



TOWN OF PROSPECT, CONNECTICUT

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015



**TOWN OF PROSPECT, CONNECTICUT
ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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Independent Auditor's Report

Mayor Robert Chatfield
Town Council
Town of Prospect
Prospect, Connecticut

Report on the Financial Statements

I 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 7 – 18) and budgetary comparison information (pages 55 - 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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, Report of the Tax Collector, and Statement of Debt Limitation are presented for purposes of additional analysis and are 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 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 my opinion, the combining and individual nonmajor fund financial statements, Report of the Tax Collector, and Statement of Debt Limitation 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*, I have also issued my report dated December 16, 2015, on my consideration of the Town of Prospect's internal control over financial reporting and on my 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 my 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's internal control over financial reporting and compliance.

Michael J. Battista, C.P.A.

Michael J. Battista
Certified Public Accountant

Northford, Connecticut
December 16, 2015

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 four major governmental funds (general fund, library fund, housing rehabilitation fund, and open space fund), five non-major special revenue funds, and three 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 other three 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.

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)

- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund
- Schedule of Revenues Detail - Budget and Actual (Budgetary Basis) – General Fund
- Schedule of 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, 2015. 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 \$18,265,521 (net position). Of this amount, \$1,275,274 (*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 \$309,849 primarily due to an increase in fund balances of \$294,570, an excess of capital expenditures (\$1,723,103) over

depreciation charges (\$1,059,098) of \$664,005, and a reduction in outstanding debt of \$623,198. Offsetting these positive inputs was \$1,300,638 of new debt.

- As of the close of the current fiscal year, the Town’s governmental funds reported combining ending fund balances of \$3,135,131, a net increase of \$294,570 in comparison with the prior year. Of the total fund balance, \$1,124,085, or 35.9%, is available for spending at the government’s discretion (unassigned fund balance).
- The unassigned fund balance for the general fund increased \$322,487 from \$801,598 to \$1,124,085. The June 30, 2015 balance is 3.6% of total general fund expenditures of \$31,331,634.
- Prospect’s total bonded debt decreased by \$315,000 (33.3%) to \$630,000 as we made scheduled principal payments on our outstanding bonded debt. We issued \$650,000 of new short-term BANs for road work and purchase of 3 Center Street, and entered into two new capital leases for a tanker fire truck (\$416,179) and a backhoe-loader (\$162,660).

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 \$18,265,521 at the close of the most recent fiscal year.

By far the largest portion of the Town’s net position, \$15,607,173, or 84.4%, 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.

Table 1. Net Position

	Total Primary Government 2015	Total Primary Government 2014 (Restated)
Current and Other Assets.....	\$ 3,791,501	\$ 3,498,419
Capital Assets, net of depreciation	17,811,005	17,147,000
Total Assets.....	21,602,506	20,645,419
Deferred Outflows of Resources.....	61,434	-
Long-Term Obligations Outstanding.....	2,947,671	2,270,231
Other Liabilities.....	382,313	419,516
Total Liabilities	3,329,984	2,689,747
Deferred Inflows of Resources.....	68,435	-
Net Position:		
Net Investment in Capital Assets	15,607,173	15,734,848
Restricted.....	1,383,074	1,379,290
Unrestricted	1,275,274	841,534
Total Net Position	\$ 18,265,521	\$ 17,955,672

Restricted net position consists of \$1,133,765 of the Housing Rehabilitation Fund, which may be used to carry out the objectives of that program, \$245,367, which may be used for capital expenditures of the library in accordance with the donor's bequest and \$3,942 of Town Aid Road unexpended grant proceeds.

Unrestricted net position (\$1,275,274) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased by \$309,849 during the current fiscal year. The Town brought in net general revenues of \$24,149,066, which exceeded its net operating expenditures of \$23,839,217. Gross revenues amounted to \$30,949,008. Gross expenses of \$30,639,159 were offset by \$1,014,514 in charges for services, \$5,706,901 in operating grants and contributions, and \$78,527 in capital grants. Of the net expenditures, \$16,621,932 was accounted for by Regional School District No. 16 assessments. Net public works expenditures of \$2,662,160, net general government outlays of \$1,715,542, net public safety of \$1,693,236, and net parks and recreation costs of \$688,811 accounted for almost all of the remaining balance. The Town's general revenues derived from \$23,757,163 in tax collections, \$199,674 of unrestricted grants and contributions, and \$192,229 in other general revenues and investment income.

Governmental activities. Governmental activities accounted for the entire net position increase of \$309,849. Key elements of this increase are as follows:

Table 2. Changes in Net Position

	Total Primary Government 2015	Total Primary Government 2014
Revenues:		
Program Revenues:		
Charges for Services.....	\$ 1,014,514	\$ 695,251
Operating Grants and Contributions.....	5,706,901	5,423,990
Capital Grants and Contributions	78,527	454,052
General Revenues:		
Property Taxes.....	23,757,163	22,686,626
Grants and Contributions not Restricted to Specific Purpose..	199,674	273,105
Investment Earnings	10,879	9,872
Other General Revenues.....	181,350	146,229
Total Revenues	\$ 30,949,008	\$ 29,689,125
Program Expenses:		
General Government	\$ 2,516,514	\$ 2,500,232
Public Safety	1,960,400	1,739,508
Public Works	2,507,643	2,535,186
Parks and Recreation	655,009	674,321
Health and Social Services	362,916	342,392
Education.....	22,027,863	21,486,385
Other Expenditures.....	531,511	196,635
Interest on Long-Term Debt.....	77,303	69,675
Total Governmental Activities.....	30,639,159	29,544,334
Increase (Decrease) in Net Position	\$ 309,849	\$ 144,791

- Property taxes collected increased by \$1,070,537 (4.7%) over FY 2014. Actual collections of property tax, interest, and lien fees during FY 2015 exceeded the budgeted figure of \$23,603,616 by \$142,971.
- Charges for services increased by \$319,263 (45.9%) due to an increase in police overtime revenue of \$166,468 and the first time inclusion of extra park and recreation activity fees previously reported in the fiduciary funds.
- Operating grants improved \$282,911 driven almost entirely by a public works increase of \$238,077 arising from the treatment of Town Aid Road funds as repairs and maintenance of town roads, rather than as infrastructure expenditures. Capital expenditures for road reconstruction was financed by a bond anticipation note in the general fund under the 2014 Road Safety Program.
- Capital grants of \$78,527 for FY 15 were well below last year's level which included a State and Tribal Assistance Grant (STAG) administered by the Environmental Protection Agency for construction of a water main and a Small Town Economic Assistance Programs (STEAP) grant from the Connecticut Department of Economic Development not repeated this year.
- Net education expenditures increased \$528,910 (3.3%) from FY 2014. The Region 16 net expenditure budget funded by the member towns increased 3.7% from \$35,435,031 to \$36,731,313. There was only a modest increase in the State Education Cost Sharing grant. Our share of the Region's budget, based on the Average Daily Membership (ADM), decreased from 60.636% to 60.213. The refund of prior year unspent Region 16 budgeted expenditures in FY 2015 was \$89,162 as compared to \$0 in FY 2014.

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.

