



**TOWN OF PROSPECT, CONNECTICUT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**  
  
**with**  
**SUPPLEMENTAL STATEMENTS AND SCHEDULES**  
**and**  
**INDEPENDENT AUDITOR'S REPORT**



**TOWN OF PROSPECT, CONNECTICUT  
ANNUAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Prospect, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Prospect, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Prospect, Connecticut's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Prospect, Connecticut, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 7–19), the required supplementary information (pages 61-66), the Schedule of the Town's Proportionate Share of the Net Pension Liability (page 59), and the Schedule of Town Contributions (page 60) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the Town of Prospect, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Prospect, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Charles H. Kane, CPA". The signature is written in a cursive style with a large, stylized "C" and "K".

Waterbury, Connecticut  
December 13, 2018

## **Management's Discussion and Analysis**

### **Introduction**

This Annual Financial Report incorporates financial reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Prospect, focus on our most important, or "major" funds, including the general fund.

Fund statements measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether Prospect's financial position has improved or deteriorated as a result of the year's operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of your government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of the Town of Prospect in its entirety, including the year's operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services you have requested of us;
- See how we finance the programs you have asked for – through user fees and other program revenues - versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, water mains, schools, parks, and other infrastructure assets;
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

- ✱ **Management Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the government's financial activities. The MD&A provides an objective and easily readable analysis of the Town's financial activities based on currently known facts, decisions, or conditions. The MD&A

- ❑ Includes comparisons of the current year to the prior year based on government-wide information;
- ❑ Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- ❑ Analyzes significant changes in fund and major budget variances;
- ❑ Describes capital asset and long-term debt activity during the year;
- ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

## ✱ **Basic Financial Statements**

➤ **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Town of Prospect's finances, in a manner similar to private-sector business.

- The Government-Wide Financial Statements include a *statement of net position* that presents information on all of the Town of Prospect's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Prospect is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. Both of the government-wide financial statements distinguish functions of the Town of Prospect that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town of Prospect conducts no business-type activities. The governmental activities of the Town include general government, public safety, public works, parks and recreation, health and human services, education, other expenditures, and payment of interest on long-term debt. Thus, the government-wide financial statements include only the Town of Prospect itself (known as the *primary government*);
- Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements.

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net position is reported as capital assets net of related debt (net investment in capital assets), restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position are shown as either expendable or nonexpendable.



Expenses are presented reduced by program revenues, resulting in a measurement of “net (expense) revenue” for each of the government’s functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

➤ **Fund Financial Statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Prospect, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental fund* financial statements include financial data for the general fund, special revenue funds, capital projects, debt service, and permanent funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Prospect maintains three major governmental funds (general fund, police special duty, and housing rehabilitation fund), five non-major special revenue funds, and four non-major capital projects funds, all of which are governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the two other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. Prospect adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary government funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Separate columns are shown for each major governmental fund and for consolidated non-major governmental funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds and at least 5 percent of the aggregate amount for all governmental funds. In addition to funds that meet the major fund criteria, any other governmental fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

Governmental fund balances are segregated into nonspendable, restricted, committed, assigned, and unassigned categories as described in Note 1D to the financial statements.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used for our own programs. We must show a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary fund statements also disclose interfund loans, interfund services provided and used, and interfund transfers.

➤ Notes to the Financial Statements

- Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.

➤ Required Supplementary Information (RSI)

- Connecticut Municipal Employees Retirement System:  
Schedule of the Town's Proportionate Share of the Net Pension Liability  
Schedule of Town Contributions
- Schedule of Revenue and Expenditures Detail –  
Budget and Actual (Budgetary Basis) – General Fund
- Note to Schedule of Revenue and Expenditures Detail –  
Budget and Actual (Budgetary Basis) – General Fund

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

We hope the financial reporting model will serve as a comprehensive way to demonstrate our stewardship in the long term in addition to the way we currently demonstrate our management in the short term and through the budgetary process.

As management of the Town of Prospect, we offer readers of the Town's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished elsewhere in this report.

## Financial Highlights

- The assets of the Town of Prospect exceeded its liabilities at the close of the most recent year by \$21,663,752 (net position). Of this amount, \$2,763,859 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,336,956 primarily due to an increase in fund balances of \$266,654, an excess of capital expenditures (\$2,091,125) over depreciation charges (\$1,160,007) of \$931,118, and a reduction in outstanding debt of \$1,045,012. Offsetting these positive inputs was \$833,375 of new debt.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,905,550, a net increase of \$266,654 in comparison with the prior year. Of the total fund balance, \$2,435,977, or 62.4%, is available for spending at the government's discretion (unassigned fund balance).
- The unassigned fund balance for the general fund increased by \$68,166 from \$2,367,811 to \$2,435,977 while total fund balance decreased by \$73,429. The June 30, 2018 balance is 7.7% of total general fund expenditures of \$31,793,928.
- Prospect's total bonded debt decreased by \$61,666, the difference between repayments of \$811,666 and new debt of \$750,000.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town of Prospect, assets exceeded liabilities by \$21,663,752 at the close of the most recent fiscal year.

**Table 1. Net Position**

	Total Primary Government 2018	Total Primary Government 2017
Current and Other Assets .....	\$ 5,421,926	\$ 5,318,476
Capital Assets, net of depreciation .....	19,826,454	18,895,336
Total Assets .....	25,248,380	24,213,812
Deferred Outflows of Resources .....	61,942	115,406
Long-Term Obligations Outstanding ....	3,163,237	3,374,874
Other Liabilities .....	483,333	627,548
Total Liabilities .....	3,646,570	4,002,422
Net Position:		
Net Investment in Capital Assets	17,706,513	16,556,489
Restricted .....	1,193,380	1,111,629
Unrestricted .....	2,763,859	2,658,678
Total Net Position .....	\$ 21,663,752	\$ 20,326,796

By far the largest portion of the Town's net position, \$17,706,513, or 81.7%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. Prospect uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

*Restricted net position* consists of \$859,880 of the Housing Rehabilitation Fund, which may be used to carry out the objectives of that program, \$257,296 for capital expenditures of the library in accordance with the donors' bequests, and \$76,204 of Town Aid Road unexpended grant proceeds.

*Unrestricted net position* of \$2,763,859 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities accounted for the entire net position increase of \$1,336,956 during the current fiscal year. Key elements of this increase are as follows:

**Table 2. Changes in Net Position**

	Total Primary Government 2018	Total Primary Government 2017
Revenues:		
Program Revenues:		
Charges for Services.....	\$ 767,885	\$ 984,004
Operating Grants and Contributions.....	4,871,712	5,477,190
Capital Grants and Contributions.....	120,273	88,985
General Revenues:		
Property Taxes.....	26,703,735	25,268,646
Grants and Contributions not Restricted to Specific Purpose..	166,595	379,420
Investment Earnings.....	17,374	15,949
Other General Revenues.....	103,299	121,919
Total Revenues .....	<u>\$ 32,750,873</u>	<u>\$ 32,336,113</u>
Program Expenses:		
General Government .....	\$ 2,665,384	\$ 2,678,594
Public Safety .....	2,100,240	2,168,374
Public Works.....	2,072,273	2,640,415
Parks and Recreation .....	915,059	782,689
Health and Human Services .....	435,121	400,318
Education.....	23,036,797	22,015,679
Other Expenditures.....	146,796	382,823
Interest on Long-Term Debt.....	42,247	42,871
Total Governmental Activities.....	<u>\$ 31,413,917</u>	<u>\$ 31,111,763</u>
Increase (Decrease) in Net Position .....	<u>\$ 1,336,956</u>	<u>\$ 1,224,350</u>

The Town brought in net general revenues of \$26,991,003, which exceeded its net operating expenditures of \$25,654,047. Gross revenues amounted to \$32,750,873. Gross expenses of \$31,413,917 were offset by \$767,885 in charges for services, \$4,871,712 in operating grants and contributions, and \$120,273 in capital grants. Of the net expenditures, \$18,430,430 was accounted for by Regional School District No. 16 assessments. Net public safety of \$2,021,384, net public works expenditures of \$1,994,743, net general government outlays of \$1,956,612, and net parks and recreation costs of \$748,809 accounted for almost all of the remaining balance. The Town's general revenues derived from \$26,703,735 in tax collections, \$166,595 of unrestricted grants and contributions, and \$120,673 in other general revenues and investment income.

- Property tax revenue increased by \$1,435,089 (+5.7%) over FY 2017. Actual collections of property tax, interest, and lien fees during FY 2018, \$26,704,625, exceeded the budgeted figure by \$240,668.
- Charges for services decreased by \$216,119 (-22.0%) due to a decrease in police special duty revenue of \$314,204 offset by increases in recreation fees, building inspections and property conveyance tax.
- General revenue grants decreased \$212,825 (-56.1%) due to State of Connecticut budget cuts.
- Net education expenditures increased \$1,021,118 after reducing the cost by the prior year refund which was \$498,141 in FY 2018 as compared to \$405,560 in FY 2017. Due to budget cuts, the State Education Cost Sharing grant decreased \$691,242 (-13.0%). Our share of the Region's budget, based on the Average Daily Membership (ADM), increased from 60.764% to 61.125%.

Chart 1 presents the costs of each of the Town's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

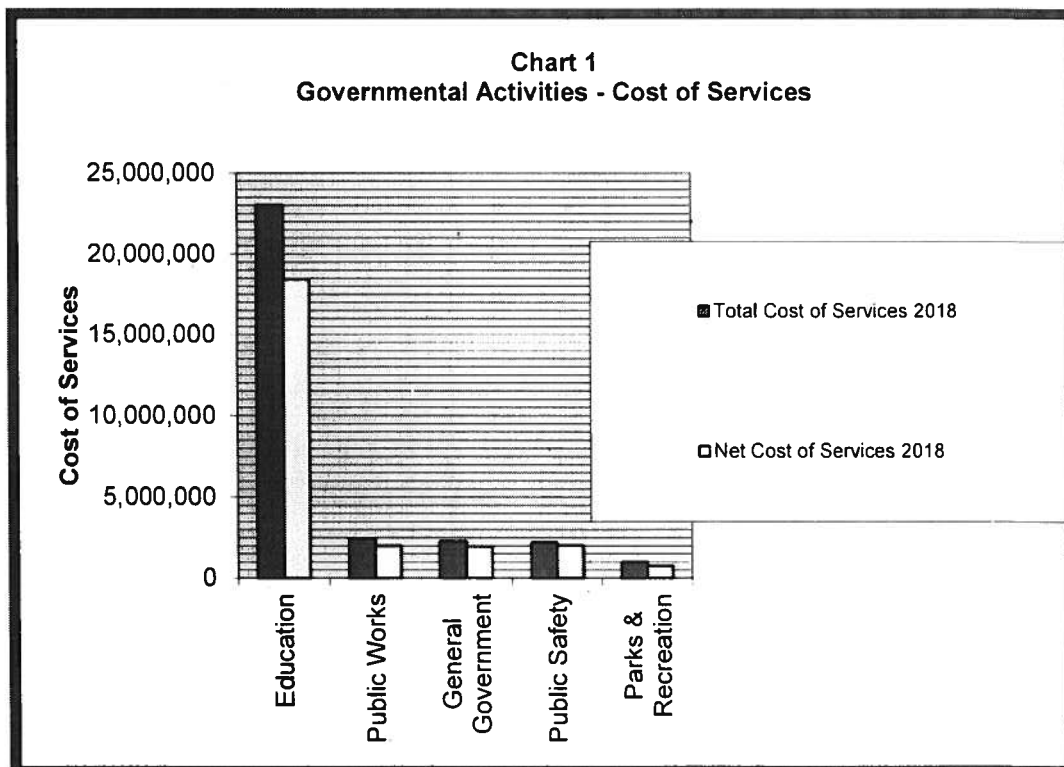
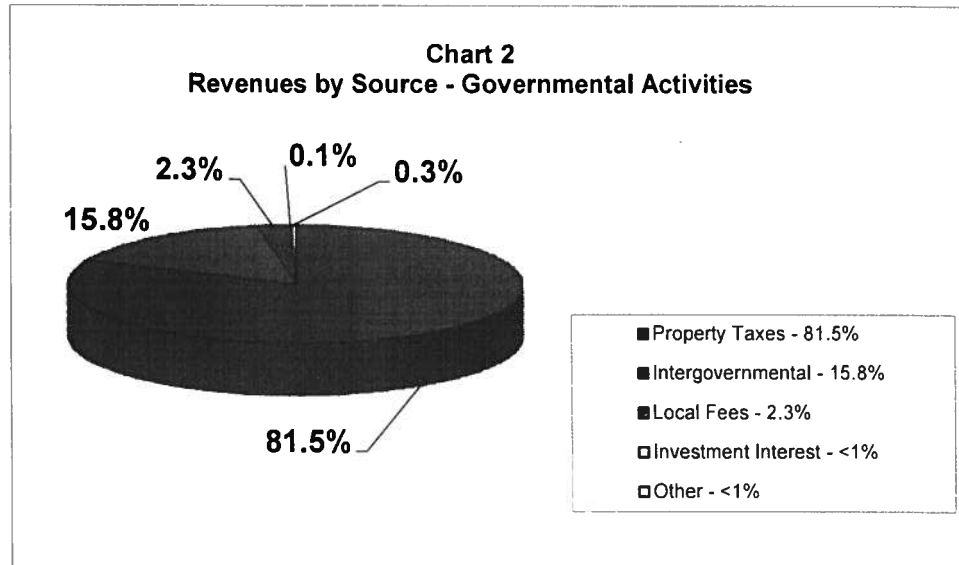


Chart 2 below reflects what percentage of our total revenue is contributed by each of five primary sources. As with most local governments in Connecticut, Prospect relies heavily on the property tax to fund education and other town services.



