Connecticut

Schedule of Changes in Fund Balance by Project
 Road and Bridge Projects Fund
 Year Ended June 30, 2012

	Beginning Balance	Transfers In	Annual Revenues	Internal Transfers	Annual Expenditures	Ending Fund Balance	Eliminate Deficits Per GASB 54	Reported Fund Balance
Restricted Fund Balances								
Covell Road Bridge	\$ 6,785	\$ -	\$ 61,255	\$ -	\$ (155,640)	\$ (87,600)	\$ 87,600	\$ -
Committed Fund Balances								
Road Projects								
Longmeadow Drive	70,000	-	-	-	-	70,000	-	70,000
Covell Road	40,916	-	-	-	(39,263)	1,653	-	1,653
River Road drainage	45,319	-	-	-	-	45,319	-	45,319
Regrade gravel bank	15,935	-	-	-	-	15,935	-	15,935
Taft Pond Road	15,000	-	-	-	-	15,000	-	15,000
Fay Road reclaim	(273)	-	-	-	-	(273)	273	-
Cheney Road	(6,410)	50,000	-	-	(57,622)	(14,032)	14,032	-
Brooklyn Road	11,653	-	-	-	-	11,653	-	11,653
Railroad Street	(744)	-	-	744	-	-	-	-
Culverts - Grosvenor	(26,363)	-	-	(744)	-	(27,107)	27,107	-
Wolf Den Drive - FEMA grants	-	-	10,078	-	-	10,078	-	10,078
Allen Road	36,200	-	-	-	-	36,200	-	36,200
Stoddard Road	-	70,000	-	-	(84,032)	(14,032)	14,032	-
Wade Road - grind and repave	-	150,000	-	-	(87,755)	62,245	-	62,245
Dennis Road	-	-	-	-	(71,045)	(71,045)	71,045	-
Bridge Projects								
Wolf Den Drive/Covell Road	24,270	-	-	-	-	24,270	-	24,270
	<u>225,503</u>	<u>270,000</u>	<u>10,078</u>	<u>-</u>	<u>(339,717)</u>	<u>165,864</u>	<u>126,489</u>	<u>292,353</u>
Unassigned Fund Balance								
GASB 54 Adjustment	-	-	-	-	-	-	(214,089)	(214,089)
Total Road and Bridge Projects	<u>\$ 232,288</u>	<u>\$ 270,000</u>	<u>\$ 71,333</u>	<u>\$ -</u>	<u>\$ (495,357)</u>	<u>\$ 78,264</u>	<u>\$ -</u>	<u>\$ 78,264</u>

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

**The Board of Finance
Town of Pomfret, Connecticut**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pomfret, Connecticut ("Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 15, 2013. 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.

Internal Control over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

This report is intended for the information and use of the management, Board of Finance, others within the Town, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP

Wethersfield, Connecticut
February 15, 2013

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance

Independent Auditor's Report

**The Board of Finance
Town of Pomfret, Connecticut**

Compliance

We have audited the Town of Pomfret, Connecticut's ("Town") compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2012. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over

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compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2012, and have issued our report thereon dated February 15, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Town's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Town's compliance but not to provide an opinion on the effectiveness of the Town's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

Wethersfield, Connecticut
February 15, 2013

Town of Pomfret, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2012

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
State Aid to Public Libraries	11000-CSL66051-17003	\$ 1,208
Connecticard	11000-CSL66051-17010	120
Department of Environmental Protection		
Small Town Economic Assistance Program (DEP)	12052-DEP43153-40531	17,742
Department of Transportation		
Town Aid Roads	12001-DOT57131-17036	27,662
Department of Economic and Community Development		
Small Town Economic Assistance Program (ECD)	12052-ECD46555-42411	13,212
Office of Policy and Management		
Property Tax Relief for Disability Exemption	11000-OPM20600-17011	490
Property Tax Relief for Elderly and Totally Disabled (CB)	11000-OPM20600-17018	17,696
Property Tax Relief for Elderly Homeowners - Freeze	11000-OPM20600-17021	2,000
Property Tax Relief for Veterans	11000-OPM20600-17024	4,891
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	48,232
PILOT on State Owned Property	11000-OPM20600-17004	49,230
Department of Education		
Child Nutrition Program (School Lunch State Match)	11000-SDE64370-16211	2,204
Health Foods Initiative	11000-SDE64370-16212	4,790
Adult Education	11000-SDE64370-17030	<u>6,015</u>
Total State Financial Assistance before Exempt Programs		<u>195,492</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	3,109,514
Public School Transportation	11000-SDE64370-17027	54,880
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	540,368
School Construction Grants - Principal	13009-SDE64370-40901	38,309
Office of the State Comptroller		
Grants to Towns	12009-OSC15910-17005	20,781
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	<u>16,409</u>
Total exempt programs		<u>3,780,261</u>
Total State Financial Assistance		<u>\$ 3,975,753</u>