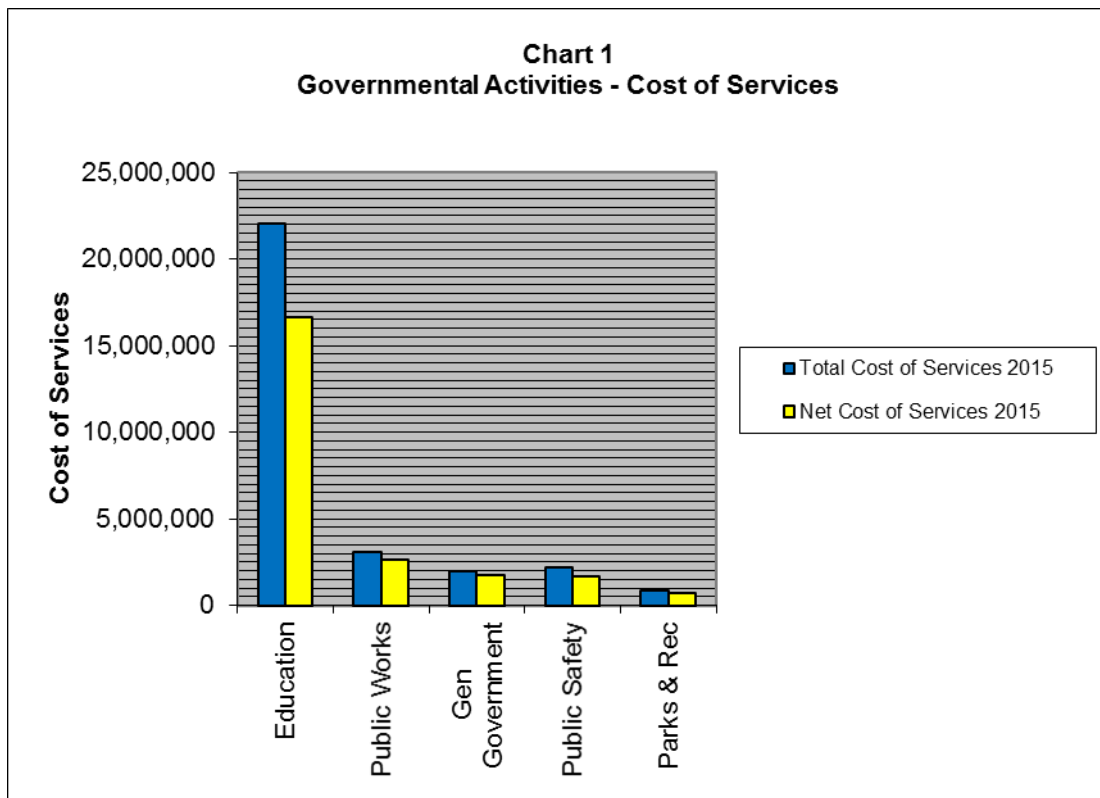
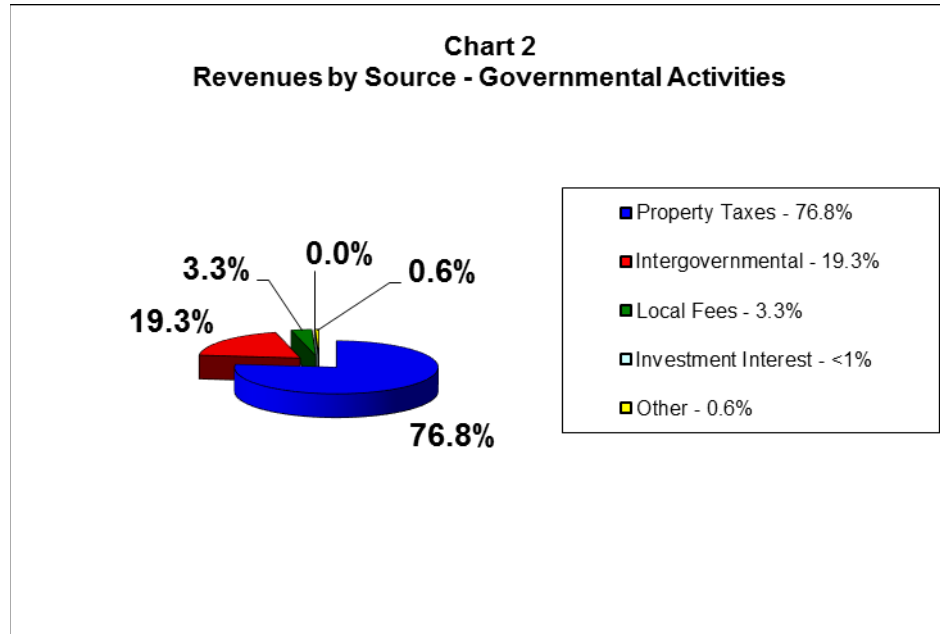


Chart 2 below reflects what percentage of our total revenue is contributed by each of five primary sources. As with most local governments in Connecticut, Prospect relies heavily on the property tax to fund education and other town services.



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 \$3,135,131, an increase of \$294,570 in comparison with the prior year. About 55% of fund balance, or \$1,724,979, constitutes *unrestricted fund balance* (assigned plus unassigned) which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable (\$1,038,122) in the form of long-term loans, restricted for future capital expenditures (\$344,952), or committed for other purposes (\$27,078).

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 \$1,124,085 and total general fund balance was \$1,130,027. 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 3.59% of total general fund expenditures of \$31,331,634 and 12.20% of non-education expenditures of \$9,214,609.

The Town's total general fund balance increased by \$328,429 to a total of \$1,130,027 during the current fiscal year. In essence, our revenues exceeded our expectations while expenditures were only moderately higher than anticipated.

General Fund Budgetary Highlights

The original budget contemplated total revenues of \$29,629,089 and total expenditures of \$29,685,089 with an operating deficit of \$56,000 being covered by net transfers. The final revenue budget reflected a \$34,099 increase in total revenues to \$29,663,188 and a \$1,869,860 increase in total expenditures to \$31,554,949 to produce an expected operating deficit of \$1,891,761; balanced by \$1,228,839 debt proceeds, \$333,595 of net transfers and the use of \$329,327 general fund surplus. The significant differences in the original and final budget can be explained as follows:

- \$317 thousand increase in the public safety budget for police wages and a related \$51 thousand increase in social security, which was offset by transfers from the police overtime special revenue fund;
- \$206 thousand increase to public works expenditures;
- \$1,228,839 increase in capital expenditures for the 2014 Road Safety Program, the purchase of the property located at 3 Center Street, the purchase of a Pierce Tanker for the fire department and the purchase of a backhoe-loader for the public works department. The capital expenditures were financed by \$650,000 of bond anticipation notes and \$578,839 of lease-purchase financing.

Actual revenues compared to the original budget were favorable by \$431,778. Tax collections overall were \$142,971 greater than anticipated. Collections on the current grand list were \$64,158 favorable at a collection rate of 98.9%. The Region 16 School District refunded \$89,162 overassessment from the prior year which was not included in the budget.

In addition, we received \$98,556 from BRRFOC (Bristol Resource Recovery Facility Operating Committee) and Tunxis Recycling. This money represents distributions of fund balance to the BRRFOC participating towns upon the closing of the facility and termination of the town's contract as of June 30, 2014. The town has signed a new 20-year agreement with COVANTA for its solid waste disposal.

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 \$1,059,098 and after dispositions of \$669,579) was \$1,723,103 for governmental activities. After accounting for accumulated depreciation, capital assets increased by \$664,005, to \$17,811,005.

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

- We expended \$780,981 for infrastructure which included the 2014 Road Safety Program in addition to regular road reconstruction and repair.
- We acquired a new Pierce Tanker truck for the fire department thru a lease-purchase in the amount of \$416,179.
- We acquired a new John Deere backhoe-loader for the public works department thru a lease-purchase in the amount of \$162,660.
- We purchased the property located at 3 Center Street for \$220,000.

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

	Total Primary Government	
	2015	2014
Land	\$ 1,343,153	\$ 1,343,153
Buildings and Improvements	5,177,950	5,106,858
Infrastructure	9,392,367	9,286,678
Vehicles	1,441,699	989,009
Furnishings and Equipment	455,836	421,302
Totals	\$17,811,005	\$17,147,000

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 \$630,000 of long-term bonded debt outstanding and no short-term debt. We reduced our long-term debt by \$315,000 (33.3%) through the payment of regularly scheduled principal amortizations. 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.

Table 4. Long-Term Term Debt

<u>Bonds</u>					Date of Fiscal Year Maturity
<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding</u>	
07/15/98	Public Improvement	4.75-4.625	\$ 4,310,000	\$ 400,000	2017
08/15/06	Public Improvement	3.70-5.00	1,155,000	230,000	2017
			<u>\$ 5,465,000</u>	<u>\$ 630,000</u>	

Prospect is a member town of Regional School District No. 16 along with the Town of Beacon Falls. As such, Region 16’s \$25,000,000 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 net 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 2015, Prospect’s ADM percentage was calculated to be 60.213%, and the Town’s share of the District net debt of \$18,823,817 at the ADM rate amounts to \$11,334,385.

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, 2015, the maximum amount of borrowing permitted under the formula would be \$166,992,301. Net direct borrowings of \$630,000 and the Town’s net share of overlapping regional school district net debt of \$11,334,385 totals \$11,964,385 and represents the Town of Prospect’s outstanding general obligation net debt. This debt is \$155,027,916 below the maximum debt limitation (see “Statement of Statutory Debt Limitation” on page 69 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*. The basic premise of GASB Statement #45 is that “Other Post-Employment Benefits” (OPEB) such as post-retirement healthcare benefits are earned, and should be recognized, when the employee provides services, just like wages or

salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future. GASB Statement #45 requires employers to account for and to report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. This includes the notion that annual OPEB cost would equal the annual required contribution (ARC) to the plan, provided that the ARC is calculated within specified actuarial parameters. The Government OPEB Plan is described in Note 7 to the financial statements. Actuarial information, including assumptions and methods, are disclosed in detail.

The annual required contribution (ARC) for fiscal year 2015 was calculated to be \$71,799 and is reported as an expense net of current year contributions in the Statement of Activities. At June 30, 2015, the Town's net OPEB obligation is \$486,951 and is reflected as a long-term liability in the Statement of Net Position.

For fiscal year June 30, 2015, the Town has 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, 2015, \$213,734 was recognized as a long-term liability in the government-wide Statement of Net Position.

