

**TOWN OF WOODSTOCK, CONNECTICUT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Woodstock, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Woodstock, Connecticut (the "Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinions*

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the schedules on the Town's pension plans and other post-retirement benefit plan on pages 58 through 61. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules on pages 62 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
December 14, 2016

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF WOODSTOCK, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016

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As management of the Town of Woodstock (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the most recent fiscal year by \$28,256,964 (net position). Of this amount, \$927,147 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$133,311 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,105,779, a decrease of \$684,496 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,247,058 or 13.9% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures.
- The Town's total capital assets increased by \$506,249 or 2.0% during the current year. This increase is primarily due to the lease purchase of two freightliner dump trucks and two school buses, in addition to the completion of Bradford Corner road improvements, offset by current year depreciation of assets.
- The Town's total long-term debt decreased by \$264,757 or 6.7% during the current fiscal year primarily due to scheduled repayments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, and liabilities, with net position as the residual of these elements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.



**TOWN OF WOODSTOCK, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(*Continued*)  
JUNE 30, 2016

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**OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)**

**Government-wide Financial Statements (*Continued*)**

The statement of activities presents information showing how the Town'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 government-wide financial statements display information about the Town's governmental activities which include general government, public safety, public works, health and welfare, recreation, and education. The Town does not have any business-type activities.

The government-wide financial statements include only the Town itself because there are no legally separate organizations for which the Town is financially accountable.

The government-wide financial statements can be found on pages 14 and 15 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

***Governmental Funds***

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 the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town'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.

**TOWN OF WOODSTOCK, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(*Continued*)  
JUNE 30, 2016

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**OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)**

**Fund Financial Statements (*Continued*)**

***Governmental Funds (Continued)***

The Town maintains several individual 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, the WPCA Fund, Herbert W. Bowen Fund, the Town Aid Road Fund, and the School Roof Fund, all of which are considered to be 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.

The basic governmental fund financial statements can be found on pages 16 through 21 of this report.

***Proprietary Funds***

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 25 and 26 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 57 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules which can be found on pages 58 through 77 of this report.

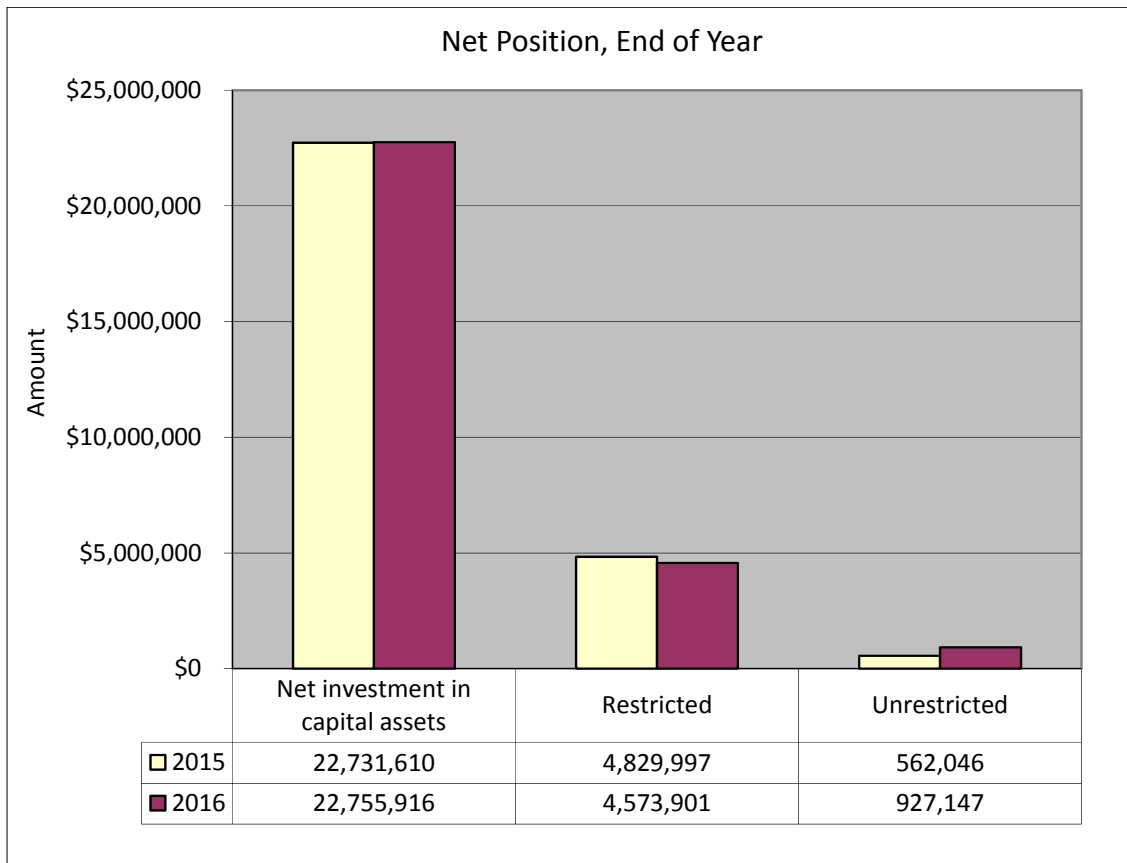
**TOWN OF WOODSTOCK, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)**  
**JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Total net position of the Town totaled \$28,256,964 and \$28,123,653 as of June 30, 2016 and 2015, respectively and are summarized as follows.