### Financial Analysis of the Government's Funds

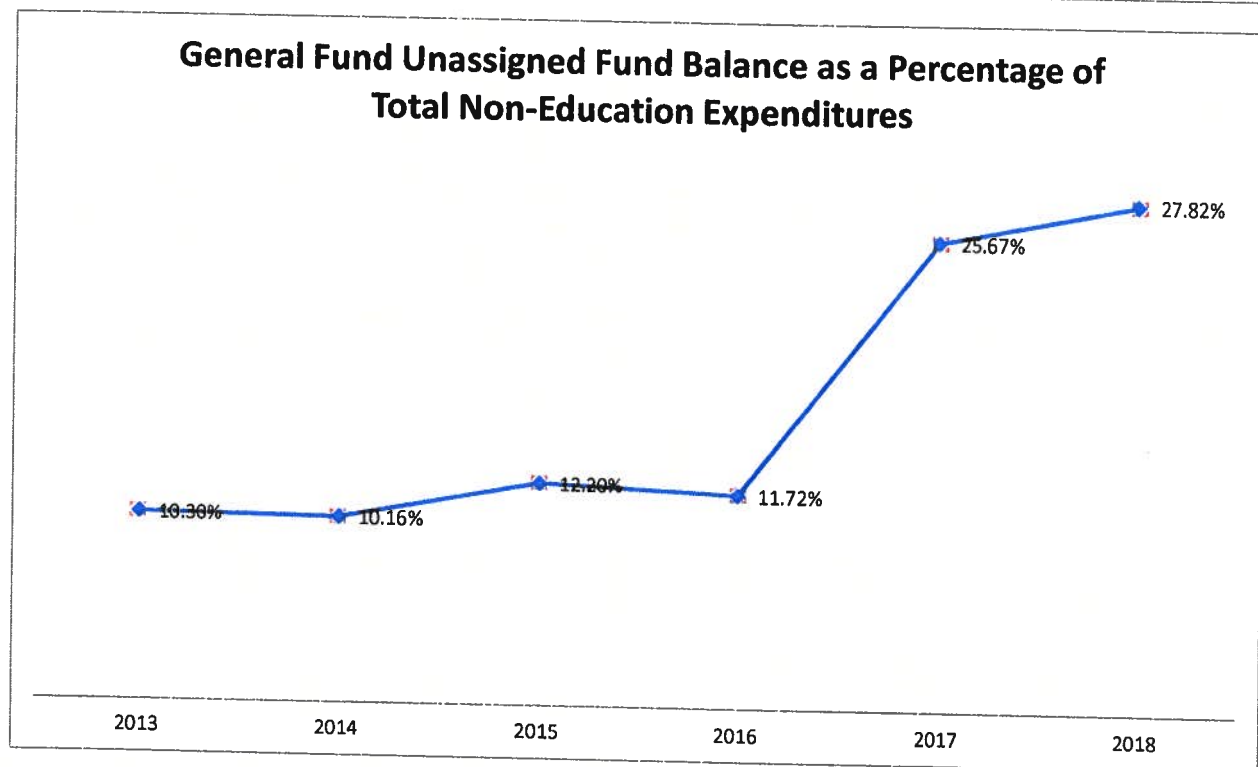
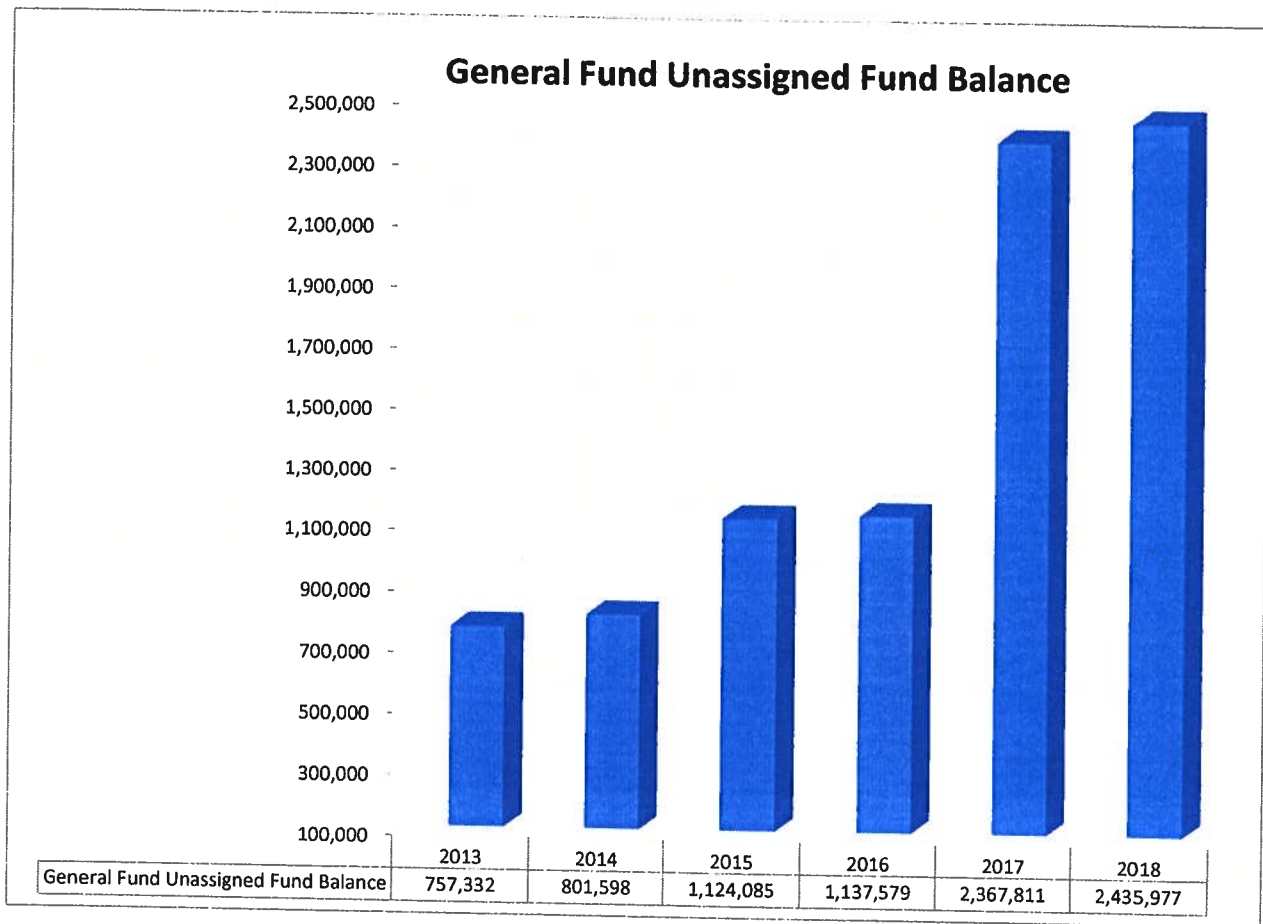
As noted earlier, Prospect uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,905,550, an increase of \$266,654 in comparison with the prior year. About 81% of fund balance, \$3,178,828, constitutes *unrestricted fund balance* (assigned plus unassigned) which is available for spending at the government's discretion. The remainder of the fund balance is restricted for future capital expenditures (\$372,054), or committed for other purposes (\$354,668).

The general fund is the chief operating fund of the Town of Prospect. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,435,977. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance to total general fund expenditures. Unassigned fund balance represents 7.66% of total general fund expenditures of \$31,793,928 and 27.82% of non-education expenditures of \$8,757,131.

The Town's total general fund balance decreased by \$73,429 to a total of \$2,435,977 during the current fiscal year. The Town's revenues and expenditures both experienced favorable variances, which allowed \$1,236,834 to be transferred to the Capital and Nonrecurring Fund. Detail of the transfer and the projects to be funded are listed on page 74 of this report.



## **General Fund Budgetary Highlights**

The original budget contemplated total revenue and transfers in of \$32,227,960 equal to the total expenditures and transfers out. The final budget reflected additional appropriations and transfers of \$3,117,151. The significant differences in the original and final budget can be explained as follows:

- \$81 thousand increase in legal fees primarily for negotiations with unions.
- \$21 thousand increase in automated processing of records for a new computer server.
- \$79 thousand increase to town buildings.
- Benefits – Town employees had a favorable variance of \$108 thousand for medical insurance premiums.
- \$133 thousand increase in the public safety budget for police wages, which was offset by transfers from the police special duty special revenue fund.
- \$50,970 of unexpended recreation - park development funds were transferred to the Capital & Nonrecurring Fund for the gym floor replacement project.

Actual revenues, without considering proceeds of general obligation notes, compared to the original budget were favorable by \$477,514

- The Region 16 School District reduced the current year funding by \$739,488, of which \$299,003 was related to budgeted special education grant funds received directly by the School District instead of by the Town.
- Tax collections overall were \$240,668 greater than anticipated. Collections on the current grand list and automobile supplement were \$233,868 favorable at a collection rate of 98.90% of the original assessment. Unfavorable collection of previous years tax in the amount of \$30,195 was offset by \$36,995 favorable collection of interest and lien fees.
- State of Connecticut budget cuts caused a \$165,070 unfavorable variance in municipal revenue sharing and a \$78,982 unfavorable variance in revenue reimbursement for the elderly.
- Revenue exceeded budgeted amounts for building inspections by \$48,423 (+74.5%) and for property conveyance tax by \$43,804 (+62.6%).

\$1,833,000 proceeds of general obligation notes were used to refinance \$1,083,000 of existing general obligation notes and to fund \$750,000 for the Road Safety 2017 program.

A total of \$1,236,834 was transferred to the Capital and Nonrecurring Fund. Detail of the appropriations is included in the Schedule of Changes in Fund Balance by Project on page 74.

## **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Prospect's investment in capital assets for its governmental assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, water mains, and bridges. The net increase in the Town's investment in capital assets for the current fiscal year (before depreciation of \$1,160,007 and after dispositions of \$377,775) was \$2,091,125 for governmental activities. After accounting for accumulated depreciation, capital assets increased by \$931,118, to \$19,826,454.



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

- We expended \$1,933,281 for road infrastructure which included regular road reconstruction, sidewalks and repair.
- We purchased a public safety vehicle in the amount of \$42,348.

**Table 3. Capital Assets at Year-end (Net of Depreciation)**

	Total Primary Government	
	2018	2017
Land	\$ 1,536,054	\$ 1,536,054
Buildings and Improvements	5,903,835	6,047,881
Infrastructure	10,739,614	9,515,268
Vehicles	1,227,493	1,389,596
Furnishings and Equipment	419,458	406,537
Totals	<u>\$18,290,400</u>	<u>\$17,359,282</u>

Additional information on the Town of Prospect's capital assets can be found in Note 4 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Prospect had no long-term bonded debt outstanding and \$1,833,000 of bond anticipation notes. The BAN issue refinanced \$1,083,000 of existing BAN and added \$750,000 for Road Safety 2017. 100% of the Town's debt is general obligation backed by the full faith and credit of the government. See Note 5, Long-Term Debt, of this report for more information.