Economic Factors and Next Year's Budget

- The unemployment rate for the Town of Prospect was 4.7% as of June 30, 2015, which is a decrease from a rate of 5.5% twelve months ago. This compares favorably to the state's average unemployment rate of 5.4% and the national average rate of 5.5% (not seasonally adjusted).
- Inflationary trends in the region compare favorably to the national indices.
- Prospect's total budget for FY 2015-16 reflects a \$747,097 increase (2.52%) from \$29,685,089 to \$30,432,186.
- The Town budget (excluding education) increased \$233,352 from the FY 2015 budget figure of \$7,568,064 to \$7,801,416, an increase of 3.08%.
- The cost of education for Prospect at Regional School District No. 16 increased \$502,894 (3.01%) to \$17,224,839 at the ADM rate of 60.197% after expected grants, fees, and expected State of Connecticut Educational Cost Sharing (ECS) grants of \$5,405,931.
- The Town tax levy for FY 2015-16 increased \$556,796 (2.40%) from \$23,168,616 to \$23,725,412. The projected rate of tax collections remains at 98.5% of the grand list.
- Except as noted below, municipal revenue and expenditure changes from the FY 2015 budget were modest adjustments.

Significant municipal revenue and expenditure changes from the FY 15 budget are as follows:

Revenues

- ❖ \$662,796 increase in property taxes, interest and lien fees
- ❖ \$50,000 Regional School District #16 overassessment refund
- ❖ \$94,600 increase in sales/recycling income, which includes anticipated payments from the Bristol Resource Recovery Facility Operating Committee (see Note 13 of the Financial Statements)

Expenditures

- ❖ \$513,745 increase for education;
- ❖ \$30,000 increase in employee medical benefits;
- ❖ \$15,000 increase in household hazardous waste;
- ❖ \$105,000 initial payments for debt principal related to 2014 Road Safety Program and purchase of property located at 3 Center Street
- ❖ \$7,500 transfer to Land Acquisition capital projects fund;

All of these factors contributed to preparing Prospect's budget for the 2016 fiscal year.

At the close of the 2015 fiscal year, unassigned fund balance in the general fund stood at \$1,124,085. The Town has not appropriated any fund balance for spending in the 2016 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, 2015

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents - Note 2	\$ 1,496,326
Investments - Note 2	656,801
Receivables, net of allowance for uncollectibles of \$52,093 - Note 3	591,994
Loans receivable	1,038,122
Bond issuance expenses, net of amortization	8,258
Capital Assets - Note 4:	
Not being depreciated	1,343,153
Being depreciated, net of accumulated depreciation	16,467,852
TOTAL ASSETS	21,602,506
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to the measurement date	61,434
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	333,135
Accrued interest payable	41,426
Deferred revenue	7,752
Noncurrent Liabilities - Note 5:	
Due within one year	1,186,723
Due in more than one year	1,760,948
TOTAL LIABILITIES	3,329,984
DEFERRED INFLOWS OF RESOURCES	
Pension change in projected and actual investment earnings	68,435
NET POSITION	
Invested in capital assets, net of related debt	15,607,173
Restricted - Expendable	1,383,074
Unrestricted	1,275,274
TOTAL NET POSITION	\$ 18,265,521

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2015

				Program Revenues			Net (Expense) Revenue and Changes in Net Position
Function/Program Activities	Expenses	Indirect Expense Allocation	Subtotal	Charges for Services	Operating Grants	Capital Grants	Primary Government Governmental Activities
Primary Government:							
Governmental Activities:							
General government	\$ 2,516,514	\$ (508,453)	\$ 2,008,061	\$ 271,219	\$ 21,300	\$ -	\$ (1,715,542)
Public safety	1,960,400	233,887	2,194,287	482,585	18,466	-	(1,693,236)
Public works	2,507,643	571,807	3,079,450	98,556	240,207	78,527	(2,662,160)
Parks and recreation	655,009	216,953	871,962	162,154	20,997	-	(688,811)
Health and human services	362,916	40,921	403,837	-	-	-	(403,837)
Education	22,027,863	-	22,027,863	-	5,405,931	-	(16,621,932)
Other expenditures	531,511	(477,812)	53,699	-	-	-	(53,699)
Interest on long-term debt	77,303	(77,303)	-	-	-	-	-
Total Governmental Activities	<u>\$ 30,639,159</u>	<u>\$ -</u>	<u>\$ 30,639,159</u>	<u>\$ 1,014,514</u>	<u>\$ 5,706,901</u>	<u>\$ 78,527</u>	<u>(23,839,217)</u>
General Revenues:							
Property taxes, interest and lien fees							23,757,163
Grants and contributions not restricted to specific programs							199,674
Investment income							10,879
Other income							181,350
Total General Revenues							<u>24,149,066</u>
Change in Net Position							309,849
Net Position - Beginning of the Year (Note 12)							<u>17,955,672</u>
Net Position - End of the Year							<u>\$ 18,265,521</u>

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

**TOWN OF PROSPECT, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2015

	General Fund	Public Library	Housing Rehabilitation	Open Space	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,129,694	\$ 52,982	\$ 95,643	\$ -	\$ 218,007	\$ 1,496,326
Investments	52,545	245,367	-	353,956	4,933	656,801
Taxes receivable	352,001	-	-	-	-	352,001
Loans receivable	-	-	1,038,122	-	-	1,038,122
Other receivables	145,125	-	-	-	85,859	230,984
Due from other funds	51,422	-	-	-	-	51,422
TOTAL ASSETS	\$ 1,730,787	\$ 298,349	\$ 1,133,765	\$ 353,956	\$ 308,799	\$ 3,825,656
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 294,792	\$ 1,192	\$ -	\$ -	\$ 37,151	\$ 333,135
Due to other funds	-	-	-	-	51,422	51,422
TOTAL LIABILITIES	294,792	1,192	-	-	88,573	384,557
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	305,968	-	-	-	-	305,968
FUND BALANCES:						
Nonspendable	-	-	1,038,122	-	-	1,038,122
Restricted	-	245,367	95,643	-	3,942	344,952
Committed	5,942	-	-	-	21,136	27,078
Assigned	-	51,790	-	353,956	195,148	600,894
Unassigned	1,124,085	-	-	-	-	1,124,085
TOTAL FUND BALANCES	1,130,027	297,157	1,133,765	353,956	220,226	3,135,131
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,730,787	\$ 298,349	\$ 1,133,765	\$ 353,956	\$ 308,799	\$ 3,825,656

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, 2015

Fund Balance - Total Governmental Funds **\$ 3,135,131**

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	\$ 36,683,266	
Less accumulated depreciation	<u>(18,872,261)</u>	
Net capital assets		17,811,005

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

Property tax receivables greater than 60 days	264,376
Interest receivable on property taxes	50,601
Deferred outflows related to pension	61,434
Bond issue costs	8,258

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

Bonds payable	(1,280,000)
Capital leases	(838,395)
Net pension liability	(213,734)
Pension unfunded accrued liability	(103,591)
Net OPEB obligation	(486,951)
Compensated absences	(25,000)
Deferred inflows related to changes in projected pension investments earnings	(68,435)
Interest payable on long-term liabilities	(41,426)
Bond premium	<u>(7,752)</u>

Net Position of Governmental Activities **\$ 18,265,521**

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

TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Public Library	Housing Rehabilitation	Open Space	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes, interest & lien fees	\$ 23,746,587	\$ -	\$ -	\$ -	\$ -	\$ 23,746,587
Federal, state and other grants	5,723,898	2,060	-	-	259,144	5,985,102
Licenses, permits and fees	266,356	-	-	-	692,233	958,589
Investment income	4,947	5,647	-	184	101	10,879
Region 16 - overassessment refund	89,162	-	-	-	-	89,162
Other income	229,916	5,311	-	-	2,048	237,275
TOTAL REVENUES	<u>30,060,866</u>	<u>13,018</u>	<u>-</u>	<u>184</u>	<u>953,526</u>	<u>31,027,594</u>
EXPENDITURES						
Current:						
General government	2,501,267	-	-	-	-	2,501,267
Public safety	1,787,514	-	-	-	-	1,787,514
Public works	2,137,227	-	-	-	-	2,137,227
Parks and recreation	629,972	3,244	-	-	-	633,216
Health and social services	314,835	-	-	-	-	314,835
Education	22,117,025	-	-	-	-	22,117,025
Other expenditures	23,961	-	5,805	-	501,745	531,511
Capital Expenditures	1,222,897	1,597	-	-	117,838	1,342,332
Debt Service:						
Principal payments	526,468	-	-	-	-	526,468
Interest and other	70,468	-	-	-	-	70,468
TOTAL EXPENDITURES	<u>31,331,634</u>	<u>4,841</u>	<u>5,805</u>	<u>-</u>	<u>619,583</u>	<u>31,961,863</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,270,768)</u>	<u>8,177</u>	<u>(5,805)</u>	<u>184</u>	<u>333,943</u>	<u>(934,269)</u>