|                                  | <u>2016</u>          | <u>2015</u>          |
|----------------------------------|----------------------|----------------------|
| Current and other assets         | \$ 12,884,543        | \$ 13,017,044        |
| Capital assets, net              | 26,455,465           | 25,949,216           |
| Total assets                     | <u>39,340,008</u>    | <u>38,966,260</u>    |
| Deferred outflows of resources   | 79,445               | -                    |
| Long-term liabilities            | 9,208,831            | 8,754,655            |
| Other liabilities                | 1,953,658            | 1,836,136            |
| Total liabilities                | <u>11,162,489</u>    | <u>10,590,791</u>    |
| Deferred inflows of resources    | -                    | 251,816              |
| Net position:                    |                      |                      |
| Net investment in capital assets | 22,755,916           | 22,731,610           |
| Restricted                       | 4,573,901            | 4,829,997            |
| Unrestricted                     | 927,147              | 562,046              |
| Total net position               | <u>\$ 28,256,964</u> | <u>\$ 28,123,653</u> |



**TOWN OF WOODSTOCK, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)**  
**JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Position (Continued)**

Of the Town's net position, 80.5% reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town 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.

Approximately 16.2% of the Town's net position is subject to external restrictions on how they may be used and are therefore presented as restricted net position.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net position increased by \$133,311.

**Changes in Net Position**

Changes in net position for the years ended June 30, 2016 and 2015 are as follows.