Prospect is a member town of Regional School District No. 16 along with the Town of Beacon Falls. As such, Region 16's \$26,720,000 of long-term debt represents overlapping debt to the Town, for which it has also pledged its full faith and credit. The State reimburses the District for principal and interest on its long-term debt at about 72% for bonds authorized prior to 1996. Prospect's share of the district's debt is based on the average daily membership (ADM) of Prospect students attending the regional facility on October 1 of the preceding year. For the fiscal year 2018, Prospect's ADM percentage was calculated to be 61.125%, and the Town's share of the District debt at the ADM rate amounts to \$16,332,600.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times its tax collections plus interest and lien fees. For June 30, 2018, the maximum amount of borrowing permitted under the formula is \$177,386,972. Net direct borrowings of \$1,833,000, \$900,000 authorized but unissued BAN, and the Town's share of overlapping regional school district debt of \$16,332,600 totals \$19,065,600 and represents the Town of Prospect's outstanding general obligation net debt. This debt is well below the maximum debt limitation (see "Statement of Statutory Debt Limitation" on page 76 of this report).

For fiscal year June 30, 2009, the Town adopted Governmental Accounting Standards Board (GASB) Statement #45 – *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. At June 30, 2018, the Town's net OPEB obligation is \$646,021 and is reflected as a long-term liability in the Statement of Net Position. The annual required contribution (ARC) for fiscal year 2018 was \$83,375 and is reported as an expense in the Statement of Activities.

For fiscal year June 30, 2015, the Town implemented the accounting principles of GASB Statement #68 – *Accounting and Financial Reporting for Pensions*. This Statement requires the Town to recognize its proportionate share of the net pension liability of the Connecticut Municipal Employees Retirements System (CMERS). At June 30, 2018, \$275,962 was recognized as a long-term liability in the government-wide Statement of Net Position and \$56,867 was included as the Town's proportionate share of pension expense in the Statement of Activities.

### **Economic Factors and Next Year's Budget**

- The unemployment rate for the Town of Prospect was 3.9% as of June 30, 2018, which is a decrease from an adjusted rate of 4.1% twelve months ago. This compares favorably to the state's average unemployment rate of 4.5% and the national average rate of 4.0% (not seasonally adjusted).
- Inflationary trends in the region compare favorably to the national indices.
- The State of Connecticut financial aid is expected to remain level at best.
- Prospect's total budget for FY 2018-19 reflects a \$27,879 increase (+0.09%) from \$32,227,960 to \$32,255,839.
- The Town budget (excluding education) increased \$185,984 from the FY 2018 budget figure of \$8,451,675 to \$8,637,659, an increase of 2.20%.
- The total cost of education for Prospect at Regional School District No. 16 decreased \$158,105, (-0.66%), from \$23,776,285 to \$23,618,180. The ADM rate for Prospect decreased from 61.125% to 61.060%.
- The net cost of education for Prospect at Regional School District No. 16 decreased \$516,231, (-2.70%), from \$19,108,178 to \$18,591,947.
- The Town tax levy for FY 2018-19 increased \$31,361 (+0.12%) from \$26,027,164 to \$26,058,525. The projected rate of tax collections remains at 98.5% of the grand list. The mill rate decreased 0.80% from 31.25 to 31.00 mills.

Other significant municipal revenue and expenditure changes from the FY18 budget are as follows:

#### **Revenues**

- ❖ \$177,232 increase (+3.7%) for State Education Cost Sharing for Regional School District #16.
- ❖ \$139,504 decrease (-49.2%) in State revenue sharing.
- ❖ \$25,593 decrease (-95.9%) in Mashantucket Pequot grant revenue.

#### **Expenditures**

- ❖ \$54,360 increase in employee benefits, primarily medical, life and disability (+7.7%). Detailed information was unavailable at the time the budget was approved. Cost reductions may be transferred to the Capital & Nonrecurring Fund.
- ❖ \$61,960 increase in Police (+6.7%) due to an increase for the Resident Trooper and \$8,000 for radios and equipment.

- ❖ \$61,960 increase in Police (+6.7%) due to an increase for the Resident Trooper and \$8,000 for radios and equipment.
- ❖ \$21,500 increase in workers compensation insurance (+14.5%). CIRMA has provided the Town with a maximum rate increase for FY 19.
- ❖ \$20,000 decrease in household hazardous waste from \$22,000 to \$2,000 (-90.9%). The Town of Wolcott will host household hazardous waste for FY 19.
- ❖ Debt service will increase \$25,508 (+7.5%). New principal and interest payment for Road Safety 2017 in the amount of \$82,175 offset by \$56,667 note payment for the purchase of 5 Cheshire Street, paid in full FY 18.
- ❖ Truck financing lease payments decrease \$42,240 (-24.6%) as the public works backhoe lease was retired in FY 18.

The Town plans to enter into a lease-purchase agreement to acquire a new Pierce Velocity Pumper Tanker in the amount of \$800,000 to \$850,000. The first payment on the lease would not be due until FY 20. The Town will make its final payment on another fire pumper truck in FY 19 in the amount of \$69,989.

The Town also plans to purchase a truck for the public works department. \$200,000 has been transferred to the Capital & Nonrecurring Fund.

All of these factors contributed to preparing Prospect's budget for the 2019 fiscal year.

At the close of the 2018 fiscal year, unassigned fund balance in the general fund stood at \$2,435,977. The Town has not appropriated any fund balance for spending in the 2019 fiscal year budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Prospect's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Mayor, 36 Center Street, Prospect, CT 06712.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF PROSPECT, CONNECTICUT**

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

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**ASSETS**

Cash and cash equivalents - Note 2	\$ 3,352,034
Investments - Note 2	679,836
Receivables:	
Taxes, net of allowance of \$39,301	290,394
Other receivables:	
Accounts receivable	97,300
Loans receivable	821,326
Interest and lien fees	51,844
Intergovernmental	129,192
Capital Assets - Note 4:	
Not being depreciated	1,536,054
Being depreciated, net of accumulated depreciation	<u>18,290,400</u>
<b>TOTAL ASSETS</b>	<u><b>25,248,380</b></u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related net deferred outflows	5,270
Pension contributions subsequent to the measurement date	<u>56,672</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>61,942</b></u>

**LIABILITIES**

Current Liabilities:	
Accounts payable and accrued liabilities	448,468
Accrued interest payable	34,865
Noncurrent Liabilities - Note 5:	
Due within one year	481,261
Due in more than one year	<u>2,681,976</u>
<b>TOTAL LIABILITIES</b>	<u><b>3,646,570</b></u>

**NET POSITION**

Invested in capital assets, net of related debt	17,706,513
Restricted - Expendable	1,193,380
Unrestricted	<u>2,763,859</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 21,663,752</b></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPECT, CONNECTICUT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Function/Program Activities	Program Revenues						Net (Expense) Revenue and Changes in Net Position
	Expenses	Indirect Expense Allocation	Subtotal	Charges for Services	Operating Grants	Capital Grants	
<b>Governmental Activities:</b>							
General government	\$ 2,665,384	\$ (381,251)	\$ 2,284,133	\$ 323,521	\$ 4,000	\$ -	\$ (1,956,612)
Public safety	2,100,240	99,364	2,199,604	177,087	1,133	-	(2,021,384)
Public works	2,072,273	332,027	2,404,300	48,245	241,039	120,273	(1,994,743)
Parks and recreation	915,059	71,955	987,014	219,032	19,173	-	(748,809)
Health and human services	435,121	39,898	475,019	-	-	-	(475,019)
Education	23,036,797	-	23,036,797	-	4,606,367	-	(18,430,430)
Other expenditures	146,796	(119,746)	27,050	-	-	-	(27,050)
Interest on long-term debt	42,247	(42,247)	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 31,413,917</b>	<b>\$ -</b>	<b>\$ 31,413,917</b>	<b>\$ 767,885</b>	<b>\$ 4,871,712</b>	<b>\$ 120,273</b>	<b>(25,654,047)</b>
<b>General Revenues:</b>							
Property taxes, interest and lien fees							26,703,735
Grants and contributions not restricted to specific programs							166,595
Investment income							17,374
Other income							103,299
<b>Total General Revenues</b>							<u>26,991,003</u>
<b>Change in Net Position</b>							1,336,956
<b>Net Position - Beginning of the Year</b>							<u>20,326,796</u>
<b>Net Position - End of the Year</b>							<u>\$ 21,663,752</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PROSPECT, CONNECTICUT**

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

	<u>General Fund</u>	<u>Police Special Duty</u>	<u>Housing Rehabilitation</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,384,764	\$ 161,812	\$ 38,554	\$ 766,904	\$ 3,352,034
Investments	54,362	1,173	-	624,301	679,836
Receivables:					
Taxes receivable	329,695	-	-	-	329,695
Other receivables:					
Accounts receivable	73,458	23,102	-	740	97,300
Loans receivable	-	-	821,326	-	821,326
Interest and liens	13,543	-	-	-	13,543
Intergovernmental	129,192	-	-	-	129,192
Due from other funds	49,355	-	-	1,319	50,674
<b>TOTAL ASSETS</b>	<u>\$ 3,034,369</u>	<u>\$ 186,087</u>	<u>\$ 859,880</u>	<u>\$ 1,393,264</u>	<u>\$ 5,473,600</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 350,810	\$ 42,348	\$ -	\$ 55,310	\$ 448,468
Due to other funds	-	30,626	-	20,048	50,674
<b>TOTAL LIABILITIES</b>	<u>350,810</u>	<u>72,974</u>	<u>-</u>	<u>75,358</u>	<u>499,142</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - taxes	247,582	-	-	-	247,582
Unavailable revenue - long-term loans receivable	-	-	821,326	-	821,326
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>247,582</u>	<u>-</u>	<u>821,326</u>	<u>-</u>	<u>1,068,908</u>
<b>FUND BALANCES:</b>					
Restricted	-	-	38,554	333,500	372,054
Committed	-	-	-	354,668	354,668
Assigned	-	113,113	-	629,738	742,851
Unassigned	2,435,977	-	-	-	2,435,977
<b>TOTAL FUND BALANCES</b>	<u>2,435,977</u>	<u>113,113</u>	<u>38,554</u>	<u>1,317,906</u>	<u>3,905,550</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 3,034,369</u>	<u>\$ 186,087</u>	<u>\$ 859,880</u>	<u>\$ 1,393,264</u>	<u>\$ 5,473,600</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PROSPECT, CONNECTICUT**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018**

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**Fund Balance - Total Governmental Funds** **\$ 3,905,550**

Amounts reported for governmental activities in the Statement  
of Net Position are different because of the following:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported  
in the governmental funds:

Governmental capital assets	\$ 40,726,481	
Less accumulated depreciation	<u>(20,900,027)</u>	
Net capital assets		19,826,454

Taxes and long-term assets are not available to pay for current  
period expenditures and, therefore, are deferred in the funds:

Deferred property tax revenue	247,582
Uncollectible taxes receivable	(39,301)
Interest receivable on property taxes	38,301
Long-term loans receivable	821,326

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and, therefore, are not  
reported in the funds:

Bond and notes payable	(1,833,000)	
Capital leases	(286,941)	
Net pension liability	(275,962)	
Pension unfunded accrued liability	(93,313)	
Net OPEB obligation	(646,021)	
Compensated absences	<u>(28,000)</u>	
		(3,163,237)
Interest payable on long-term liabilities		(34,865)
Pension related net deferred outflows of resources		<u>61,942</u>

**Net Position of Governmental Activities** **\$ 21,663,752**

The accompanying notes are an integral part of these financial statements.



**TOWN OF PROSPECT, CONNECTICUT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Police Special Duty</u>	<u>Housing Rehabilitation</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>REVENUES</b>					
Property taxes, interest & lien fees	\$ 26,704,625	\$ -	\$ -	\$ -	\$ 26,704,625
Federal, state and other grants	4,898,368	-	-	260,212	5,158,580
Licenses, permits and fees	319,959	168,830	-	262,725	751,514
Investment income	11,064	(174)	-	6,484	17,374
Other income	95,231	3,592	11,487	9,360	119,670
<b>TOTAL REVENUES</b>	<u>32,029,247</u>	<u>172,248</u>	<u>11,487</u>	<u>538,781</u>	<u>32,751,763</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,581,241	-	-	8,318	2,589,559
Public safety	1,874,180	13,089	-	-	1,887,269
Public works	2,179,527	-	-	137,055	2,316,582
Parks and recreation	598,848	-	-	218,235	817,083
Health and social services	379,382	-	-	-	379,382
Education	23,036,797	-	-	-	23,036,797
Other expenditures	128,181	-	600	6,528	135,309
Capital Expenditures	7,563	63,465	-	993,891	1,064,919
Debt Service:					
Principal payments	972,574	-	-	-	972,574
Interest and other	35,635	-	-	-	35,635
<b>TOTAL EXPENDITURES</b>	<u>31,793,928</u>	<u>76,554</u>	<u>600</u>	<u>1,364,027</u>	<u>33,235,109</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>235,319</u>	<u>95,694</u>	<u>10,887</u>	<u>(825,246)</u>	<u>(483,346)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general obligation note	1,833,000	-	-	-	1,833,000
General obligation notes refinanced	(1,083,000)	-	-	-	(1,083,000)
Transfers in	178,086	-	-	1,238,153	1,416,239
Transfers out	(1,236,834)	(135,234)	-	(44,171)	(1,416,239)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(308,748)</u>	<u>(135,234)</u>	<u>-</u>	<u>1,193,982</u>	<u>750,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(73,429)</u>	<u>(39,540)</u>	<u>10,887</u>	<u>368,736</u>	<u>266,654</u>
<b>FUND BALANCES, BEGINNING</b>	<u>2,509,406</u>	<u>152,653</u>	<u>27,667</u>	<u>949,170</u>	<u>3,638,896</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,435,977</u>	<u>\$ 113,113</u>	<u>\$ 38,554</u>	<u>\$ 1,317,906</u>	<u>\$ 3,905,550</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PROSPECT, CONNECTICUT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2018**

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**Net Change in Fund Balances - Total Governmental Funds** **\$ 266,654**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	2,091,125
Less current year depreciation	(1,160,007)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Issuance of bonds and notes	(750,000)
Bond principal payments	811,666
Capital lease principal payments	157,240
Payment of unfunded pension liability	3,668
Long-term loans receivable	(11,487)

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

Revenues:	
Property taxes, interest and liens	(890)
Change in deferred outflows related to pensions	(53,464)
Expenses:	
Pensions	51,713
OPEB	(62,650)
Accrued interest payable	(6,612)

**Change in Net Position of Governmental Activities** **\$ 1,336,956**

The accompanying notes are an integral part of these financial statements.