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

TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Public Library	Housing Rehabilitation	Open Space	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,270,768)	8,177	(5,805)	184	333,943	(934,269)
OTHER FINANCING SOURCES (USES)						
Proceeds of bond anticipation notes	650,000	-	-	-	-	650,000
Proceeds from lease-purchase financing	578,839	-	-	-	-	578,839
Transfers in	405,358	-	-	-	35,000	440,358
Transfers out	(35,000)	-	-	-	(405,358)	(440,358)
TOTAL OTHER FINANCING SOURCES (USES)	1,599,197	-	-	-	(370,358)	1,228,839
NET CHANGE IN FUND BALANCES	328,429	8,177	(5,805)	184	(36,415)	294,570
FUND BALANCES, BEGINNING	801,598	288,980	1,139,570	353,772	256,641	2,840,561
FUND BALANCES, ENDING	\$ 1,130,027	\$ 297,157	\$ 1,133,765	\$ 353,956	\$ 220,226	\$ 3,135,131

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, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ 294,570**

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	1,723,103
Less current year depreciation	(1,059,098)

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

Property tax receivable - accrual basis change	60,389
Property tax interest and lien revenue - accrual basis change	(17,839)
Change in deferred outflows related to pension actuarial experience	61,434

Change in pension and OPEB assets and liabilities:

Net OPEB expense	(60,260)
Change in net pension liability	85,188

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

Issuance of bonds and notes	(650,000)
Bond principal payments	315,000
Issuance of capital leases	(578,839)
Capital lease principal payments	208,355
Payment of unfunded pension liability	3,116
Amortization of bond issue costs	(4,129)
Amortization of bond premium	3,876

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

Accrued interest	(6,582)
Change in deferred inflows related to changes in projected pension investments earnings	(68,435)

Change in Net Position of Governmental Activities **\$ 309,849**

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2015

	<u>Employee Retirement Plans</u>	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 37,544	\$ 15,066
Investments, at fair value	2,237,590	-	-
Receivables	<u>31,187</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>2,268,777</u>	<u>37,544</u>	<u>15,066</u>
 LIABILITIES			
Payables	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
 NET POSITION			
Held in trust for retirement benefits and other purposes	<u>\$ 2,268,777</u>	<u>\$ 37,544</u>	<u>\$ 15,066</u>

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2015

	Employee Retirement Plan	Private Purpose Trusts
	<u> </u>	<u> </u>
ADDITIONS		
Employer contributions	\$ 59,732	\$ -
Plan member contributions	46,885	-
Charitable contributions	<u>-</u>	<u>21,909</u>
Total contributions	106,617	21,909
Investment earnings:		
Net increase (decrease) in fair value of investments	<u>68,582</u>	<u>-</u>
TOTAL ADDITIONS	<u>175,199</u>	<u>21,909</u>
DEDUCTIONS		
Benefits	40,628	-
Administrative fees	5,740	-
Charitable expenditures	<u>-</u>	<u>21,237</u>
TOTAL DEDUCTIONS	<u>46,368</u>	<u>21,237</u>
CHANGE IN NET POSITION	128,831	672
NET POSITION, BEGINNING OF THE YEAR	<u>2,139,946</u>	<u>36,872</u>
NET POSITION, END OF THE YEAR	<u><u>\$ 2,268,777</u></u>	<u><u>\$ 37,544</u></u>

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

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015

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, 2015

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 the proceeds of specific revenue sources that are legally restricted to expenditures for certain 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 four *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, 2015

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

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

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.

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

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and 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.

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.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 a deferred outflow of resources in the government-wide Statement of Net Position related to pension contributions made subsequent to the measurement date. These amounts are deferred and included in pension expense in the subsequent year.

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. The Town reports a deferred inflow of resources related to pensions in the government-wide Statement of Net Position. A deferred inflow of resources related to pension results from differences between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner. 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 project 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.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term debt – All long-term debt to be repaid from governmental resources is reported as liabilities 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 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.

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 called Fund Balance and 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) or 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.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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 (GAAP).

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, 2015

F. PROPERTY TAXES

Property taxes on real estate, motor vehicles and personal property are assessed on the Town's grand list as of October 1 and billed on the following July 1 and January 1. Property assessments are made at 70% of the assessed value for all taxable real and personal property located within the Town as of October 1. 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 50% of their accumulated sick leave or a maximum of 40 days. A contingent liability in the amount of \$ 25,000 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 - 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 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.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Concentration of Credit Risk – The Town places no limit on the amount they may invest in any one issuer.

A. CASH AND CASH EQUIVALENTS

Total deposits of \$1,548,936 represent cash and cash equivalents of \$1,496,326 as reported on the statement of net position and \$52,610 as reported on the statement of fiduciary net assets.

B. DEPOSITS

At June 30, 2015, the carrying amount of the Town’s cash deposits with financial institutions was \$1,548,936 and the bank balance was \$1,838,733. Of the bank balance, \$1,424,086 was covered by Federal Depository Insurance and \$414,647 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.

C. INVESTMENTS

At June 30, 2015, investments reported at fair value include \$573,632 collateralized by investments held by the Town or by its agent in the Town’s name and \$2,320,760 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, 2015:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Retirement Trusts</u>	<u>Total Investments</u>
Certificates of deposit	\$ 52,545	\$ 80,813	\$ 358,889	\$ -	\$ 492,247
U.S. Government Bonds	-	81,384	-	-	81,384
Fixed Income Annuity *	-	83,170	-	-	83,170
Mutual Funds:					
Bond & Fixed Income *	-	-	-	727,407	727,407
Equities *	-	-	-	1,313,739	1,313,739
International *	-	-	-	196,444	196,444
Total	<u>\$ 52,545</u>	<u>\$ 245,367</u>	<u>\$ 358,889</u>	<u>\$ 2,237,590</u>	<u>\$ 2,894,391</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 – RECEIVABLES

Receivables reported in the Statement of Net Position consist of the following at June 30, 2015:

Current Receivables:	
Taxes	\$ 352,001
Interest and fees on delinquent taxes	61,102
Other	<u>230,984</u>
Gross Receivables	644,087
Less: Allowance for uncollectibles	<u>(52,093)</u>
Net Receivables	<u>\$ 591,994</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
<u>Governmental Activities:</u>				
Non-Depreciable Assets:				
Land	\$ 1,343,153	\$ -	\$ -	\$ 1,343,153
Depreciable Assets:				
Buildings and improvements	7,445,398	220,000	-	7,665,398
Infrastructure	21,067,152	780,981	669,579	21,178,554
Vehicles	3,638,257	613,275	-	4,251,532
Furnishings and equipment	<u>2,135,782</u>	<u>108,847</u>	<u>-</u>	<u>2,244,629</u>
Totals at Historical Cost	<u>35,629,742</u>	<u>1,723,103</u>	<u>669,579</u>	<u>36,683,266</u>
Less Accumulated Depreciation for:				
Buildings and improvements	2,338,540	148,908	-	2,487,448
Infrastructure	11,780,474	675,292	669,579	11,786,187
Vehicles	2,649,248	160,585	-	2,809,833
Furnishings and equipment	<u>1,714,480</u>	<u>74,313</u>	<u>-</u>	<u>1,788,793</u>
Total Accumulated Depreciation	<u>18,482,742</u>	<u>1,059,098</u>	<u>669,579</u>	<u>18,872,261</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 17,147,000</u>	<u>\$ 664,005</u>	<u>\$ -</u>	<u>\$ 17,811,005</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 29,265
Public Safety	177,276
Public Works	697,826
Parks and Recreation	106,650
Health and Social Services	<u>48,081</u>
Total Depreciation Expense	<u>\$ 1,059,098</u>

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015 :

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
GENERAL OBLIGATION BONDS:					
\$4,310,000 issue dated 07/15/98, interest from 4.25% to 6.00%, matures 07/15/16	\$ 600,000	\$ -	\$ 200,000	\$ 400,000	\$ 200,000
\$1,155,000 issue dated 08/15/06, interest from 3.70% to 5.00%, matures 08/15/16	345,000	-	115,000	230,000	115,000
BOND ANTICIPATION NOTES:					
\$500,000 issue dated 08/28/14, interest at 1.15%. matures 08/27/15	-	500,000	-	500,000	500,000
\$150,000 issue dated 11/07/14, interest at 1.15%. matures 08/27/15	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
TOTAL BOND INDEBTEDNESS	945,000	650,000	315,000	1,280,000	965,000
CAPITAL LEASE OBLIGATIONS	467,911	578,839	208,355	838,395	206,947
NET PENSION LIABILITY – NOTES 6 & 12	298,922	-	85,188	213,734	-
UNFUNDED MERS PENSION – NOTE 6	106,707	-	3,116	103,591	3,240
NET OPEB OBLIGATION – NOTE 7	426,691	71,799	11,539	486,951	11,536
COMPENSATED ABSENCES – NOTE 1G	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 2,270,231</u>	<u>\$ 1,300,638</u>	<u>\$ 623,198</u>	<u>\$ 2,947,671</u>	<u>\$ 1,186,723</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

For the fiscal year ended June 30, 2015, the Town expended \$ 608,475 for debt service consisting of principal payments totaling \$ 538,007 and interest payments totaling \$ 70,468.