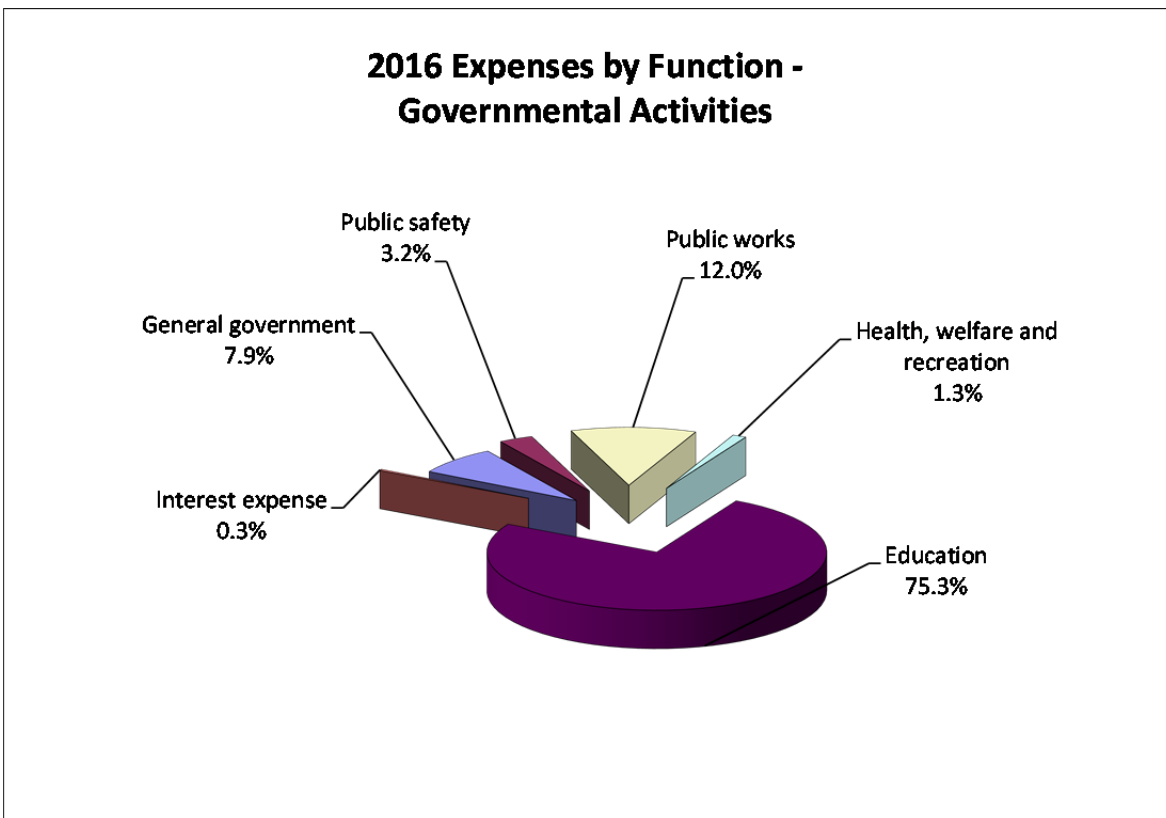
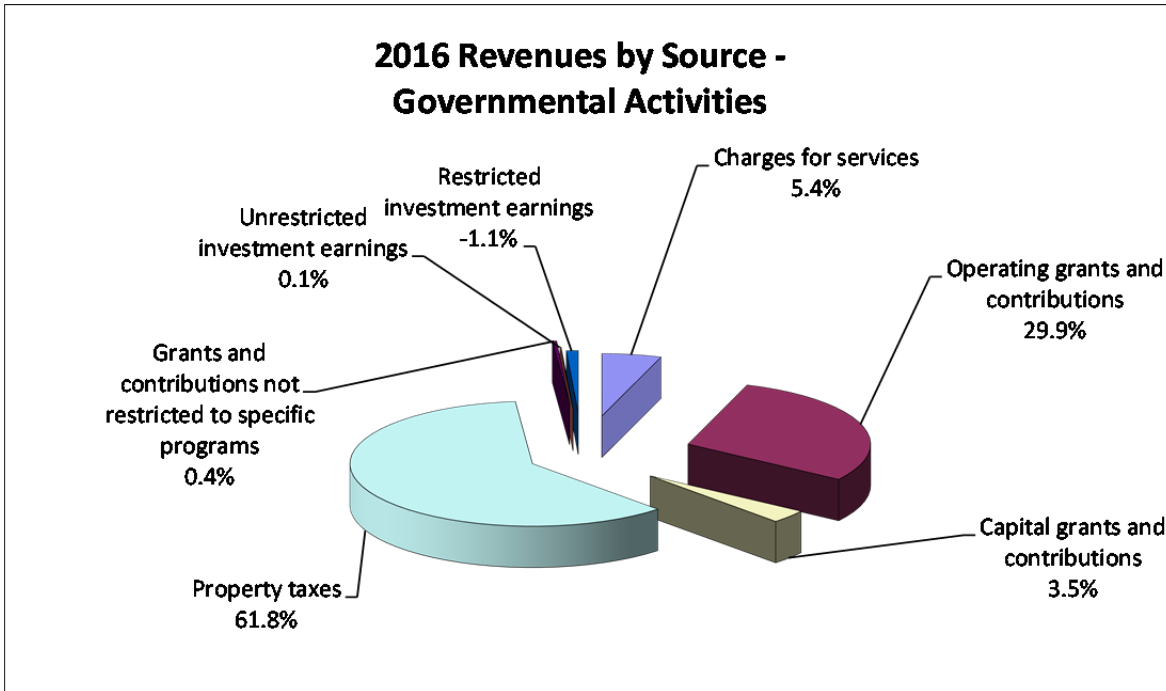
|  | <u>2016</u>       | <u>2015</u>         |
|--|-------------------|---------------------|
| Program revenues:  |                   |                     |
| Charges for services   | \$ 1,394,970      | \$ 1,370,284        |
| Operating grants and contributions                           | 7,776,569         | 7,961,171           |
| Capital grants and contributions                             | 901,340           | 429,465             |
| General revenues:  |                   |                     |
| Property taxes   | 16,057,065        | 15,717,344          |
| Grants and contributions not restricted to specific programs | 97,622            | 97,033              |
| Unrestricted investment earnings                             | 24,645            | 10,049              |
| Restricted investment earnings                               | <u>(276,306)</u>  | <u>602,738</u>      |
| Total revenues   | <u>25,975,905</u> | <u>26,188,084</u>   |
| Program expenses:  |                   |                     |
| General government   | 2,046,990         | 1,884,817           |
| Public safety  | 833,755           | 841,555             |
| Public works   | 3,089,038         | 2,197,769           |
| Health, welfare and recreation                               | 337,108           | 386,038             |
| Education  | 19,454,926        | 19,380,903          |
| Interest expense   | <u>80,777</u>     | <u>111,551</u>      |
| Total expenses   | <u>25,842,594</u> | <u>24,802,633</u>   |
| Change in net position                                       | <u>\$ 133,311</u> | <u>\$ 1,385,451</u> |