**TOWN OF PROSPECT, CONNECTICUT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Employee Retirement Plan</b>	<b>Private Purpose Trusts</b>
<b>ADDITIONS</b>		
Employer contributions	\$ 58,233	\$ -
Plan member contributions	185,220	-
Charitable contributions	-	17,873
Total contributions	243,453	17,873
Investment earnings:		
Net increase (decrease) in fair value of investments	206,632	-
<b>TOTAL ADDITIONS</b>	450,085	17,873
<b>DEDUCTIONS</b>		
Benefits paid	700,025	-
Administrative fees	5,546	-
Charitable expenditures	-	18,112
<b>TOTAL DEDUCTIONS</b>	705,571	18,112
<b>CHANGE IN NET POSITION</b>	(255,486)	(239)
<b>NET POSITION, BEGINNING OF THE YEAR</b>	2,323,440	47,032
<b>NET POSITION, END OF THE YEAR</b>	\$ 2,067,954	\$ 46,793

The accompanying notes are an integral part of these financial statements.

**TOWN OF PROSPECT, CONNECTICUT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2018**

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	<b>Employee Retirement Plans</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 46,793	\$ 22,226
Investments, at fair value	2,040,597	-	-
Receivables	<u>27,357</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>2,067,954</u>	<u>46,793</u>	<u>22,226</u>
<b>LIABILITIES</b>			
Payables	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for retirement benefits and other purposes	<u>\$ 2,067,954</u>	<u>\$ 46,793</u>	<u>\$ 22,226</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Prospect's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town of Prospect, Connecticut are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

- The financial statements include:
  - A Management Discussion and Analysis (MD & A) section providing an analysis of the Town's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the Town's activities.
  - Depreciation calculated on general capital assets, including infrastructure (roads, bridges, water delivery systems, etc.).
- The focus of governmental fund financial statements is on *major* funds. The Town's general fund is always reported as a *major* fund. Other individual governmental funds are reported as *major* funds if the total assets, liabilities, revenues or expenditures/expenses of that fund are at least 10 percent of the corresponding element total for all governmental funds. In addition, any other governmental fund that the Town's officials believe are particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a *major* fund.

The Town was required to implement the general provisions of the Statement No. 34 for the year ended June 30, 2003 and elected to retroactively report infrastructure (including accumulated depreciation) in that year.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. FINANCIAL REPORTING ENTITY**

The Town of Prospect, Connecticut was incorporated in 1827, under the provisions of Connecticut General Statutes, as amended. The Town is governed by a charter last revised in November of 2000 and operates under a Mayor, Town Council, Town Meeting form of government first established in 1967. The Town provides services as authorized by its Charter including public safety (police and fire), highways and streets, sanitation, health and human services, culture-recreation, education, public improvements, planning and zoning, and general administrative service.

For financial reporting purposes, the Town includes all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the Town, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Town's obligation to fund any deficits.

The Town has excluded certain agencies from its financial report for which it may exhibit some limited form of oversight responsibility. These agencies and the reasons for exclusion are summarized as follows:

Board of Education - The Town of Prospect appoints four of the eight board members of the Region 16 School District. Personnel, management and finances are controlled by the School Board, with the Town's control over finances limited to approval of annual budgets.

Prospect Fire Department - The Prospect Fire Department is incorporated as a separate entity. The Town's control over finances is limited to approval of annual contributions of cash and equipment.

**B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The Town of Prospect conducts no business-type activities. Therefore, these statements report only governmental activities, which are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide Statement of Activities presents a comparison between expenses (direct expenses plus indirect allocated expenses including interest, payroll taxes, medical insurance, retirement benefits and other expenditures) and program revenues for each function of the Town's governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grant revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function/program activity is self-financing or draws from the general revenues of the Town.

Net position is reported as restricted only when constraints are placed on net position use either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through charter provisions or enabling legislation.

*Fund Financial Statements:*

The fund financial statements provide information about the Town's funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate statements for each of the Town's fund categories, governmental and fiduciary, are presented.

Governmental funds are comprised of the following fund types:

**General Fund** - The general fund is the primary operating fund of the Town and it is used to account for all financial activities except those legally or administratively required to be accounted for in other funds.

**Special Revenue Funds** - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes.

**Capital Projects Funds** - Capital projects funds are used to account for financial resources restricted for the planning, acquisition, construction or improvement of major capital facilities.

The emphasis of the fund financial statements in the governmental category is on *major* funds. The Town of Prospect has three *major* funds which are displayed in separate columns. All remaining governmental funds are aggregated and reported as nonmajor funds. Detail of the nonmajor funds is reported in the combining and individual fund statements located in the Other Supplementary Information section of this report.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary funds account for assets held by the Town of Prospect in a purely custodial capacity either for retirement boards, charitable trusts, or other agencies.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

The Government-wide Statement of Net Position and the Statement of Activities and the fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of cost recovery and changes in net assets. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included in governmental fund balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when “*measurable and available*”. *Measurable* means knowing or being able to reasonably estimate an amount. The Town considers all revenues reported in the governmental funds to be *available* if the revenues are collected within sixty days after year-end. Property taxes, intergovernmental revenue and interest income are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are reported when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.



## TOWN OF PROSPECT, CONNECTICUT

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Under the terms of grant agreements, the Town of Prospect funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs until exhausted followed by general revenues.

#### **D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND EQUITY**

*Cash and Cash Equivalents* – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposit accounts, certificates of deposit, money market funds and other short-term investments with original maturities of three months or less from the date of acquisition. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

*Investments* – Investments, including retirement and deferred compensation funds, are stated at fair value based on quoted market prices.

*Receivables* – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Property tax receivable and accrued interest are shown net of an allowance for uncollectibles. In the fund financial statements, property taxes collectible but not available (not paid within 60 days) are reported under liabilities as deferred revenue in accordance with the modified accrual basis of accounting.

*Loans Receivable* – The Town administers a loan program for low to moderate income families through the Small Cities grant program. The loans bear an interest rate of 0%. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The notes may be paid in full or in part by the borrower at any time without penalty.

*Prepaid Expenses* – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and the fund financial statements.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Interfund Transactions* – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans).

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

*Fixed Assets* – In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. Road network infrastructure has been retroactively valued at estimated historical cost and waterline infrastructure has been retroactively valued at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ useful lives are not capitalized. Land and construction-in-progress are not depreciated.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows:

Buildings and improvements	25 – 50 years
Infrastructure	15 – 50 years
Vehicles	7 – 12 years
Furnishings and equipment	5 – 7 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Deferred Outflows/Inflows of Resources:*

Deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflow of resources in the government-wide Statement of Net Position related to pension results from differences between expected and actual experience and for pension contributions made subsequent to the measurement date. These amounts are deferred and included in pension expense in a systematic and rational manner.

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

*Net Pension Liability* – The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its Statement of Fiduciary Net Position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

*Long-term obligations* – All long-term debt to be repaid from governmental resources is reported as liabilities in the Statement of Net Position in the government-wide statements. Long-term debt consists of general obligation bonds, bond anticipation notes and direct financing leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures upon maturity.

*Net Position and Fund Balance:*

In the government-wide financial statements, net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net position is classified in the following three categories:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes or lease obligations that are attributable to the acquisition, construction, or improvement of those assets.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Restricted net position – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, or contributors or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund equity for governmental funds is the difference between current assets and current liabilities and is called fund balance. In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Town’s policy is to use its restricted resources first. This will be followed by committed, assigned and unassigned resources in that order.

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form (e.g. inventory and prepaids) or they are legally or contractually required to be maintained intact.

Restricted Fund Balance – Includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action at a Town Meeting, and cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned Fund Balance – Includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed through a formal action of the Town Council.

Unassigned Fund Balance – The residual classification for the general fund fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 amount of assets, liabilities, deferred inflow/outflows, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

An annual budget is prepared and employed for management control for the General Fund adopted on a basis consistent with generally accepted accounting principles (modified accrual basis).

The Town established its budget in accordance with provisions of the Connecticut General Statutes and the Prospect Town Charter. The Required Supplementary Information section of this report includes a schedule reporting the original budget that was adopted at the Annual Town Meeting. Transfers and supplemental appropriations were approved during the year in accordance with provisions of the Prospect Town Charter and are reported as the final budget.

The Town Council is empowered to appropriate up to an amount equal to two-and-a-half (2 ½) percent of the amount to be raised by taxation in the annual budget for the current fiscal year as adopted, if approved by a majority of the Council. Total supplemental appropriations in any one fiscal year in excess of 2 ½ percent requires Town Meeting approval.

Supplemental appropriations may be drawn from the unreserved surplus or any available unappropriated and unencumbered general fund cash balance. In the absence of a balance in the unreserved surplus or of an available unappropriated and unencumbered general fund cash balance to meet such appropriations, as determined by the Council, additional means of financing shall be determined by the Council in a manner consistent with the provisions of the Connecticut General Statutes and the Town Charter.

For the purposes of meeting a public emergency threatening the lives, health or property of citizens, emergency appropriations, the total amount of which shall not exceed five (5) percent of the current tax levy in any one fiscal year, may be made upon the recommendation of the Mayor and the majority vote of the available membership of the Council. In the absence of the Mayor, the Council may act alone.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. PROPERTY TAXES**

Property taxes on real estate, motor vehicles and personal property are assessed on the Town's grand list as of October 1st and billed on the following July 1st and January 1st. 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 1<sup>st</sup> and February 1<sup>st</sup>), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed. Property assessments are made at 70% of the assessed value for all taxable real and personal property located within the Town as of October 1st.

Property taxes receivable are recorded on the due date. Property tax revenues are recognized in the fiscal period in which they are levied in the government-wide statements and to the extent that the funds are collected during the fiscal period or within sixty days thereafter in the fund financial statements. Property tax revenues that are not recognized in the current period are reported in the balance sheet as deferred revenue. The Report of the Tax Collector is included in the Other Supplementary Information section of this report.

**G. COMPENSATED ABSENCES**

The Town's employment policy does not provide for the accumulation of vacation time, unused sick leave or other compensated absences. However, union employees may accumulate sick leave up to a maximum of 80 days. Upon voluntary termination or retirement, the union employee shall receive 75% of their accumulated sick leave or a maximum of 60 days. An estimated contingent liability in the amount of \$ 28,000 has been reported as a long-term liability in the government-wide statement of net assets. No provision has been otherwise made for compensated absences. Future absences are expected to be liquidated with future resources and are not readily estimated.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

*Custodial Credit Risk* – Custodial credit risk is the possibility that in the event of a bank failure, the Town deposits may not be returned. The Town of Prospect Charter does not specifically authorize or prohibit the types of investments that may be made. The treasurer is, however, restricted to investing funds in accordance with the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualified public depository", as defined by statute, which has its main place of business 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.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds does not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

*Credit Risk* – The Town has no formal investment policy that would limit its investment choices due to credit risk other than the State Statutes.

*Interest Rate Risk* – Interest rate risk is the possibility that the Town 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 increasing interest rates. Generally, the Town does not invest in any long-term investment obligations.

*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.