General Obligation Bonds

Annual debt service requirements on general obligation bonds are as follows as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 315,000	\$ 22,500	\$ 337,500
2017	<u>315,000</u>	<u>7,500</u>	<u>322,500</u>
Total	<u>\$ 630,000</u>	<u>\$ 30,000</u>	<u>\$ 660,000</u>

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, 2015, the District had \$25,000,000 of long-term bonded debt and expects to receive \$6,176,183 of principal reimbursement from the State of Connecticut. The Town's share is based on student enrollment attending the regional facility on October 1 of the preceding year and is calculated at 60.213% for the fiscal year ending June 30, 2015. The overlapping debt to the Town is calculated to be \$11,334,385.

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>
2016	\$ 2,725,000	\$ 843,294	\$ 3,568,294
2017	2,735,000	729,994	3,464,994
2018	2,720,000	628,181	3,348,181
2019	2,685,000	535,331	3,220,331
2020	2,660,000	435,444	3,095,444
2021-2025	4,280,000	1,415,320	5,695,320
2026-2030	4,225,000	844,369	5,069,369
2031-2034	<u>2,970,000</u>	<u>221,163</u>	<u>3,191,163</u>
Total	<u>\$ 25,000,000</u>	<u>\$ 5,653,096</u>	<u>\$ 30,653,096</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$166,992,301 as of June 30, 2015. 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, 2015.

Capital Lease Obligations

The Town has entered into lease-purchase agreements for the acquisition of (1) a dump truck totaling \$242,510 (\$212,510 after a down payment of \$30,000) with an imputed interest rate of 5.34%; the lease will be amortized by annual payments of \$36,879 extending to fiscal year 2017, (2) a fire pumper truck in the amount of \$537,840 with an imputed interest rate of 3.50%; the lease will be amortized by annual payments of \$69,989 extending to fiscal year 2019, (3) a road side mower in the amount of \$98,322 with an imputed interest rate of 4.55%; amortized by annual payments of \$27,500 extending to fiscal year 2016, (4) a Pierce tanker fire truck in the amount of \$416,179 with an imputed interest rate of 3.27%; amortized annual payments of \$59,370 extending to fiscal year 2022, and (5) a John Deere 710K backhoe-loader in the amount of \$162,660 with an interest rate of 3.00%; amortized by annual payments of \$42,511 extending to fiscal year 2018.

The annual requirement to amortize the leases as of June 30, 2015 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>
2016	\$ 206,947	\$ 29,302	\$ 236,249
2017	187,267	21,482	208,749
2018	157,240	14,631	171,871
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>\$ 838,395</u>	<u>\$ 85,943</u>	<u>\$ 924,338</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015). 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, 2015, the Town contributed \$59,732 on covered payroll of \$746,648.

The Town of Prospect also offers an IRS Section 457 Deferred Compensation Program to its employees. At June 30, 2015, net assets of the Town of Prospect Profit Sharing Plan and Trust totaled \$1,222,878 and net assets of the Deferred Compensation Program totaled \$1,045,899.

Connecticut Municipal Employees' Retirement System (CMERS)

Description of Plan

The Town participates in the Connecticut Municipal Employees Retirement System (CMERS). CMERS 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 pension plan administered by the Connecticut State Retirement Commission. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members. Detailed information about the Connecticut Municipal Employees Retirement System plan's fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2014.

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the CMERS. This designation may be the result of collective bargaining. Only 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 and Fire hired after age 60. At June 30, 2015, the Town had 8 public works employees, covered by union contract, actively participating in CMERS.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

Benefit Provisions

The plan provides retirement, disability and death benefits.

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

Policemen and Firemen – 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 ½% 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 benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Early Retirement: Employees are eligible after 5 years of continuous or 15 years of active aggregate 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 firemen and policemen, 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) of 50% of compensation at the time of disability.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Employees are eligible for non-service related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the 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.

Contributions

Employer – Participating municipalities make 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 the system not met by member contributions.

For the year ended June 30, 2015, the Town's required contribution to CMERS was \$61,434, calculated at 11.98% of covered payroll of \$512,801. The annual prior service amortization payment for thirty years is \$7,093 (effective July 1, 2006). A balance of \$103,591 is included in the Town's long-term debt as of June 30, 2015.

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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, 2015, the Town of Prospect reported a liability of \$213,734 in the government-wide Statement of Net Position for its proportionate share of the net CMERS pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability was determined by an actuarial valuation as of that date. The Town's proportionate share of the net pension liability was based upon the Town's actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2014, the Town's proportional share was 0.207775%. This being the first year of GASB 68 implementation, there was no change in the proportional share as compared to the prior year.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Subsequent to the measurement date, there were no changes in benefit terms or any expected changes that will have an impact on the measurement of net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense of \$38,599 in the government-wide Statement of Activities.

At June 30, 2015, 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>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Changes in proportional share of employer	-	-
Net difference between projected and actual earnings on pension plan investments	-	68,435
Town contributions subsequent to the measurement date	<u>61,434</u>	<u>-</u>
Total	<u>\$ 61,434</u>	<u>\$ 68,435</u>

The deferred outflows of resources resulting from the Town contributions subsequent to the measurement date of June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Deferred inflows related to the net difference between projected and actual earnings on plan investments is amortized over a five-year period. The first year amortization of \$17,109 is recognized as pension expense and the remaining amount is shown as a deferred inflow of resources and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ 17,109
2017	17,109
2018	17,109
2019	17,108

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Actuarial Assumptions and Related Disclosures

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

Inflation	3.25%
Salary increase	4.25% – 11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were 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).

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

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%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	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	3.0%	0.4%
Total	<u>100.0%</u>	

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 difference between actuarially determined contribution rates and the member rate. 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 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</u> 7.00%	<u>Current</u> Discount Rate 8.00%	<u>1% Increase</u> 9.00%
Town’s proportionate share of the net pension liability	\$ 434,029	\$ 213,734	\$ 27,235

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.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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	\$ 71,799
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	71,799
Contributions made	11,539
Increase in net OPEB obligation	60,260
Net OPEB obligation – beginning of year	426,691
 Net OPEB obligation – end of year	 \$ 486,951

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/13/15	\$ 71,799	\$ 11,539	16.1%	\$ 486,951
06/30/14	\$ 78,515	\$ 11,172	14.2%	\$ 426,691
06/30/13	\$ 77,759	\$ 10,854	14.0%	\$ 359,348

Funded Status and Funding Progress – As of June 30, 2015, the actuarial accrued liability for benefits was \$701,466. There is no requirement for funding the Retiree Health Plan and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time. The covered payroll (annual payroll of active employees covered by the plan) was \$1,127,438, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 62.2 percent.

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.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 64, 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.

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 – 2015 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, 2015 was twenty-four years.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – INTERFUND ACCOUNTS

Balances due to/from other funds, as presented in the governmental funds balance sheet at June 30, 2015, consist of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Special Revenue Funds:		
Police Special Duty	\$ 50,230	\$ -
Dog Fund	1,192	-
Special Revenue Funds	<u>-</u>	<u>51,422</u>
Total	<u>\$ 51,422</u>	<u>\$ 51,422</u>

NOTE 9 – TRANSFERS

Transfers, as presented in the other financing sources and uses of the governmental funds, at June 30, 2015, consist of the following:

Transfers authorized by adopted budget:

From town aid roads special revenue to the general fund \$ 36,000

Other transfers:

From the Police Special Duty special revenue fund to the
general fund to reimburse for wages and benefits paid 355,522

From the Sewer Use Fees special revenue fund to the
general fund 13,836

From the general fund to the Capital and Non-Recurring
capital projects fund for revaluation 35,000

Total Transfers \$ 244,748

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.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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 – ADJUSTMENTS – CORRECTION OF PRIOR PERIOD

The beginning net position of the governmental activities has been restated as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

In addition, fiduciary funds of the Board of Recreation have been restated and combined with the Youth Services special revenue fund to create a new Board of Recreation special revenue fund.