**TOWN OF WOODSTOCK, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)  
JUNE 30, 2016

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**



**TOWN OF WOODSTOCK, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(*Continued*)  
JUNE 30, 2016

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (*Continued*)**

**Changes in Net Position (*Continued*)**

Governmental activities increased the Town's net position by \$133,311. Revenues generated by the Town decreased by \$212,179, or 0.8%, in comparison to the prior year. This decrease was primarily due to a decrease in restricted investment earnings of \$879 thousand in comparison to the prior year, due to declining market conditions in investments held within the Herbert W. Bowen Fund. This decrease was offset by an increase in property tax collections and an increase in capital grants and contributions, specifically attributable to Town Aid Road grant funding. Expenses increased by \$1,039,961, or 4.2%, primarily due to an increase in net OPEB obligation and the Town's proportionate share of net pension liability.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town'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 \$9,105,779, a decrease of \$684,496 in comparison with the prior year. Of this amount, \$2,603,614 represents the total unassigned fund balance of the Town.

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,247,058, while total fund balance was \$3,416,477. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 13.9% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures. The Town's adopted policy states that the Board of Finance shall propose annual budgets that provide for an unassigned General Fund balance of not less than 8.0% or more than 13.0% of the total operating General Fund expenditures.

The fund balance of the Town's General Fund increased by \$223,870 during the current fiscal year, as a direct result of favorable current year operating budget results.

**WPCA Fund**

The WPCA Fund has a fund balance of \$181,636 as of June 30, 2016, an increase of \$18,808 from the prior year. This change is primarily attributable to an increase in user charges, specifically an increase in 60 day collection amount recognized within the fund at year end. The favorable increase in collections is due to a change in the billing structure, from bi-annual to annual usage billings. The increase in collections is offset by scheduled debt repayments.

**TOWN OF WOODSTOCK, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(*Continued*)  
JUNE 30, 2016

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (*Continued*)**

**Herbert W. Bowen Fund**

The fund balance of the Herbert W. Bowen Fund decreased by \$276,513 during the current fiscal year. This decrease related directly to current year market losses on equity securities held.

**Town Aid Road Fund**

The Town Aid Road Fund has no fund balance because the fund primarily records activity related to cost reimbursement grants and contracts. Consequently, grant and contract revenues equal expenditures.