**A. CASH AND CASH EQUIVALENTS**

As of June 30, 2018, total deposits of \$3,421,053 represent cash and cash equivalents of \$3,352,034 as reported on the statement of net position and \$69,019 as reported on the statement of fiduciary net assets.

**B. CUSTODIAL CREDIT RISK ON DEPOSITS**

At June 30, 2018, the carrying amount of the Town's cash deposits with financial institutions was \$3,421,053 and the bank balance was \$3,858,380. Of the bank balance, \$567,718 was covered by Federal Depository Insurance and \$3,290,662 was uninsured and uncollateralized. All of the deposits were maintained in institutions considered to be "qualified public depositories" and are protected under the provisions of Chapter 656, sections 36a-333 of the Connecticut General Statutes, which provide for protection against loss in excess of any deposit insurance by providing individual bank collateral pledge requirements tiered to risk-based capital ratio.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**C. INVESTMENTS**

At June 30, 2018, investments reported at fair value include \$598,138 collateralized by investments held by the Town or by its agent in the Town's name and \$2,122,296 collateralized by investments held by the financial institution's trust department in the Town's name (\*). The Town's investments consisted of the following at June 30, 2018:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Retirement Trusts</u>	<u>Total Investments</u>
Certificates of deposit	\$ 54,362	\$ 83,954	\$ 367,005	\$ -	\$ 505,321
U.S. Government Bonds	-	91,644	-	-	91,644
Fixed Income Annuity *	-	81,698	-	-	81,698
Mutual Funds:					
Bond & Fixed Income *	-	-	-	636,366	636,366
Equities *	-	1,173	-	1,068,903	1,070,076
International *	-	-	-	335,328	335,328
Total	<u>\$ 54,362</u>	<u>\$ 258,469</u>	<u>\$ 367,005</u>	<u>\$ 2,040,597</u>	<u>\$ 2,720,433</u>

*Fair Value Measures* – The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. Generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 – Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 – Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.



# TOWN OF PROSPECT, CONNECTICUT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

### **NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2018.

Investments are summarized as follows at June 30, 2018:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Fixed income	\$ 587,019	\$ 505,321	\$ 81,698	\$ -	\$ -
US Treasury notes	91,644	-	-	91,644	-
	678,663	<u>\$ 505,321</u>	<u>\$ 81,698</u>	<u>\$ 91,644</u>	<u>\$ -</u>
Mutual funds **	<u>2,041,770</u>				
	<u>\$ 2,720,433</u>				

\*\* Mutual funds do not mature.

### **NOTE 3 – RECEIVABLES**

Receivables reported in the Statement of Net Position consist of the following at June 30, 2018:

Current Receivables:	
Taxes	\$ 329,695
Accounts receivable	97,300
Loans receivable	821,326
Interest and fees on delinquent taxes	59,593
Intergovernmental	<u>129,192</u>
Gross Receivables	1,437,106
Less: Allowance for uncollectibles	<u>( 47,050)</u>
Net Receivables	<u>\$ 1,390,056</u>

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

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

	Balance <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2018</u>
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Assets:				
Land	\$ 1,536,054	\$ -	\$ -	\$ 1,536,054
Depreciable Assets:				
Buildings and improvements	8,842,388	32,802	-	8,875,190
Infrastructure	21,844,113	1,933,281	181,017	23,596,377
Vehicles	4,466,265	53,348	7,516	4,512,097
Furnishings and equipment	<u>2,324,311</u>	<u>71,694</u>	<u>189,242</u>	<u>2,206,763</u>
Totals at Historical Cost	<u>39,013,131</u>	<u>2,091,125</u>	<u>377,775</u>	<u>40,726,481</u>
Less Accumulated Depreciation for:				
Buildings and improvements	2,794,507	176,848	-	2,971,355
Infrastructure	12,328,845	708,935	181,017	12,856,763
Vehicles	3,076,669	215,451	7,516	3,284,604
Furnishings and equipment	<u>1,917,774</u>	<u>58,773</u>	<u>189,242</u>	<u>1,787,305</u>
Total Accumulated Depreciation	<u>20,117,795</u>	<u>1,160,007</u>	<u>377,775</u>	<u>20,900,027</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 18,895,336</u>	<u>\$ 931,118</u>	<u>\$ -</u>	<u>\$ 19,826,454</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 55,442
Public Safety	217,797
Public Works	736,790
Parks and Recreation	94,239
Health and Social Services	<u>55,739</u>
Total Depreciation Expense	<u>\$ 1,160,007</u>

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 5 – LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
BOND ANTICIPATION NOTES:					
Road Safety 2014	\$ 350,000	\$ -	\$ 75,000	\$ 275,000	\$ 75,000
3 Center Street Purchase	90,000	-	30,000	60,000	30,000
Road Safety 2015	525,000	-	75,000	450,000	75,000
Community School Purchase	873,000	-	575,000	298,000	75,000
Road Safety 2017	-	750,000	-	750,000	75,000
GENERAL OBLIGATION NOTE:					
5 Cheshire Road Purchase, dated 12/31/15	<u>56,666</u>	<u>-</u>	<u>56,666</u>	<u>-</u>	<u>-</u>
SUB-TOTAL	1,894,666	750,000	811,666	1,833,000	330,000
CAPITAL LEASE OBLIGATIONS	444,181	-	157,240	286,941	119,874
NET PENSION LIABILITY – NOTE 6	327,675	-	51,713	275,962	-
UNFUNDED MERS PENSION – NOTE 6	96,981	-	3,668	93,313	3,798
NET OPEB OBLIGATION – NOTE 7	583,371	83,375	20,725	646,021	27,589
COMPENSATED ABSENCES – NOTE 1G	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 3,374,874</u>	<u>\$ 833,375</u>	<u>\$ 1,045,012</u>	<u>\$ 3,163,237</u>	<u>\$ 481,261</u>

For the fiscal year ended June 30, 2018, the Town expended \$ 1,087,259 for debt service consisting of principal payments totaling \$ 1,045,012 and interest payments totaling \$ 42,247.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Overlapping Debt**

The Town is contingently liable for its pro-rata share of Regional School District No. 16 general obligation school bonds. The District's operating budget provides for annual retirement of principal and interest. At June 30, 2018, the District had \$26,720,000 of long-term bonded debt. The Town's share is based on student enrollment attending the regional facility on October 1 of the preceding year and is calculated at 61.125% for the fiscal year ending June 30, 2018. The overlapping debt to the Town is calculated to be \$16,332,600.

The debt service requirements for the School District bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,235,000	\$ 866,707	\$ 4,101,707
2020	3,210,000	744,819	3,954,819
2021	1,425,000	620,544	2,045,544
2022	1,420,000	572,744	1,992,744
2023	1,395,000	524,569	1,919,569
2024-2028	6,975,000	1,968,641	8,943,641
2029-2033	6,975,000	965,951	7,940,951
2034-2038	<u>2,085,000</u>	<u>116,400</u>	<u>2,201,400</u>
Total	<u>\$ 26,720,000</u>	<u>\$ 6,380,375</u>	<u>\$ 33,100,375</u>

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts for the immediate preceding fiscal year, as defined in the Statute, or \$177,386,972. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2018 (See Statement of Debt Limitation, page 76).

**Capital Lease Obligations**

The Town has entered into various lease agreements as lessee for financing the acquisition of equipment. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date in the government-wide financial statements. The assets acquired through the capital leases are as follows:

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

Fire pumper truck, 3.50%, 9 years to September 2018	\$ 537,840
Pierce tanker fire truck, 3.27%, 8 years to March 2022	<u>416,179</u>
Total Equipment	954,019
Less accumulated depreciation	<u>355,038</u>
Net	<u>\$ 598,981</u>

The annual requirement to amortize the leases as of June 30, 2018 is as follows:

Fiscal Year Ending <u>June 30</u>	Present Value of Minimum <u>Lease Payments</u>	<u>Interest</u>	Total Minimum <u>Lease Payments</u>
2019	\$ 119,874	\$ 9,485	\$ 129,359
2020	53,907	5,463	59,370
2021	55,670	3,700	59,370
2022	<u>57,490</u>	<u>1,880</u>	<u>59,370</u>
Total	<u>\$ 286,941</u>	<u>\$ 20,528</u>	<u>\$ 307,469</u>

**NOTE 6 – EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Defined Contribution Money Purchase Pension Plan**

The Town of Prospect maintains a defined contribution money purchase pension plan for all full-time employees of the Town (excluding union employees, who are covered separately as discussed below), including elected officials. Contributions to the Plan are made annually at the discretion of the retirement board (8% of eligible wages for the year ended June 30, 2018). Participating employees are not required to make any contributions to the Plan. However, each employee may make voluntary contributions in an amount no less than 2% or more than 10% of gross pay.

For the year ended June 30, 2018, the Town contributed \$58,233 on covered payroll of \$727,915.

The Town of Prospect also offers an IRS Section 457 Deferred Compensation Program to its employees. At June 30, 2018, net assets of the Town of Prospect Profit Sharing Plan and Trust totaled \$1,361,445 and net assets of the Deferred Compensation Program totaled \$706,509.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**Connecticut Municipal Employees' Retirement System**

**Description of Retirement System**

The Town is a participating municipality of the Connecticut Municipal Employees Retirement System (CMERS), which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes benefits, member contribution rates, and other plan provisions. CMERS is a multiemployer cost-sharing defined benefit pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members. The Town had 8 public works employees, covered by union contract, actively participating in CMERS at June 30, 2018.

**Plan Description**

Municipalities may designate which departments (including elective officers if so specified) are to be covered under CMERS. This designation may be the result of collective bargaining. Employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full-time employees of participating departments except police officers and firefighters hired after age 60.

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Police officers and firefighters with social security
- Police officers and firefighters without social security

**Summary of Significant Accounting Policies**

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

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**Benefits Provided**

The benefits provided to participants by CMERS include retirement, disability, and death benefits as follows:

General Employees – Employees are eligible to retire at age 55 with 5 years of continuous active service, or 15 years of active non-continuous service. Employees under the age of 55 are eligible to retire with 25 years of service.

Police officers and Firefighters – Compulsory retirement age for police and fire members is age 65.

**Normal Retirement:** For members not covered by social security, the benefit is 2% of average final compensation, times years of service.

For members covered by social security, the benefit is 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the member's benefit until the member reaches age 62 or a social security disability award is received, is computed as if the member is not under social security.

**Early Retirement:** Employees are eligible for early retirement after 5 years of active continuous or 15 years of active non-continuous service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

**Disability Retirement:** Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of police officers and firefighters, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

**Pre-Retirement Death Benefit:** The plan also offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**Contribution Requirements**

Employer – As a participating municipality, the Town makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability, and a prior service amortization payment, which covers the liabilities of CMERS not met by member contributions. There is also an annual administrative fee per active and retired member.

For the year ended June 30, 2018, the Town's required contribution to CMERS was \$56,672, calculated at 11.74% of \$482,729 covered payroll. The annual prior service amortization payment for thirty years is \$7,093 (effective July 1, 2006). A balance of \$93,313 is included in the Town's long-term debt as of June 30, 2018.

Employees – For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

**Actuarial Assumptions**

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

- Inflation – 3.25%
- Long-term investment rate of return, net of pension plan investment expense, including inflation – 8.00%
- Salary increase – 4.25% - 11.00%, including inflation investment rate of return 8.00%, net of pension plan investment expense, including inflation
- Mortality rates – based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).
- Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

**Long-Term Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2017 are summarized in the following table:



**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	<u>3.0%</u>	0.4%
Total	<u>100.0%</u>	

**Discount Rate**

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

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

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

	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Town's proportionate share of the net pension liability	\$ 471,657	\$ 275,962	\$ 109,975

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

The Town has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires participating employers of CMERS to recognize their proportional share of the collective net pension liability, deferred outflow of resources, deferred inflows of resources and pension expense.

At June 30, 2018, the Town reported a liability of \$275,962 in the government-wide Statement of Net Position for its proportionate share (0.166945%) of the net pension liability related to its participation in CMERS.

June 30, 2016 is the actuarial valuation date upon which the total pension liability is based. The total pension liability was calculated as of the June 30, 2017 measurement date using a standard roll-forward technique. There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

The Town recognized its total proportionate share of the collective pension expense, \$56,867, in the government-wide Statement of Activities for the fiscal year ended June 30, 2018.

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to CMERS in its government-wide Statement of Net Position from the following sources:

<u>Description of outflows/inflows</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 5,246
Changes in proportion and differences between employer contributions and proportionate share of contributions	(22,074)
Net difference between projected and actual earnings on pension plan investments	22,098
Town contributions subsequent to the measurement date	<u>56,672</u>
Total	<u>\$ 61,942</u>

The deferred outflows of resources resulting from the Town contributions subsequent to the measurement date of June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other deferred outflows and inflows are amortized over a closed five-year period.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2019	\$ 844
2020	14,590
2021	906
2022	(11,070)

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description* - The Town provides healthcare insurance benefits for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established by various collective bargaining and employment agreements with the Town.