Net Position balance at June 30, 2014, as previously reported	\$ 18,214,012
Adjustments:	
Starting net pension liability per GASB No. 68	(298,922)
Reclassification of Board of Recreation fiduciary funds	<u>40,582</u>
Net Position balance at July 1, 2014, as Restated	<u>\$ 17,955,672</u>

For the fiscal year ended June 30, 2015, the Police Overtime and Police Programs special revenue funds have been combined into a new Police Special Duty special revenue fund.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 13 – JOINT VENTURE

The Town of Prospect was a participant with other cities and towns in a joint venture, the Bristol Resource Recovery Facility Operating Committee (BRRFOC). BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of Contracting Municipalities in dealing with the trash-to-energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). The governing board consists of town officials appointed by each of the Contracting Municipalities, and assumes all the management decisions. The Town has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Inter-Community Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements. These obligations ended on June 30, 2014 with the expiration of the amended and restated service agreement by and among BRRFOC, its fourteen member communities and Covanta Bristol, Inc. Waste disposal services previously provided under that agreement continue to be in place through the Municipal Solid Waste Disposal and Recycling Services Agreement with Covanta Bristol, Inc. commencing July 2014.

On December 21, 2012, the Bristol Facility Policy Board (Policy Board) was formed pursuant to a Municipal Solid Waste Disposal and Recycling Services Agreement (the Agreement) by and among the cities of Bristol and New Britain, and the Towns of Berlin, Burlington, Branford, Hartland, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington and Wolcott, and Covanta Bristol, Inc. The Policy Board is the successor entity to the BRRFOC. BRRFOC has been selected by resolution to serve as the Policy Board under the Agreement and continue in such capacity. The Town continues to participate as a member of BRRFOC and the newly formed Bristol Facility Policy Board, with limited obligations to fund activities of the combined agency. Tonnage commitments were revised under the new Agreement such that the overall minimum for the fourteen communities is aggregated and no shortfall will occur if these municipalities in total reach the required threshold.

In conjunction with the transition to the new service contract, BRRFOC's administrative functions were significantly reduced; therefore, the members of the Board elected to distribute some of the remaining funds to the municipalities. For the Town of Prospect, those transactions included a return of \$3,970 in October 2014, \$28,129 in February 2015, and \$66,457 in April 2015, all of which derived from unassigned fund balance held by BRRFOC. This was in addition to \$15,521 distributed in fiscal year 2013 and \$46,085 distributed in fiscal year 2014. These funds have been included as other income of the general fund.

The fund balance for the fiscal year ended June 30, 2015, as reflected in BRRFOC's financial statements is \$7,298,154 (\$800 nonspendable, \$645,623 assigned and \$6,651,731 unassigned).

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**

	<u>2015</u>
Town's proportion of the net pension liability	<u>0.207775%</u>
Town's proportionate share of the net pension liability	<u>\$ 213,734</u>
Town's covered-employee payroll	<u>\$ 461,064</u>
Town's proportionate share of the net pension liability as a percentage of it covered payroll	<u>46.36%</u>
System fiduciary net position as a percentage of the total pension liability	<u>90.48%</u>

Note: The above information relates to June 30, 2014, 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

	2015
Contractually required contribution	\$ 61,434
Contributions in relation to the contractually required contribution	(61,434)
Contribution deficiency (excess)	\$ -
Town's covered-employee payroll	\$ 461,064
Contributions as a percentage of covered-employee payroll	11.98%

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Original <u>Budget</u>
REVENUE				
Property taxes, interest and lien fees	\$ 23,603,616	\$ 23,603,616	\$ 23,746,587	\$ 142,971
Federal, state and other grants	5,696,543	5,726,963	5,723,898	27,355
Licenses, permits and fees	225,930	225,930	266,356	40,426
Investment income	5,000	5,000	4,947	(53)
Region 16 - overassessment refund	-	-	89,162	89,162
Other income	98,000	101,679	229,916	131,916
TOTAL REVENUE	<u>29,629,089</u>	<u>29,663,188</u>	<u>30,060,866</u>	<u>431,777</u>
EXPENDITURES				
Current:				
General government	2,446,748	2,598,600	2,501,267	(54,519)
Public safety	1,512,652	1,818,095	1,787,514	(274,862)
Public works	1,983,641	2,189,950	2,137,227	(153,586)
Parks and recreation	652,182	660,769	629,972	22,210
Health and human services	304,020	316,563	314,835	(10,815)
Education	22,117,025	22,117,025	22,117,025	-
Other expenditures	68,039	26,826	23,961	44,078
Capital expenditures	3,500	1,229,839	1,222,897	(1,219,397)
Debt service	597,282	597,282	596,936	346
TOTAL EXPENDITURES	<u>29,685,089</u>	<u>31,554,949</u>	<u>31,331,634</u>	<u>(1,646,545)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	<u>(56,000)</u>	<u>(1,891,761)</u>	<u>(1,270,768)</u>	<u>(1,214,768)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of bond anticipation notes	-	650,000	650,000	650,000
Proceeds from lease-purchase financing	-	578,839	578,839	578,839
Transfers in	56,000	368,595	405,358	349,358
Transfers out	-	(35,000)	(35,000)	(35,000)
TOTAL OTHER SOURCES (USES)	<u>56,000</u>	<u>1,562,434</u>	<u>1,599,197</u>	<u>1,543,197</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (329,327)</u>	328,429	<u>\$ 328,429</u>
FUND BALANCE, JULY 1, 2014			<u>801,598</u>	
FUND BALANCE, JUNE 30, 2015			<u>\$ 1,130,027</u>	