**School Roof Fund**

The fund balance of the School Roof Fund is a deficit balance of \$643,444. This deficit is directly attributable to the capital outlays incurred in the current year in connection with school roof renovation projects. These projects are to be financed in the future through the issuance of general obligation bonds and School Construction grant funding.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original operating budget for the General Fund included the use of fund balance in the amount of \$169,946. During the year, \$39,509 of additional appropriations were approved. The actual net change in the fund balance of the General Fund on a budgetary basis was an increase of \$223,870.

During the year, revenues exceeded budgetary estimates by \$433,325, primarily as a result of increased tax collections in comparison to budgeted expectations. Actual expenditures were equal to budgetary expenditures, as all remaining budgetary balances were transferred to nonmajor governmental funds to fund future capital projects. In total, \$292,079 was transferred to the Capital Nonrecurring Fund, including \$26,968 relating to the nonlapsing education fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2016 totaled \$26,455,465 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, intangible assets, buildings and improvements, land improvements, machinery and equipment, and infrastructure. The Town's investment in capital assets increased by \$506,249 or 2.0%.

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

- Current year depreciation expense totaling \$805,010.
- An increase of \$511,621 in machinery and equipment related to two new buses and two new dump trucks obtained through capital lease financing and the completion of the Bradford Corner Road project.
- An increase to construction in progress of \$719,673 for expenses incurred relating to the English Neighborhood Phase II and the School Roof projects.

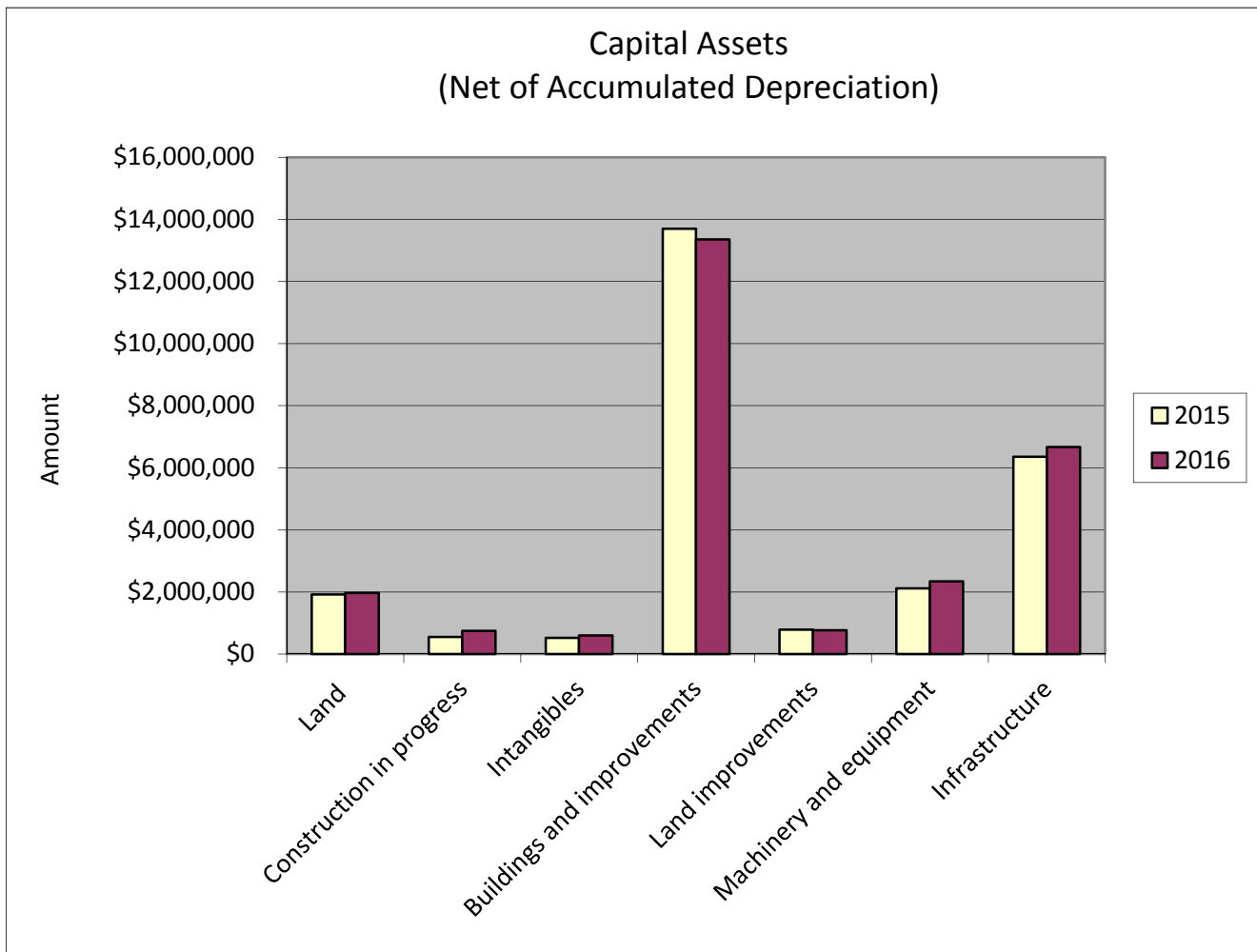
**TOWN OF WOODSTOCK, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)**  
**JUNE 30, 2016**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Capital Assets (Continued)**