See Accountants' Report

Town of Pomfret, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Pomfret, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The expenditures reported on the Schedule of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of Pomfret, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted Yes No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

Yes No

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Roads	12001-DOT57131-17036	\$27,662
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$48,232
PILOT on State Owned Property	11000-OPM20600-17004	\$49,230

Dollar threshold used to distinguish between type A and type B programs:

\$100,000

Section II - Financial Statement Findings

No matters were reported.

Section III - State Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to State financial assistance programs.

Town of Pomfret, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Internal Control Findings:

MW-11-01 – Controls over the Financial Reporting Process

Criteria – Management should have timely and accurate financial reports available throughout the year to make informed decisions.

Condition – We made substantial adjustments to the Town's financial reports.

Context – Significant one time transactions were not recorded in the Capital Nonrecurring Fund. These totaled over \$3.6 million dollars of the \$4.6 million dollars of expenditures in the fund.

Effect – Transactions that did not affect the bank accounts were not recorded. This included purchases paid directly with new debt, capital expenditures paid directly by a grantor, etc. This caused significant debt, revenues and expenditures to be omitted from the Town's internal reporting.

Cause – Transactions that were out of the ordinary were not booked. This was not noticed since the accounting records were not used to monitor the budgets (see MW-11-2).

Current Status – The finding has been corrected.

MW-11-02 – Controls over Capital Budgets

Criteria – Town Meetings are required to approve budgets in the Capital Nonrecurring Fund. Expenditures cannot exceed the amount approved by the Town Meeting.

Condition – The accounting records do not monitor the expenditures against the budgets in the Capital Nonrecurring Fund.

Context – The Town approved purchasing \$4,000,000 of open space. Some alternate procedures are used to monitor some of the expenditures, but this is not tied to the accounting records and did not include all of the expenditures. In addition, the Town approved \$600,000 for a new roof and solar panels on the school.

Effect – The total (net) expenditures for the new roof and solar panels exceeded the budget. Since the budget was not being monitored, this was not identified in a timely manner to approve an additional appropriation.

Current Status – The finding has been corrected.

Town of Pomfret, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Material Noncompliance:

MNC 11-01 – Expenditures Exceeding Budget

Criteria – State Statutes require all expenditures through the Capital Nonrecurring Fund to be approved in a Town Meeting. Expenditures cannot exceed the approved budget.

Condition – The Town exceeded the expenditures approved at a Town Meeting.

Context - A Town Meeting approved \$600,000 for a new roof and solar panels on the school. The actual expenditures to June 30, 2011 were \$1,789,226. Total grants received were \$1,034,420. The net expenditures were, therefore, \$754,806.

Cause – The Town Meeting apparently only approved what was considered to be the net expenditures – after grants. In addition, the expenditures against the budget were not being monitored (see MW-11-02).

Current Status – The finding has been corrected.

**Report on Compliance with Requirements that Could Have a Direct and Material Effect on
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133, and on the Schedule of
Expenditures of Federal Awards**

Independent Auditors' Report

**To the Board of Finance
Town of Pomfret, Connecticut**

Compliance

We have audited the Town of Pomfret, Connecticut's ("Town") compliance of the with the types of compliance requirements described in the U. S. Office of Management and Budget's (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2012. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 15, 2013 which contained unqualified opinions on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Town's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Town's compliance but not to provide an opinion on the effectiveness of the Town's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