*Annual OPEB Cost and Net OPEB Obligation* – The town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the town's net OPEB obligation:

Annual required contribution	\$ 80,995
Interest on net OPEB obligation	2,380
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	83,375
Contributions made	<u>20,725</u>
Increase in net OPEB obligation	62,650
Net OPEB obligation – beginning of year	<u>583,371</u>
Net OPEB obligation – end of year	<u>\$ 646,021</u>

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**Three-year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution Made</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/18	\$ 83,375	\$ 20,725	24.9%	\$ 646,021
06/30/17	\$ 65,655	\$ 21,666	33.0%	\$ 583,371
06/30/16	\$ 70,029	\$ 17,598	25.1%	\$ 539,382

*Funded Status and Funding Progress* – As of June 30, 2018, the actuarial accrued liability for benefits was \$646,021. There is no requirement for funding the Retiree Health Plan and the plan has not been funded. The Town has not established a formal funding plan or a trust. The covered payroll (annual payroll of active employees covered by the plan) was \$1,069,551, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.4%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement age for active employees* – Active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

*Marital status* – Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* – Life expectancies were based on the RP-2000 mortality table for males and females.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

*Turnover* – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums is 5.0%.

*Health insurance premiums* – 2018 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* – The expected long-term rate of inflation is 3.0%.

*Payroll growth rate* – The expected long-term payroll growth rate was assumed to be 1.0%.

Based on the historical and expected returns of the town's short-term investment portfolio, a discount rate of 2.0% was used. In addition, a simplified version of the projected unit credit actuarial cost method was used with the present value of future normal costs amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2018 was twenty-one years.

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 8 – FUND BALANCES**

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	Police Special Duty	Housing Rehabilitation	Other Governmental Funds
Restricted:				
General government	\$ -	\$ -	\$ 38,554	\$ -
Public works	-	-	-	76,204
Parks and recreation	-	-	-	257,296
	<u>-</u>	<u>-</u>	<u>38,554</u>	<u>333,500</u>
Committed:				
General government	-	-	-	72,000
Public works	-	-	-	19,551
Capital projects	-	-	-	263,117
	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,668</u>
Assigned:				
General government	-	-	-	6,436
Public safety	-	113,113	-	-
Public works	-	-	-	20,643
Parks and recreation	-	-	-	183,000
Capital projects	-	-	-	419,659
	<u>-</u>	<u>113,113</u>	<u>-</u>	<u>629,738</u>
Unassigned	<u>2,435,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 2,435,977</u>	<u>\$ 113,113</u>	<u>\$ 38,554</u>	<u>\$ 1,317,906</u>

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 9 – INTERFUND ACCOUNTS**

Balances due to/from other funds, as presented in the governmental funds balance sheet at June 30, 2018, consist of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Special Revenue Funds:		
Police Special Duty	\$ 30,626	\$ -
Sewer Use Fees	6,852	-
Capital Projects Funds:		
Capital & Non-recurring	11,877	-
Special Revenue Funds:		
Police Special Duty:		
General Fund	-	30,626
Sewer Use Fees:		
WPCA Capital Improvement	1,319	-
General Fund	-	6,852
Capital Project Funds:		
Capital & Non-recurring		
General Fund	-	11,877
WPCA Capital Improvement:		
Sewer Use Fees	<u>-</u>	<u>1,319</u>
 Total	 <u>\$ 50,674</u>	 <u>\$ 50,674</u>

**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 10 – TRANSFERS**

Transfers, as presented in the other financing sources and uses of the governmental funds, at June 30, 2018, consist of the following:

Transfers authorized by adopted budget:

From town aid roads special revenue to the general fund	\$ 36,000
From sewer use fees special revenue to the general fund	6,852

Other transfers:

From the Police Special Duty special revenue fund to the general fund to reimburse for wages and benefits paid	135,234
From the sewer use fees special revenue to the capital Projects WPCA capital improvement fund	1,319
From the general fund to the Capital and Non-Recurring fund	<u>1,236,834</u>

Total Transfers	<u>\$ 1,416,239</u>
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**NOTE 10 – 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 coverage for the current year or three previous years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-749a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.



**TOWN OF PROSPECT, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 11 – CONTINGENCIES**

The Town of Prospect is currently involved as a defendant in various types of litigation involving the Town, its officers, employees, boards and commissions. The probability of adverse decisions in these matters and the amounts of potential losses that may result are not presently determinable. However, the Town is of the opinion that the liability in these cases, if any, not covered by insurance will not materially adversely affect the financial statements for these contingencies.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 12 – SUBSEQUENT EVENTS**

On July 3, 2018, the Town issued \$2,403,000 of bond anticipation notes. The proceeds from the issuance were used to pay off the \$1,833,000 bond anticipation notes outstanding at June 30, 2018 as follows:

	Balance			Refinanced
	<u>June 30, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Road Safety 2014	\$ 275,000	\$ -	\$ 75,000	\$ 200,000
3 Center Street purchase	60,000	-	30,000	30,000
Road Safety 2015	450,000	-	75,000	375,000
Community School purchase	298,000	-	75,000	223,000
Road Safety 2017	750,000	-	75,000	675,000
Road Safety 2018	-	900,000	-	900,000
	<u>\$ 1,833,000</u>	<u>\$ 900,000</u>	<u>\$ 330,000</u>	<u>\$ 2,403,000</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF PROSPECT, CONNECTICUT**

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

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	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Town's proportion of the net pension liability	<u>0.166945%</u>	<u>0.166945%</u>	<u>0.207775%</u>	<u>0.207775%</u>
Town's proportionate share of the net pension liability	<u>\$ 275,962</u>	<u>\$ 327,675</u>	<u>\$ 284,466</u>	<u>\$ 201,667</u>
Town's covered-employee payroll	<u>\$ 482,729</u>	<u>\$ 476,273</u>	<u>\$ 429,940</u>	<u>\$ 512,801</u>
Town's proportionate share of the net pension liability as a percentage of it covered payroll	<u>57.17%</u>	<u>68.80%</u>	<u>66.16%</u>	<u>39.33%</u>
System fiduciary net position as a percentage of the total pension liability	<u>91.68%</u>	<u>88.29%</u>	<u>92.72%</u>	<u>90.48%</u>

Note: The above information relates to June 30, 2016, the last actuarial valuation

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SCHEDULE OF TOWN CONTRIBUTIONS**

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 56,672	\$ 54,200	\$ 48,927	\$ 61,434
Contributions in relation to the contractually required contribution	<u>(56,672)</u>	<u>(54,200)</u>	<u>(48,927)</u>	<u>(61,434)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 482,729</u>	<u>\$ 476,273</u>	<u>\$ 429,940</u>	<u>\$ 512,801</u>
Contributions as a percentage of covered-employee payroll	<u>11.74%</u>	<u>11.38%</u>	<u>11.38%</u>	<u>11.98%</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**GENERAL FUND**

**SCHEDULE OF REVENUES DETAIL**

**BUDGET AND ACTUAL (BUDGETARY BASIS)**

**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts				Variance with Final Budget Over (Under)
	Original	Additional Appropriations & Transfers	Final	Actual	
REVENUE:					
Property taxes:					
Current	25,917,957	-	25,917,957	26,051,110	133,153
Previous years	186,000	-	186,000	155,805	(30,195)
Interest and lien fees	90,000	-	90,000	126,995	36,995
Automobile supplement	270,000	-	270,000	370,715	100,715
Total Property taxes	26,463,957	-	26,463,957	26,704,625	240,668
Federal, state and other grants:					
Exemptions for elderly, veterans and disabled	95,000	-	95,000	16,018	(78,982)
Education grants Region 16	4,847,552	(299,003)	4,548,549	4,606,367	57,818
Municipal revenue sharing	283,717	-	283,717	118,647	(165,070)
LOCIP	118,796	-	118,796	120,273	1,477
Mashantucket Pequot	26,678	-	26,678	26,678	-
Police grants	20,000	-	20,000	1,133	(18,867)
Other state grants	4,565	9,085	13,650	9,252	(4,398)
Total Federal, state and other grants	5,396,308	(289,918)	5,106,390	4,898,368	(208,022)
Licenses, permits and fees:					
Building inspections	65,000	-	65,000	113,423	48,423
Raffles & bazaars	100	-	100	345	245
Pistol permits	4,000	-	4,000	3,435	(565)
Fingerprinting	2,000	-	2,000	730	(1,270)
Planning & zoning	5,000	-	5,000	10,765	5,765
Zoning board of appeals	750	-	750	2,100	1,350
Inland wetlands	1,750	-	1,750	2,872	1,122
Town clerk fees	70,000	-	70,000	72,485	2,485
Property conveyance tax	70,000	-	70,000	113,804	43,804
Total Licenses, permits and fees	218,600	-	218,600	319,959	101,359

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF REVENUES DETAIL (CONTINUED)  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance with Original Budget</u>
	<u>Original</u>	<u>Transfers &amp; Other Adjustments</u>	<u>Final</u>		
<b>Interest income</b>	<u>5,500</u>	<u>-</u>	<u>5,500</u>	<u>11,064</u>	<u>5,564</u>
<b>Region 16 - Overassessment refund</b>	<u>-</u>	<u>299,003</u>	<u>299,003</u>	<u>498,141</u>	<u>199,138</u>
<b>Other income:</b>					
Library fines	2,000	-	2,000	2,571	571
SCRWA payment in lieu of taxes	41,230	-	41,230	43,077	1,847
Use of copier	500	-	500	348	(152)
Sales/recycling income	25,000	-	25,000	8,827	(16,173)
Telephone tax share	21,365	-	21,365	15,965	(5,400)
Alarm fines	1,500	-	1,500	500	(1,000)
Refunds and commissions	10,000	-	10,000	8,720	(1,280)
CIRMA equity distribution	-	-	-	15,223	15,223
<b>Total Other income</b>	<u>101,595</u>	<u>-</u>	<u>101,595</u>	<u>95,231</u>	<u>(6,364)</u>
<b>Proceeds of general obligation notes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,833,000</u>	<u>1,833,000</u>
<b>Transfers in</b>	<u>42,000</u>	<u>135,234</u>	<u>177,234</u>	<u>178,086</u>	<u>852</u>
<b>TOTAL REVENUE</b>	<u><b>\$ 32,227,960</b></u>	<u><b>\$ 144,319</b></u>	<u><b>\$ 32,372,279</b></u>	<u><b>\$ 34,538,474</b></u>	<u><b>\$ 2,166,195</b></u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts				Variance with Final Budget Over (Under)
	Original	Additional Appropriations & Transfers	Final	Actual	
EXPENDITURES:					
General government:					
Office of the Mayor	\$ 228,872	\$ (5,800)	\$ 223,072	\$ 211,155	\$ (11,917)
Probate Court	4,500	(260)	4,240	4,240	-
Zoning board of appeals	2,225	(1,025)	1,200	1,200	-
Elections and registrars	60,800	(588)	60,212	45,328	(14,884)
Auditor	18,500	(350)	18,150	18,075	(75)
Assessor	102,882	2,300	105,182	103,740	(1,442)
Board of assessment appeals	400	(200)	200	200	-
Tax Collector	111,307	-	111,307	111,028	(279)
Treasurer	10,000	-	10,000	10,000	-
Legal fees	85,000	81,704	166,704	165,920	(784)
Town clerk	113,718	2,302	116,020	112,747	(3,273)
Planning and zoning commission	7,950	-	7,950	7,735	(215)
Economic development	2,500	-	2,500	-	(2,500)
Advertising and printing	22,850	3,300	26,150	25,067	(1,083)
Social Security	220,668	(3,204)	217,464	216,981	(483)
Automated processing of records	70,000	21,329	91,329	91,302	(27)
Building department	76,970	(153)	76,817	69,682	(7,135)
Water Pollution Authority	147,368	8,737	156,105	148,769	(7,336)
Municipal organization fees	9,939	-	9,939	9,710	(229)
Town Council	16,362	-	16,362	12,838	(3,524)
Town buildings	432,980	79,151	512,131	491,796	(20,335)
Unemployment compensation tax	10,000	-	10,000	7,792	(2,208)
Benefits - Town employees	708,925	25,073	733,998	601,054	(132,944)
Postage	20,000	2,000	22,000	22,000	-
Anti-Blight commission	2,000	-	2,000	1,066	(934)
Conservation commission	150	-	150	-	(150)
Inland wetlands	4,025	(1,000)	3,025	3,025	-
Land use inspector	102,930	(17,929)	85,001	84,016	(985)
Historic preservation	5,300	-	5,300	4,775	(525)
Total General government	2,599,121	195,387	2,794,508	2,581,241	(213,267)