The following table is a two year comparison of the investment in capital assets, net of accumulated depreciation:

|                            | <u>2016</u>          | <u>2015</u>         |
|----------------------------|----------------------|---------------------|
| Land                       | \$ 1,974,221         | \$ 1,922,121        |
| Construction in progress   | 748,363              | 546,388             |
| Intangibles                | 600,874              | 524,618             |
| Buildings and improvements | 13,356,129           | 13,697,205          |
| Land improvements          | 765,351              | 784,534             |
| Machinery and equipment    | 2,339,067            | 2,115,578           |
| Infrastructure             | 6,671,460            | 6,358,772           |
| Totals                     | <u>\$ 26,455,465</u> | <u>\$25,949,216</u> |



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



**TOWN OF WOODSTOCK, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)**  
**JUNE 30, 2016**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Long-term Debt**

At the end of the current fiscal year, the Town had total debt outstanding of \$3,699,549, all of which is backed by the full faith and credit of the government. The Town's total debt decreased by \$264,757 or 6.7% during the current fiscal year primarily due to scheduled debt service payments.

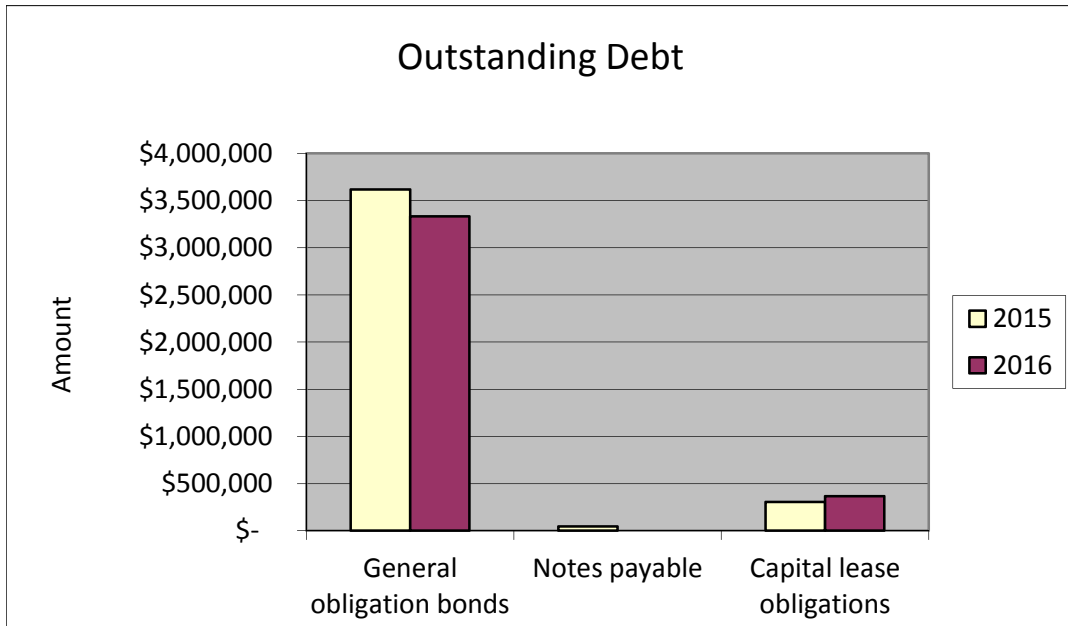
The Town's general obligation bond rating was rated Aa3 by Moody's in September 2010.