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF REVENUES DETAIL
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Original
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
REVENUE:				
Property taxes:				
Current	23,102,616	23,102,616	23,166,774	64,158
Previous years	191,000	191,000	171,431	(19,569)
Interest and lien fees	90,000	90,000	128,099	38,099
Automobile supplement	220,000	220,000	280,283	60,283
	<u>23,603,616</u>	<u>23,603,616</u>	<u>23,746,587</u>	<u>142,971</u>
Federal, state and other grants:				
Federal grants	-	-	14,105	14,105
Exemptions for elderly, veterans & disabled	96,000	96,000	95,595	(405)
Education grant Region 16	5,405,931	5,405,931	5,405,931	-
Municipal grants in aid	66,721	66,721	66,721	-
State owned property	2,053	2,053	2,055	2
LOCIP	64,423	64,423	64,423	-
Mashantucket Pequot	35,826	35,826	35,247	(579)
Police grants	-	9,120	18,466	18,466
Other state grants	25,589	46,889	21,355	(4,234)
	<u>5,696,543</u>	<u>5,726,963</u>	<u>5,723,898</u>	<u>27,355</u>
Licenses, permits and fees:				
Building inspections	80,000	80,000	77,162	(2,838)
Peddler permits	50	50	-	(50)
Raffles & bazaars	80	80	165	85
Pistol permits	2,200	2,200	3,040	840
Fingerprinting	100	100	95	(5)
Planning & zoning	4,500	4,500	6,025	1,525
Zoning board of appeals	1,000	1,000	1,200	200
Inland wetlands	1,000	1,000	2,125	1,125
Town clerk fees	70,000	70,000	75,966	5,966
Property conveyance tax	67,000	67,000	100,578	33,578
	<u>225,930</u>	<u>225,930</u>	<u>266,356</u>	<u>40,426</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF REVENUES DETAIL (CONTINUED)
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Original <u>Budget</u>
Interest income	<u>5,000</u>	<u>5,000</u>	<u>4,947</u>	<u>(53)</u>
Region 16 - Overassessment refund	<u>-</u>	<u>-</u>	<u>89,162</u>	<u>89,162</u>
Other income:				
Library fines	2,300	2,300	3,179	879
SCRWA payment in lieu of taxes	38,000	38,000	38,165	165
CIRMA equity	7,200	7,200	6,761	(439)
Use of copier	500	500	709	209
Sales/recycling income	17,500	17,500	22,362	4,862
Telephone tax share	25,000	25,000	21,415	(3,585)
Alarm fines	2,500	2,500	1,390	(1,110)
Refunds and commissions	5,000	5,000	27,366	22,366
BRRFOC - Note 13	-	-	98,556	98,556
Miscellaneous	<u>-</u>	<u>3,679</u>	<u>10,013</u>	<u>10,013</u>
	<u>98,000</u>	<u>101,679</u>	<u>229,916</u>	<u>131,916</u>
TOTAL REVENUE	<u>\$ 29,629,089</u>	<u>\$ 29,663,188</u>	<u>\$ 30,060,866</u>	<u>\$ 431,777</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES DETAIL
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Original
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
EXPENDITURES:				
General government:				
Office of the Mayor	186,950	186,950	186,783	167
Probate Court	2,750	2,750	2,750	-
Zoning board of appeals	1,725	1,225	875	850
Elections and registrars	44,850	49,601	46,677	(1,827)
Auditor	12,500	12,500	11,775	725
Assessor	97,414	95,414	95,049	2,365
Board of assessment appeals	350	75	75	275
Tax Collector	113,072	108,572	105,334	7,738
Treasurer	5,200	5,200	5,200	-
Legal fees	85,000	121,482	111,104	(26,104)
Town clerk	109,758	108,258	106,927	2,831
Refund of taxes	25,000	25,000	31,974	(6,974)
Planning and zoning commission	7,950	6,450	5,188	2,762
Economic development	2,500	1,500	845	1,655
Adverting and printing	21,600	22,567	22,007	(407)
Social Security	170,000	221,771	214,962	(44,962)
Automated processing of records	57,500	78,800	76,020	(18,520)
Building department	75,708	74,208	71,142	4,566
Water Pollution Authority	135,737	132,737	130,575	5,162
Municipal organization fees	9,716	9,487	9,487	229
Town Council	6,600	6,600	6,600	-
Town buildings	427,000	505,194	468,854	(41,854)
Unemployment compensation tax	2,500	2,500	2,162	338
Benefits - Town employees	711,179	695,683	669,269	41,910
Postage	20,000	20,000	20,000	-
Conservation commission	150	150	105	45
Inland wetlands	3,925	2,725	2,444	1,481
Land use inspector	105,114	95,139	91,592	13,522
Historic preservation	5,000	5,062	4,737	263
School Project clerk	-	500	500	(500)
Blight commission	-	500	255	(255)
	<u>2,446,748</u>	<u>2,598,600</u>	<u>2,501,267</u>	<u>(54,519)</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES DETAIL (CONTINUED)
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Original
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
Public safety:				
Fire protection	343,750	336,719	333,902	9,848
Fire marshal	52,584	49,384	47,145	5,439
Police	791,737	1,109,361	1,087,329	(295,592)
Insurance	255,815	255,815	252,635	3,180
Emergency management	9,410	8,460	8,147	1,263
Hazardous materials	1,000	-	-	1,000
911 service	58,356	58,356	58,356	-
	<u>1,512,652</u>	<u>1,818,095</u>	<u>1,787,514</u>	<u>(274,862)</u>
Public works:				
Solid waste disposal	524,500	512,438	471,524	52,976
Town roads	254,218	274,411	274,411	(20,193)
Ice and snow removal	624,000	758,544	747,520	(123,520)
Street lighting	51,000	51,000	50,215	785
Town trucks	264,500	328,134	328,134	(63,634)
Town aid roads	36,000	36,000	36,000	-
Road reconstruction	229,423	229,423	229,423	-
	<u>1,983,641</u>	<u>2,189,950</u>	<u>2,137,227</u>	<u>(153,586)</u>
Parks and recreation:				
Parks	133,085	141,672	124,139	8,946
Library	278,140	278,140	273,541	4,599
Recreation	193,407	193,407	187,923	5,484
Holiday observances	15,050	15,050	15,044	6
Youth - Summer activities	32,500	32,500	29,325	3,175
	<u>652,182</u>	<u>660,769</u>	<u>629,972</u>	<u>22,210</u>
Health and human services:				
Health	82,761	82,761	81,961	800
Commission on aging	221,259	233,802	232,874	(11,615)
	<u>304,020</u>	<u>316,563</u>	<u>314,835</u>	<u>(10,815)</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES DETAIL (CONTINUED)
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		with Original Budget
Education	22,117,025	22,117,025	22,117,025	-
Other expenditures:				
Region 1 animal control	21,039	17,560	15,268	5,771
Contingency	47,000	9,266	8,693	38,307
	68,039	26,826	23,961	44,078
Capital expenditures:				
Storm Water Phase II	1,000	1,000	-	1,000
Scott Road Phase II	2,500	-	-	2,500
Road Safety Program	-	500,000	494,058	(494,058)
3 Center Street purchase	-	150,000	150,000	(150,000)
Pierce Tanker truck	-	416,179	416,179	(416,179)
John Deere 710K backhoe-loader	-	162,660	162,660	(162,660)
	3,500	1,229,839	1,222,897	(1,219,397)
Debt service:				
Interest:				
GOB 1998 - Firehouse	23,100	23,100	23,100	-
GOB 2002 - Road Safety	5,900	5,900	5,900	-
GOB 2002 - Road Safety/Senior Center	8,457	8,457	8,475	(18)
Principal:				
GOB 1998 - Firehouse	200,000	200,000	200,000	-
GOB 2002 - Road Safety	48,000	48,000	48,000	-
GOB 2002 - Road Safety/Senior Center	67,000	67,000	67,000	-
Capital leases:				
Public works dump truck	36,879	36,879	36,879	-
Fire department pumper truck	70,261	70,261	69,988	273
Public works road side mower	27,501	27,501	27,500	1
Pierce tanker truck	60,200	60,200	60,200	-
John Deere 710K backhoe-loader	42,600	42,600	42,510	90
MERS pension obligation	7,384	7,384	7,384	-
	597,282	597,282	596,936	346
TOTAL EXPENDITURES	29,685,089	31,554,949	31,331,634	(1,646,545)

See accompanying Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF PROSPECT, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2015

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 128,739	\$ 89,268	\$ 218,007
Investments	-	4,933	4,933
Other receivables	85,859	-	85,859
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 214,598</u>	<u>\$ 94,201</u>	<u>\$ 308,799</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 37,151	\$ -	\$ 37,151
Due to other funds	<u>51,422</u>	<u>-</u>	<u>51,422</u>
TOTAL LIABILITIES	<u>88,573</u>	<u>-</u>	<u>88,573</u>
 FUND BALANCES:			
Restricted	3,942	-	3,942
Committed	-	21,136	21,136
Assigned	<u>122,083</u>	<u>73,065</u>	<u>195,148</u>
TOTAL FUND BALANCES	<u>126,025</u>	<u>94,201</u>	<u>220,226</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 214,598</u>	 <u>\$ 94,201</u>	 <u>\$ 308,799</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Federal, state and other grants	\$ 259,144	\$ -	\$ 259,144
Licenses, permits and fees	692,233	-	692,233
Investment income	51	50	101
Other income	<u>2,048</u>	<u>-</u>	<u>2,048</u>
TOTAL REVENUES	<u>953,476</u>	<u>50</u>	<u>953,526</u>
EXPENDITURES			
Services and project expenditures	487,881	13,864	501,745
Capital expenditures	<u>47,838</u>	<u>70,000</u>	<u>117,838</u>
TOTAL EXPENDITURES	<u>535,719</u>	<u>83,864</u>	<u>619,583</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>417,757</u>	<u>(83,814)</u>	<u>333,943</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	35,000	35,000
Transfers out	<u>(405,358)</u>	<u>-</u>	<u>(405,358)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(405,358)</u>	<u>35,000</u>	<u>(370,358)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	12,399	(48,814)	(36,415)
FUND BALANCES, BEGINNING	<u>113,626</u>	<u>143,015</u>	<u>256,641</u>
FUND BALANCES, ENDING	<u>\$ 126,025</u>	<u>\$ 94,201</u>	<u>\$ 220,226</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2015

	Town Aid Road	Dog Fund	Police Special Duty	Board of Recreation	Sewer Use Fees	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and cash equivalents	\$ 4,420	\$ 2,245	\$ 23,497	\$ 79,028	\$ 19,549	\$ 128,739
Accounts receivable	-	7,244	78,615	-	-	85,859
Due from other funds	-	-	-	-	-	-
	<u>\$ 4,420</u>	<u>\$ 9,489</u>	<u>\$ 102,112</u>	<u>\$ 79,028</u>	<u>\$ 19,549</u>	<u>\$ 214,598</u>
TOTAL ASSETS						
LIABILITIES						
Accounts payable	\$ 478	\$ 4,125	\$ 8,623	\$ 17,007	\$ 6,918	\$ 37,151
Due to other funds	-	1,192	50,230	-	-	51,422
Unearned revenue	-	-	-	-	-	-
	<u>478</u>	<u>5,317</u>	<u>58,853</u>	<u>17,007</u>	<u>6,918</u>	<u>88,573</u>
TOTAL LIABILITIES						
FUND BALANCE						
Restricted	3,942	-	-	-	-	3,942
Assigned	-	4,172	43,259	62,021	12,631	122,083
	<u>3,942</u>	<u>4,172</u>	<u>43,259</u>	<u>62,021</u>	<u>12,631</u>	<u>126,025</u>
TOTAL FUND BALANCES						
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,420</u>	<u>\$ 9,489</u>	<u>\$ 102,112</u>	<u>\$ 79,028</u>	<u>\$ 19,549</u>	<u>\$ 214,598</u>

See accompanying Independent Auditor's Report.