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES DETAIL (CONTINUED)  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Additional Appropriations &amp; Transfers</u>	<u>Final</u>		
<b>Public safety:</b>					
Fire protection	427,789	-	427,789	426,772	(1,017)
Fire marshal	56,451	-	56,451	52,061	(4,390)
Police	929,931	133,372	1,063,303	1,012,965	(50,338)
Insurance	297,175	166	297,341	295,151	(2,190)
Emergency management	9,630	200	9,830	8,743	(1,087)
Household hazardous waste	22,000	-	22,000	13,100	(8,900)
911 service	65,388	-	65,388	65,388	-
<b>Total Public safety</b>	<u>1,808,364</u>	<u>133,738</u>	<u>1,942,102</u>	<u>1,874,180</u>	<u>(67,922)</u>
<b>Public works:</b>					
Solid waste	490,850	(22,400)	468,450	448,735	(19,715)
Town roads	182,716	49,700	232,416	222,342	(10,074)
Ice and snow	306,000	26,363	332,363	319,263	(13,100)
Street lighting	51,500	-	51,500	50,365	(1,135)
Town trucks	272,000	-	272,000	269,465	(2,535)
Public works labor	663,132	(47,251)	615,881	587,913	(27,968)
Road reconstruction	283,796	-	283,796	281,444	(2,352)
<b>Total Public works</b>	<u>2,249,994</u>	<u>6,412</u>	<u>2,256,406</u>	<u>2,179,527</u>	<u>(76,879)</u>
<b>Parks and recreation:</b>					
Town parks	74,200	6,771	80,971	65,867	(15,104)
Library	311,390	-	311,390	293,093	(18,297)
Recreation department	276,810	(50,970)	225,840	198,486	(27,354)
Holiday observances	17,900	-	17,900	15,738	(2,162)
Youth - Summer activities	41,600	-	41,600	25,664	(15,936)
<b>Total Parks and recreation</b>	<u>721,900</u>	<u>(44,199)</u>	<u>677,701</u>	<u>598,848</u>	<u>(78,853)</u>
<b>Health and human services:</b>					
Health	94,312	-	94,312	85,672	(8,640)
Commission on aging	280,661	19,600	300,261	293,710	(6,551)
<b>Total Health and human services</b>	<u>374,973</u>	<u>19,600</u>	<u>394,573</u>	<u>379,382</u>	<u>(15,191)</u>
<b>Education</b>	<u>23,776,285</u>	<u>-</u>	<u>23,776,285</u>	<u>23,534,938</u>	<u>(241,347)</u>

See accompanying Independent Auditor's Report.



**TOWN OF PROSPECT, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES DETAIL (CONTINUED)  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Additional Appropriations &amp; Transfers</u>	<u>Final</u>		
<b>Other expenditures:</b>					
Region 1 animal control	19,291	(2,000)	17,291	15,395	(1,896)
Community Center	109,900	6,035	115,935	101,213	(14,722)
Contingency	48,000	(22,656)	25,344	11,573	(13,771)
<b>Total Other expenditures</b>	<u>177,191</u>	<u>(18,621)</u>	<u>158,570</u>	<u>128,181</u>	<u>(30,389)</u>
<b>Capital expenditures:</b>					
Storm Water Phase II	3,500	5,000	8,500	7,563	(937)
Scott Road	5,000	-	5,000	-	(5,000)
<b>Total Capital expenditures</b>	<u>8,500</u>	<u>5,000</u>	<u>13,500</u>	<u>7,563</u>	<u>(5,937)</u>
<b>Debt service:</b>					
Interest:					
Road Safety 2014	6,000	-	6,000	3,780	(2,220)
3 Center Street	2,000	-	2,000	972	(1,028)
Road Safety 2015	7,000	-	7,000	5,669	(1,331)
Community Center	6,000	-	6,000	7,159	1,159
Principal:					
Road Safety 2014	75,000	-	75,000	75,000	-
3 Center Street	30,000	-	30,000	30,000	-
5 Cheshire Road	56,667	-	56,667	56,667	-
Road Safety 2015	75,000	-	75,000	75,000	-
Community Center	75,000	500,000	575,000	575,000	-
Capital leases:					
Fire department pumper truck	69,989	-	69,989	69,989	-
Pierce tanker truck	59,371	-	59,371	59,370	(1)
John Deere 710K backhoe-loader	42,512	-	42,512	42,510	(2)
MERS pension obligation	7,093	-	7,093	7,093	-
<b>Total Debt service</b>	<u>511,632</u>	<u>500,000</u>	<u>1,011,632</u>	<u>1,008,209</u>	<u>(3,423)</u>
<b>General obligation notes refinanced</b>	<u>-</u>	<u>1,083,000</u>	<u>1,083,000</u>	<u>1,083,000</u>	<u>-</u>
<b>Transfers out</b>	<u>-</u>	<u>1,236,834</u>	<u>1,236,834</u>	<u>1,236,834</u>	<u>-</u>
<b>Total Expenditures and Transfers Out</b>	<u>32,227,960</u>	<u>3,117,151</u>	<u>35,345,111</u>	<u>34,611,903</u>	<u>(733,208)</u>
Revenue less Expenditures and Transfers	-	(2,972,832)	(2,972,832)	(73,429)	2,899,403
Fund Balance - beginning of year	-	2,509,406	2,509,406	2,509,406	-
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ (463,426)</u>	<u>\$ (463,426)</u>	<u>\$ 2,435,977</u>	<u>\$ 2,899,403</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**GENERAL FUND  
NOTE TO SCHEDULE OF REVENUE AND EXPENDITURES DETAIL  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Basis:**

The Schedule of Expenditures Detail Budget and Actual (Budgetary Basis) presents a comparison of the original and final legally adopted budget with actual data on a budgetary basis.

The budget for the General Fund has been prepared substantially on the modified accrual basis of accounting, the same basis as actual revenues and expenditures.

**Reconciliation between Budgetary basis and Generally Accepted Accounting Principles (GAAP) Basis follows:**

For budgeting purposes, the Town recognizes as revenue, educational refunds and other credits of prior year fund balance from Regional School District #16. GAAP requires that refunds and other credits be offset against educational expenditures.

Transfers in and out, along with debt issue and refinancing are treated as Other Financing Sources (Uses) for GAAP purposes.

	Total Revenue & <u>Transfers In</u>	Total Expenditures & <u>Transfers Out</u>	Other Financing <u>Sources (Uses)</u>	<u>Fund Balance</u>
Actual Non-GAAP Budgetary Basis Statement - June 30, 2018	\$ 34,538,474	\$ 34,611,903	\$ -	\$ 2,435,977
RSD #16 refunds and credits	(498,141)	(498,141)	-	-
Reclass for GAAP purposes:				
Transfers in	(178,086)	-	178,086	-
Transfers out	-	(1,236,834)	(1,236,834)	-
Proceeds of general obligation notes	(1,833,000)	-	1,833,000	-
General obligation notes refinanced	<u>-</u>	<u>(1,083,000)</u>	<u>(1,083,000)</u>	<u>-</u>
Actual GAAP - June 30, 2018	<u>\$ 32,029,247</u>	<u>\$ 31,793,928</u>	<u>\$ (308,748)</u>	<u>\$ 2,435,977</u>

See accompanying Independent Auditor's Report.

## **SUPPLEMENTAL STATEMENTS AND SCHEDULES**

**TOWN OF PROSPECT, CONNECTICUT**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2018**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 307,134	\$ 459,770	\$ 766,904
Investments	257,296	367,005	624,301
Other receivables	740	-	740
Due from other funds	<u>-</u>	<u>1,319</u>	<u>1,319</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 565,170</u></u>	<u><u>\$ 828,094</u></u>	<u><u>\$ 1,393,264</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 22,965	\$ 32,345	\$ 55,310
Due to other funds	<u>8,171</u>	<u>11,877</u>	<u>20,048</u>
<b>TOTAL LIABILITIES</b>	<u>31,136</u>	<u>44,222</u>	<u>75,358</u>
<b>FUND BALANCES:</b>			
Restricted	333,500	-	333,500
Committed	-	354,668	354,668
Assigned	<u>200,534</u>	<u>429,204</u>	<u>629,738</u>
<b>TOTAL FUND BALANCES</b>	<u>534,034</u>	<u>783,872</u>	<u>1,317,906</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 565,170</u></u>	<u><u>\$ 828,094</u></u>	<u><u>\$ 1,393,264</u></u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<b>REVENUES</b>			
Federal, state and other grants	\$ 260,212	\$ -	\$ 260,212
Licenses, permits and fees	262,725	-	262,725
Investment income	6,223	261	6,484
Other income	8,360	1,000	9,360
<b>TOTAL REVENUES</b>	<u>537,520</u>	<u>1,261</u>	<u>538,781</u>
<b>EXPENDITURES</b>			
Current expenditures:			
General government	-	8,318	8,318
Public works	137,055	-	137,055
Parks and recreation	218,235	-	218,235
Other expenditures	6,528	-	6,528
Capital expenditures	35,957	957,934	993,891
<b>TOTAL EXPENDITURES</b>	<u>397,775</u>	<u>966,252</u>	<u>1,364,027</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>139,745</u>	<u>(964,991)</u>	<u>(825,246)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,238,153	1,238,153
Transfers out	(44,171)	-	(44,171)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(44,171)</u>	<u>1,238,153</u>	<u>1,193,982</u>
<b>NET CHANGE IN FUND BALANCES</b>	95,574	273,162	368,736
<b>FUND BALANCES, BEGINNING</b>	<u>438,460</u>	<u>510,710</u>	<u>949,170</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 534,034</u>	<u>\$ 783,872</u>	<u>\$ 1,317,906</u>

See accompanying Independent Auditor's Report.

TOWN OF PROSPECT, CONNECTICUT

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2018

	Public Library	Town Aid Roads	Dog Fund	Board of Recreation	Sewer Use Fees	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 66,796	\$ 76,204	\$ 9,938	\$ 133,964	\$ 20,232	\$ 307,134
Investments	257,296	-	-	-	-	257,296
Prepaid expenditures	-	-	-	740	-	740
<b>TOTAL ASSETS</b>	<u>\$ 324,092</u>	<u>\$ 76,204</u>	<u>\$ 9,938</u>	<u>\$ 134,704</u>	<u>\$ 20,232</u>	<u>\$ 565,170</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 3,502	\$ 18,500	\$ 963	\$ 22,965
Due to other funds	-	-	-	-	8,171	8,171
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>3,502</u>	<u>18,500</u>	<u>9,134</u>	<u>31,136</u>
<b>FUND BALANCES</b>						
Restricted	257,296	76,204	-	-	-	333,500
Assigned	66,796	-	6,436	116,204	11,098	200,534
<b>TOTAL FUND BALANCES</b>	<u>324,092</u>	<u>76,204</u>	<u>6,436</u>	<u>116,204</u>	<u>11,098</u>	<u>534,034</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 324,092</u>	<u>\$ 76,204</u>	<u>\$ 9,938</u>	<u>\$ 134,704</u>	<u>\$ 20,232</u>	<u>\$ 565,170</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Public Library	Town Aid Roads	Dog Fund	Board of Recreation	Sewer Use Fees	Total
<b>REVENUES</b>						
Federal and State grants	\$ 534	\$ 241,039	\$ -	\$ 18,639	\$ -	\$ 260,212
Licenses, permits and fees	-	-	6,379	208,101	48,245	262,725
Investment income	6,223	-	-	-	-	6,223
Other income	8,360	-	-	-	-	8,360
<b>TOTAL REVENUES</b>	<u>15,117</u>	<u>241,039</u>	<u>6,379</u>	<u>226,740</u>	<u>48,245</u>	<u>537,520</u>
<b>EXPENDITURES</b>						
Current expenditures:						
Public works	-	96,690	-	-	40,365	137,055
Parks and recreation	4,946	-	-	213,289	-	218,235
Other expenditures	-	-	6,528	-	-	6,528
Capital expenditures	-	32,221	-	3,736	-	35,957
<b>TOTAL EXPENDITURES</b>	<u>4,946</u>	<u>128,911</u>	<u>6,528</u>	<u>217,025</u>	<u>40,365</u>	<u>397,775</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>10,171</u>	<u>112,128</u>	<u>(149)</u>	<u>9,715</u>	<u>7,880</u>	<u>139,745</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	(36,000)	-	-	(8,171)	(44,171)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(36,000)</u>	<u>-</u>	<u>-</u>	<u>(8,171)</u>	<u>(44,171)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>10,171</u>	<u>76,128</u>	<u>(149)</u>	<u>9,715</u>	<u>(291)</u>	<u>95,574</u>
<b>FUND BALANCES, BEGINNING</b>	<u>313,921</u>	<u>76</u>	<u>6,585</u>	<u>106,489</u>	<u>11,389</u>	<u>438,460</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 324,092</u>	<u>\$ 76,204</u>	<u>\$ 6,436</u>	<u>\$ 116,204</u>	<u>\$ 11,098</u>	<u>\$ 534,034</u>

See accompanying Independent Auditor's Report.