Subsequent to year end, the Town issued \$2,378,018 of general obligation bond anticipation notes to fund ongoing school roof construction projects. These notes bear an interest rate of 1.09% and mature in July 2017.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$115,184,027, which is significantly in excess of the Town's outstanding general obligation debt.

The following tables are a two year comparison of long-term debt:

|                           | <b>2016</b>         | <b>2015</b>         |
|---------------------------|---------------------|---------------------|
| General obligation bonds  | \$ 3,332,050        | \$ 3,616,700        |
| Notes payable             | -                   | 43,306              |
| Capital lease obligations | 367,499             | 304,300             |
| Totals                    | <b>\$ 3,699,549</b> | <b>\$ 3,964,306</b> |



Additional information on the Town's debt can be found in Note H of this report.

**TOWN OF WOODSTOCK, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2016

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

A summary of key economic factors affecting the Town are as follows:

- The unemployment rate for the Town compares favorably to the state's average unemployment rate and the national unemployment rate.
- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2017, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
  - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2017. The Town's fiscal year 2017 General Fund budget was approved on May 17, 2016. Use of fund balance in the amount of \$169,419 has been assigned for use in the fiscal year 2017 budget. The approved budget includes an increase in mill rate of 0.03% from the fiscal year 2016 budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Treasurer, Town of Woodstock, 415 Route 169, Woodstock, Connecticut 06281.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF WOODSTOCK, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

The accounting policies of the Town of Woodstock, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

**Financial Reporting Entity**

The Town was incorporated as Woodstock in 1749 under the provisions of the Connecticut General Statutes. The Town operates under the Board of Selectmen, Town Meeting and Board of Finance form of government and provides the following services: public safety, public works, health, welfare and recreation, education, and general administrative services.

The legislative power of the Town is invested with the Board of Selectmen and Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, there are no component units requiring inclusion in these financial statements.

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

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

**Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

**Government-wide and Fund Financial Statements *(Continued)***

**Fund Financial Statements *(Continued)***

The Town reports the following major governmental funds:

**General Fund** - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those not accounted for and reported in another fund.

**WPCA Fund** - This fund is used to account for the financial resources from the collection of sewer assessments and user charges used to fund sewer operations.

**Herbert W. Bowen Fund** - This fund is used to account for an endowment and related earnings which will be used to support the Town's operations. The common stock bequest, made by Herbert W. Bowen upon his death in 1927, requires the annual income of the investment to be restricted in use to purchase additional shares of the common stock given, for the term of one hundred years. At the end of this period, annual income generated from the investment is to be used to reduce the taxes of the Town.

**Town Aid Road Fund** - The Town Aid Road Fund is used to account for and report the proceeds of the state town aid road grant that are restricted to expenditures for the maintenance and repair of town roads.

**School Roof Fund** - The School Roof Fund is used to account for financing and grant proceeds received in connection with the funding of the expenses incurred in relation to the renovation of the schools' roofs.

In addition, the Town reports the following fiduciary fund types:

**Internal Service Fund *(proprietary)*** - These funds account for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes internal service funds to account for risk management activities related to medical and dental insurance.

**Private Purpose Trust Fund** - This fund type is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. There is no requirement that any portion of the resources be preserved as capital. The Town utilizes a private purpose trust fund to account for activities of the Scholarship Fund.

**Agency Funds** - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the student activities fund, the employee medical fund, the land review fund and the performance bond fund. The student activities fund accounts for monies generated by student activities in the Town's school system. The land review and performance bond funds accounts for monies received to ensure that construction is completed to correct specifications for new construction.