TOWN OF PROSPECT, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Town Aid Road	Dog Fund	Police Special Duty	Board of Recreation	Sewer Use Fees	Total Nonmajor Special Revenue Funds
REVENUE						
Federal and State grants	\$ 240,207	\$ -	\$ -	\$ 18,937	\$ -	\$ 259,144
Licenses, permits and fees	-	7,289	476,012	153,664	55,268	692,233
Investment income	-	-	46	5	-	51
Other income	-	-	2,048	-	-	2,048
TOTAL REVENUE	<u>240,207</u>	<u>7,289</u>	<u>478,106</u>	<u>172,606</u>	<u>55,268</u>	<u>953,476</u>
EXPENDITURES						
Services and project expenditures	200,950	6,309	83,109	149,619	47,894	487,881
Capital expenditures	-	-	47,838	-	-	47,838
TOTAL EXPENDITURES	<u>200,950</u>	<u>6,309</u>	<u>130,947</u>	<u>149,619</u>	<u>47,894</u>	<u>535,719</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>39,257</u>	<u>980</u>	<u>347,159</u>	<u>22,987</u>	<u>7,374</u>	<u>417,757</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(36,000)	-	(355,522)	-	(13,836)	(405,358)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,000)</u>	<u>-</u>	<u>(355,522)</u>	<u>-</u>	<u>(13,836)</u>	<u>(405,358)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,257	980	(8,363)	22,987	(6,462)	12,399
FUND BALANCE, BEGINNING	<u>685</u>	<u>3,192</u>	<u>51,622</u>	<u>39,034</u>	<u>19,093</u>	<u>113,626</u>
FUND BALANCE, ENDING	<u>\$ 3,942</u>	<u>\$ 4,172</u>	<u>\$ 43,259</u>	<u>\$ 62,021</u>	<u>\$ 12,631</u>	<u>\$ 126,025</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

JUNE 30, 2015

	Land Acquisition	Capital and Non-Recurring Expenditures	WPCA Capital Improvement	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 58,673	\$ 30,595	\$ 89,268
Investments	4,933	-	-	4,933
Due from general fund	-	-	-	-
	-	-	-	-
TOTAL ASSETS	\$ 4,933	\$ 58,673	\$ 30,595	\$ 94,201
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to general fund	-	-	-	-
	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Committed	-	21,136	-	21,136
Assigned	4,933	37,537	30,595	73,065
	4,933	58,673	30,595	94,201
TOTAL FUND BALANCES	4,933	58,673	30,595	94,201
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,933	\$ 58,673	\$ 30,595	\$ 94,201

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Land Acquisition</u>	<u>Capital and Non-Recurring Expenditures</u>	<u>WPCA Capital Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
REVENUE				
Investment income	\$ 17	\$ 33	\$ -	\$ 50
TOTAL REVENUE	<u>17</u>	<u>33</u>	<u>-</u>	<u>50</u>
EXPENDITURES				
Project expenditures	-	13,864	-	13,864
Capital expenditures	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
TOTAL EXPENDITURES	<u>70,000</u>	<u>13,864</u>	<u>-</u>	<u>83,864</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(69,983)</u>	<u>(13,831)</u>	<u>-</u>	<u>(83,814)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	35,000	-	35,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(69,983)	21,169	-	(48,814)
FUND BALANCE, BEGINNING	<u>74,916</u>	<u>37,504</u>	<u>30,595</u>	<u>143,015</u>
FUND BALANCE, ENDING	<u>\$ 4,933</u>	<u>\$ 58,673</u>	<u>\$ 30,595</u>	<u>\$ 94,201</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
REPORT OF THE TAX COLLECTOR**

FOR THE YEAR ENDED JUNE 30, 2015

Grand List October 1:	Uncollected Taxes at July 1, 2014 & Current List	Lawful Corrections		Transfers (To)/From Suspense	Net Taxes Collectible	Collections During the Year			Total Collections	Uncollected Taxes June 30, 2015
		Additions	Deductions			Taxes, Net of Refunds	Interest	Lien Fees		
2013	\$23,665,711	\$ 39,619	\$ (63,421)	\$ (7,442)	\$23,634,467	\$23,376,960	\$ 71,137	\$ 265	\$ 23,448,362	\$ 257,507
2012	241,351	20,760	(4,007)	(5,781)	252,323	181,659	38,352	915	220,926	70,664
2011	60,918	203	(236)	(8,718)	52,167	33,806	13,237	366	47,409	18,361
2010	26,058	539	(315)	(7,337)	18,945	13,931	6,904	221	21,056	5,014
2009	7,544	451	-	(2,031)	5,964	5,509	3,675	48	9,232	455
2008	4,606	493	-	-	5,099	5,099	3,952	54	9,105	-
2007	4,270	301	-	-	4,571	4,571	4,730	24	9,325	-
2006	1,816	620	-	-	2,436	2,436	2,577	66	5,079	-
2005	-	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-
1998	14,075	-	-	(14,075)	-	-	-	-	-	-
Suspense	-	-	-	5,070	5,070	5,070	4,790	6	9,866	-
TOTALS	\$24,026,349	\$ 62,986	\$ (67,979)	\$ (40,314)	\$23,981,042	\$23,629,041	\$ 149,354	\$ 1,965	\$ 23,780,360	\$ 352,001

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, 2015

Total tax collections (including interest and lien fees) for current fiscal year	\$ 23,780,360
Reimbursement for revenue loss on: Tax relief for elderly (CGS 12-129d)	<u>75,683</u>
Total Receipts for Determination of Base	<u>\$ 23,856,043</u>

<u>Debt Limitation:</u>	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit (1)</u>
2 1/4 times base	\$ 53,676,097	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	107,352,194	-	-	-
3 3/4 times base	-	-	89,460,161	-	-
3 1/4 times base	-	-	-	77,532,140	-
3 times base	-	-	-	-	71,568,129
Total Debt Limitation	<u>53,676,097</u>	<u>107,352,194</u>	<u>89,460,161</u>	<u>77,532,140</u>	<u>71,568,129</u>
 <u>Indebtedness:</u>					
Bonds Payable	630,000	-	-	-	-
Bond anticipation notes	650,000	-	-	-	-
Net Overlapping Regional School District 16 Bonds Payable - Note 5	<u>-</u>	<u>11,334,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Indebtedness	<u>1,280,000</u>	<u>11,334,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Debt Limitation in Excess of					
Outstanding and Authorized Debt	<u>\$ 52,396,097</u>	<u>\$ 96,017,809</u>	<u>\$ 89,460,161</u>	<u>\$ 77,532,140</u>	<u>\$ 71,568,129</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$166,992,301.

(1) As defined by Public Act No. 06-79, effective July 1, 2006.

See accompanying Independent Auditors Report.

MICHAEL J. BATTISTA
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 485
Northford, Connecticut 06472-0485
(203) 376-1445

**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

I have audited, in accordance with the 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 Town of Prospect, Connecticut, which comprise the statement of financial position as of June 30, 2015 and the related statement of activities and the related notes to the financial statements, and have issued my report thereon dated December 16, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Michael J. Battista, C.P.A.

Michael J. Battista
Certified Public Accountant

Northford, Connecticut
December 16, 2015

STATE FINANCIAL ASSISTANCE

MICHAEL J. BATTISTA
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 485
Northford, Connecticut 06472-0485
(203) 376-1445

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 Required by 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

I 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, 2015. 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

My responsibility is to express an opinion on compliance for each of the Town of Prospect, Connecticut's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the Town of Prospect, Connecticut's compliance.

Opinion on Each Major State Program

In my 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, 2015.

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 my audit of compliance, I 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 my 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, I 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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

I have audited the financial statements of the Town of Prospect, Connecticut as of and for the year ended June 30, 2015, and have issued my report thereon dated December 16, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Michael J. Battista, C.P.A.

Michael J. Battista
Certified Public Accountant

Northford, Connecticut
December 16, 2015

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management		
Property Tax Relief for:		
Elderly Homeowners	11000-OPM20600-17018	\$ 75,683
Disability Exemption	11000-OPM20600-17011	988
Veterans	11000-OPM20600-17024	18,925
Payment in Lieu of Taxes - State Property	11000-OPM20600-17004	2,055
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	64,423
Municipal Purposes & Projects	12052-OPM20600-43587	66,721
Regional Performance Incentive	12060-OPM20600-35457	21,300
State Department of Education		
Youth Services Bureau	11000-SDE64370-17052	14,000
Youth Services Bureau Enhancement	11000-SDE64370-16201	4,937
Department of Transportation		
Town Aid Road Grant	12001-DOT57131-43455	240,207
Alcohol Open Container Requirements	12062-DOT57513-22091	3,240
Highway Planning & Construction	12062-DOT57513-22108	6,975
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	1,158
Connecticard Payments	11000-CSL66051-17010	902
Historic Document Preservation	12060-CSL66094-35150	5,000
Judicial Branch		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>1,695</u>
Total State Financial Assistance Before Exempt Programs		<u>528,209</u>
Exempt Programs		
State Department of Education		
Education Cost Sharing	11000-SDE64370-17041	5,405,931
Office of Policy and Management		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	<u>35,247</u>
Total Exempt Programs		<u>5,441,178</u>
Total State Financial Assistance		<u>\$ 5,969,387</u>

See Notes to Schedule.

**TOWN OF PROSPECT, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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, 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, 2015**

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 reported
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 reported
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	12001-DOT57131-43455	\$ 240,207
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 64,423

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