Wethersfield, Connecticut
February 15, 2013

Town of Pomfret, Connecticut

Schedule of Expenditures of Federal Assistance
For the Year Ended June 30, 2012

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Federal Program Expenditures
Department of Education:		
Received Directly:		
Rural Education Achievement Program (REAP)	84.358	\$ 37,947
Passed through the State of Connecticut:		
Title I - Current	84.010	19,852
Title II - Part A, Improving Teacher Quality State Grant - Current	84.367	17,545
Title II - Part A, Improving Teacher Quality State Grant - Carryover	84.367	3,245
		<u>20,790</u>
Title III - Part A, English Language Acquisition Grants - Current	84.365	39,962
Title V - Innovative Education - Current	84.298	4,885
Special Education Grants to States (IDEA, Part B) - Current	84.027	145,384
Special Education Grants to States (IDEA, Part B) - Carryover	84.027	12,847
		<u>158,231</u>
Special Education Preschool Grant (IDEA, Preschool)	84.173	4,696
Education Jobs Fund (ARRA) - Current	84.410	43,511
Education Jobs Fund (ARRA) - Carryover	84.410	1,101
		<u>44,612</u>
Total Department of Education		<u>330,975</u>
Department of Agriculture:		
Passed through the State of Connecticut:		
National School Lunch Program (NSLP)	10.555	33,981
School Breakfast Program (SBP)	10.553	5,011
Special School Milk	10.556	599
Total Department of Agriculture		<u>39,591</u>
Department of Energy		
Passed through the State of Connecticut:		
State Energy Program	81.041	35,023
Total Environmental Protection Agency		<u>35,023</u>
Department of Transportation:		
Passed through the State of Connecticut:		
Highway Planning and Construction	20.205	124,512
Total Department of Transportation		<u>124,512</u>
Department of Homeland Security:		
Passed through the State of Connecticut:		
State Homeland Security Grant	97.073	27,557
Emergency Management Performance Grant	97.042	3,000
Disaster Grants - Public Assistance for Presidentially Declared Disasters	97.036	37,224
Total Department of Homeland Security		<u>67,781</u>
Total Federal Financial Assistance		<u>\$ 597,882</u>

Town of Pomfret, Connecticut

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

1. Summary Of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal award programs for the year ended June 30, 2012. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

Basis of Accounting

The financial statements for the governmental fund types contained in Town of Pomfret, Connecticut's ("Town") basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Town of Pomfret, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of report issued on compliance for major programs: Unqualified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

The following schedule reflects the major programs included in the audit:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Grants to State (IDEA, Part B)
84.173	Special Education Preschool Grant (IDEA, Preschool)
84.410	Education Jobs Fund (ARRA)
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
Auditee qualified as a low risk auditee? yes no

Section II - Financial Statement Findings:

No financial statement findings noted

Section III - Federal Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to Federal financial assistance programs.

Town of Pomfret, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

IV. Summary Schedule of Prior Audit Findings

Internal Control Findings:

MW-11-01 – Controls over the Financial Reporting Process

Criteria – Management should have timely and accurate financial reports available throughout the year to make informed decisions.

Condition – We made substantial adjustments to the Town's financial reports.

Context – Significant one time transactions were not recorded in the Capital Nonrecurring Fund. These totaled over \$3.6 million dollars of the \$4.6 million dollars of expenditures in the fund.

Effect – Transactions that did not affect the bank accounts were not recorded. This included purchases paid directly with new debt, capital expenditures paid directly by a grantor, etc. This caused significant debt, revenues and expenditures to be omitted from the Town's internal reporting.

Cause – Transactions that were out of the ordinary were not booked. This was not noticed since the accounting records were not used to monitor the budgets (see MW-11-2).

Current Status – The finding has been corrected.

MW-11-02 – Controls over Capital Budgets

Criteria – Town Meetings are required to approve budgets in the Capital Nonrecurring Fund. Expenditures cannot exceed the amount approved by the Town Meeting.

Condition – The accounting records do not monitor the expenditures against the budgets in the Capital Nonrecurring Fund.

Context – The Town approved purchasing \$4,000,000 of open space. Some alternate procedures are used to monitor some of the expenditures, but this is not tied to the accounting records and did not include all of the expenditures. In addition, the Town approved \$600,000 for a new roof and solar panels on the school.

Effect – The total (net) expenditures for the new roof and solar panels exceeded the budget. Since the budget was not being monitored, this was not identified in a timely manner to approve an additional appropriation.

Current Status – The finding has been corrected.

Town of Pomfret, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Material Noncompliance:

MNC 11-01 – Expenditures Exceeding Budget

Criteria – State Statutes require all expenditures through the Capital Nonrecurring Fund to be approved in a Town Meeting. Expenditures cannot exceed the approved budget.

Condition – The Town exceeded the expenditures approved at a Town Meeting.

Context - A Town Meeting approved \$600,000 for a new roof and solar panels on the school. The actual expenditures to June 30, 2011 were \$1,789,226. Total grants received were \$1,034,420. The net expenditures were, therefore, \$754,806.

Cause – The Town Meeting apparently only approved what was considered to be the net expenditures – after grants. In addition, the expenditures against the budget were not being monitored (see MW-11-02).

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