TOWN OF PROSPECT, CONNECTICUT

CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2018

	Land Acquisition	Open Space	Capital and Non-Recurring Expenditures	WPCA Capital Improvement	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 451,544	\$ 8,226	\$ 459,770
Investments	12,452	354,553	-	-	367,005
Due from other funds	-	-	-	1,319	1,319
<b>TOTAL ASSETS</b>	<u>\$ 12,452</u>	<u>\$ 354,553</u>	<u>\$ 451,544</u>	<u>\$ 9,545</u>	<u>\$ 828,094</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 32,345	\$ -	\$ 32,345
Due to other funds	-	-	11,877	-	11,877
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>44,222</u>	<u>-</u>	<u>44,222</u>
<b>FUND BALANCES</b>					
Committed	-	-	354,668	-	354,668
Assigned	12,452	354,553	52,654	9,545	429,204
<b>TOTAL FUND BALANCES</b>	<u>12,452</u>	<u>354,553</u>	<u>407,322</u>	<u>9,545</u>	<u>783,872</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 12,452</u>	<u>\$ 354,553</u>	<u>\$ 451,544</u>	<u>\$ 9,545</u>	<u>\$ 828,094</u>

See accompanying Independent Auditor's Report.



TOWN OF PROSPECT, CONNECTICUT

CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	Land Acquisition	Open Space	Capital and Non-Recurring Expenditures	WPCA Capital Improvement	Total
<b>REVENUES</b>					
Investment income	\$ 15	\$ 246	\$ -	\$ -	\$ 261
Other income	-	-	1,000	-	1,000
<b>TOTAL REVENUES</b>	<u>15</u>	<u>246</u>	<u>1,000</u>	<u>-</u>	<u>1,261</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General government	-	-	-	8,318	8,318
Capital expenditures	-	-	939,609	18,325	957,934
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>939,609</u>	<u>26,643</u>	<u>966,252</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>15</u>	<u>246</u>	<u>(938,609)</u>	<u>(26,643)</u>	<u>(964,991)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,236,834	1,319	1,238,153
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>1,236,834</u>	<u>1,319</u>	<u>1,238,153</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>15</u>	<u>246</u>	<u>298,225</u>	<u>(25,324)</u>	<u>273,162</u>
<b>FUND BALANCES, BEGINNING</b>	<u>12,437</u>	<u>354,307</u>	<u>109,097</u>	<u>34,869</u>	<u>510,710</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 12,452</u>	<u>\$ 354,553</u>	<u>\$ 407,322</u>	<u>\$ 9,545</u>	<u>\$ 783,872</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**CAPITAL AND NONRECURRING FUND  
SCHEDULE OF CHANGES IN FUND BALANCE BY PROJECT  
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balance Activity				
	Beginning Balance	Appropriations	Revenues	Capital Expenditures	Ending Balance
<b>Committed Fund Balance:</b>	\$	\$	\$	\$	\$
Community School repairs	52,229	-	-	(11,052)	41,177
New truck	3,616	-	-	-	3,616
Sidewalk design	1,435	10,000	1,000	(125,373)	(112,938)
Road reconstruction	758	-	-	(758)	-
Road safety	-	750,000	-	(730,449)	19,551
Full-size truck	100,000	100,000	-	-	200,000
Street Scape (Rte 69/Center Street)	20,000	20,000	-	(20,000)	20,000
Fire Dept gas tank	-	14,500	-	(14,392)	108
Parks & Recreation mower	-	10,600	-	(10,600)	-
Revaluation	20,000	40,000	-	-	60,000
Revaluation technology	-	12,000	-	-	12,000
Town Hall digitizing maps	-	20,000	-	-	20,000
Telephone system upgrade:					
Town Hall	-	15,045	-	-	15,045
Library	-	7,649	-	-	7,649
Police station	-	9,829	-	-	9,829
Firehouse	-	9,898	-	-	9,898
Senior Center	-	7,673	-	-	7,673
Public Works backup generator	-	14,075	-	-	14,075
Parks & Recreation gym floor replacement	-	53,970	-	(26,985)	26,985
<b>Total Committed Fund Balance</b>	<b>198,038</b>	<b>1,095,239</b>	<b>1,000</b>	<b>(939,609)</b>	<b>354,668</b>
<b>Assigned/(Unassigned):</b>					
Available for other projects	(88,941)	141,595	-	-	52,654
<b>Total Fund Balance</b>	<b>\$ 109,097</b>	<b>\$ 1,236,834</b>	<b>\$ 1,000</b>	<b>\$ (939,609)</b>	<b>\$ 407,322</b>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

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

Grand List October 1:	Taxes Receivable July 1, 2017	Lawful Corrections		Transfers (To)/From Suspense	Adjusted Taxes Receivable	Collections During the Year			Taxes Receivable June 30, 2018
		Additions	Deductions			Taxes, Net of Refunds	Interest and Lien Fees	Total Collections	
2016	\$ 26,636,909	\$ 42,190	\$ (89,896)	\$ (3,597)	\$ 26,585,606	\$ 26,344,026	\$ 71,656	\$ 26,415,682	\$ 241,580
2015	241,420	1,795	(12,166)	(3,340)	227,709	164,107	35,957	200,064	63,602
2014	69,681	1,035	(247)	(13,996)	56,473	37,094	12,946	50,040	19,379
2013	14,149	304	(79)	(3,726)	10,648	6,151	3,791	9,942	4,497
2012	2,956	-	-	(903)	2,053	1,416	1,380	2,796	637
2011	286	55	-	(215)	126	126	78	204	-
2010	204	-	-	(204)	-	-	-	-	-
Suspense	-	-	-	3,807	3,807	3,807	3,256	7,063	-
TOTALS	\$ 26,965,605	\$ 45,379	\$ (102,388)	\$ (22,174)	\$ 26,886,422	\$ 26,556,727	\$ 129,064	\$ 26,685,791	\$ 329,695

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT**

**STATEMENT OF DEBT LIMITATION  
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)  
FOR THE YEAR ENDED JUNE 30, 2018**

Total tax collections (including interest and lien fees) for the year ended June 30, 2017	\$ 25,272,860
Reimbursement for revenue loss on:	
Tax relief for elderly (CGS 12-129d)	<u>68,136</u>
 Total Receipts for Determination of Base	 <u><u>\$ 25,340,996</u></u>

<b><u>Debt Limitation:</u></b>	<b><u>General Purposes</u></b>	<b><u>Schools</u></b>	<b><u>Sewers</u></b>	<b><u>Urban Renewal</u></b>	<b><u>Pension Deficit</u></b>
2 1/4 times base	\$ 57,017,241	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	114,034,482	-	-	-
3 3/4 times base	-	-	95,028,735	-	-
3 1/4 times base	-	-	-	82,358,237	-
3 times base	-	-	-	-	76,022,988
<b>Total Debt Limitation</b>	<u>57,017,241</u>	<u>114,034,482</u>	<u>95,028,735</u>	<u>82,358,237</u>	<u>76,022,988</u>
 <b><u>Indebtedness:</u></b>					
General obligation bonds	-	-	-	-	-
Bond anticipation notes	1,833,000	-	-	-	-
Bond anticipation notes authorized, but unissued	900,000	-	-	-	-
Net Overlapping Regional School District 16 Bonds Payable - Note 5	<u>-</u>	<u>16,332,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Total Net Indebtedness</b>	 <u>2,733,000</u>	 <u>16,332,600</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Debt Limitation in Excess of</b>					
<b>Outstanding and Authorized Debt</b>	<u>\$ 54,284,241</u>	<u>\$ 97,701,882</u>	<u>\$ 95,028,735</u>	<u>\$ 82,358,237</u>	<u>\$ 76,022,988</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$177,386,972.

See accompanying Independent Auditors Report.



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

**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***

**Independent Auditor's Report**

Mayor Robert Chatfield  
Town Council  
Town of Prospect  
Prospect, Connecticut

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Prospect, Connecticut, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Town of Prospect, Connecticut's basic financial statements and have issued our report thereon dated December 13, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Prospect, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Prospect's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Prospect, Connecticut's internal control.

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, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

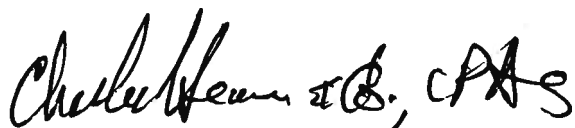
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Prospect, Connecticut's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town of Prospect, Connecticut's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Prospect, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Charles Heaven & Co., CPAs". The signature is written in a cursive, flowing style.

Charles Heaven & Co.  
Waterbury, Connecticut  
December 13, 2018

## **STATE FINANCIAL ASSISTANCE**



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

**Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance in Accordance with the State Single Audit Act**

**Independent Auditor's Report**

Mayor Robert Chatfield  
Town Council  
Town of Prospect  
Prospect, Connecticut

**Report on Compliance for Each Major State Program**

We have audited the Town of Prospect, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Prospect, Connecticut's major state programs for the year ended June 30, 2018. The Town of Prospect, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Prospect, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. 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 of Prospect, Connecticut'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 on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Prospect, Connecticut's compliance.

### **Opinion on Each Major State Program**

In our opinion, the Town of Prospect, Connecticut complied, in all material respects, with the types of 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, 2018.

### **Report on Internal Control Over Compliance**

Management of the Town of Prospect, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Prospect, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Prospect, Connecticut's internal control over compliance.

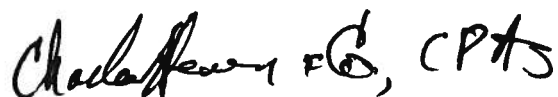
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Prospect, Connecticut as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Prospect, Connecticut's basic financial statements. We have issued our report thereon dated December 13, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Prospect, Connecticut'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 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Charles Heaven & Co.  
Waterbury, Connecticut  
December 13, 2018

**TOWN OF PROSPECT, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>State Grantor/Pass-Through Grantor Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
<b>Office of Policy and Management</b>		
Property Tax Relief for:		
Disability Exemption	11000-OPM20600-17011	\$ 955
Veterans	11000-OPM20600-17024	15,063
Local Capital Improvement Program	12050-OPM20600-40254	120,273
Municipal Purposes & Projects	12052-OPM20600-43587	70,942
<b>State Department of Education</b>		
Youth Services Bureau	11000-SDE64370-17052	14,000
Youth Services Bureau Enhancement	11000-SDE64370-16201	4,639
<b>Department of Transportation</b>		
Town Aid Road Grant	12052-DOT57131-43455	120,519
Town Aid Road Grant - STO	13033-DOT57131-43459	44,392
<b>Connecticut State Library</b>		
Connecticard Payments	11000-CSL66051-17010	534
Historic Documents Preservation	12060-CSL66094-35150	4,000
<b>Department of Energy and Environmental Protection</b>		
Regional Green House Gas	12060-DEP44165-35402	5,085
<b>Judicial Branch</b>		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>1,325</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>401,727</u>
<b>Exempt Programs</b>		
<b>State Department of Education</b>		
Education Cost Sharing	11000-SDE64370-17041	4,606,367
<b>Office of Policy and Management</b>		
Municipal Stabilization	11000-OPM20600-17104	47,705
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	<u>26,678</u>
<b>Total Exempt Programs</b>		<u>4,680,750</u>
<b>Total State Financial Assistance</b>		<u><u>\$ 5,082,477</u></u>

See Notes to Schedule.

## **TOWN OF PROSPECT, CONNECTICUT**

### **NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2018**

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The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Prospect, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, general government, transportation, public works and capital improvement.

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Prospect, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

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

#### **Basis of Accounting**

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance operations of the fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

In accordance with Section 4-236-22 of the Regulations to 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 PROSPECT, CONNECTICUT**

**STATE FINANCIAL ASSISTANCE PROGRAMS -**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None
Noncompliance material to financial statements noted?	No

**State Financial Assistance**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None
Type of auditor's report issued on compliance for major programs	Unmodified
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?	No

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

<u>State Grantor and Program</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Road Grant	12052-DOT57131-43455	\$ 120,519
Office of Policy and Management		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 120,273

The dollar threshold used to distinguish between type A and type B programs was \$100,000.