**Measurement Focus and Basis of Accounting**

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

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

**Measurement Focus and Basis of Accounting *(Continued)***

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Agency Funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is available to be received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the cash is received.

The private purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

**Implementation of Accounting Standards**

Effective July 1, 2015, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and certain provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The adoption of these statements did not have a material effect on the Town's financial statements.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity**

**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.

**Investments**

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in certain external investment pools as described below.

Investments in certain external investment pools consist of the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at the net asset value per share as determined by the pool.

The Herbert W. Bowen Fund is restricted to expenditures of the investment income only for the donor-designated purpose. As such, related investment accounts have been presented as restricted investments in both the statement of net position and the governmental funds balance sheet.

Any appreciation of the funds is also restricted. The Town allocates investment income in accordance with donor restrictions and Connecticut law, which adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town.

**Inventories**

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

**Property Taxes**

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due and interest on delinquent accounts is charged at a rate of 1.5% per month. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$77,000 as of June 30, 2016.

**TOWN OF WOODSTOCK, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2016

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)***

**Property Taxes *(Continued)***

Upon completion of projects, sewer assessments are levied and assessed to the users semi-annually. Sewer assessment and usage charges are billed semi-annually on March and September 1. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at a rate of 1.5% per month. Liens are filed on all delinquent properties until the assessment is paid in full. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible sewer assessments and usage of \$12,400 as of June 30, 2016.

**Loans Receivable**

The Town administers a Residential Rehabilitation Loan Program for low to moderate income families. 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. As of June 30, 2016, loans receivable totaled \$752,498 under this program.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks), are reported in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation. All other assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Intangible assets lack physical substance, are nonfinancial in nature and have a useful life that extends beyond a single reporting period. Intangible assets with no legal, contractual, or regulatory factors limiting their useful life are considered to have an indefinite useful life.

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

Capital assets are defined by the Town as assets with an initial individual cost and estimated useful life as follows:

| <u>Assets</u>            | <u>Years</u> | <u>Capitalization<br/>Threshold</u> |
|--------------------------|--------------|-------------------------------------|
| Land                     | N/A          | \$ 20,000                           |
| Construction in progress | N/A          | 20,000                              |
| Building and systems     | 50 – 75      | 20,000                              |
| Land improvements        | 75           | 20,000                              |
| Machinery and equipment: |              |                                     |
| Vehicles                 | 10 – 20      | 5,000                               |
| Furniture and equipment  | 5 – 50       | 5,000                               |
| Infrastructure           | 50 – 75      | 100,000                             |

**Unearned Revenue**

This liability represents resources that have been received but not yet earned.



**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)***

**Deferred Outflows/Inflows of Resources**

Deferred outflows and inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows of resources consists of deferred pension expenses reported in the government-wide statement of net position. Deferred pensions expenses resulted from changes in the components of the Town's net pension liability and are being amortized as a component of pension expense on a systematic and rational basis.

Deferred inflows of resources consist of revenue that is considered unavailable under the modified accrual basis of accounting and deferred pension benefits. Unavailable revenue is reported in the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available. Deferred pension benefits are reported net with deferred outflows of resources in the government-wide statement of net position and are amortized as a component of pension expense on a systematic and rational basis.

**Compensated Absences and Termination Benefits**

It is the Town's policy to permit employees to accumulate unused sick and vacation pay benefits. Benefits are determined by the individual union contracts. Certain Board of Education personnel are also eligible for certain retirement incentive amounts that are amortized over time upon acceptance of an Early Retirement Incentive Program.

All compensated absences and employee retirement obligations are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when incurred.

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

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)***

**Net Position and Fund Balances**

The statement of net position presents the Town's assets, deferred outflows/inflows of resources, and liabilities, with net position as the residual of these elements. Net position reported in three categories:

***Net investment in capital assets*** - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

***Restricted net position*** - This component of net position consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. None of the Town's restricted net position is restricted through enabling legislation.

***Unrestricted net position*** - This component of net position is the net amount of assets, liabilities, and deferred inflows/outflows of resources which do not meet the definition of the preceding two categories.

The Town's governmental funds report the following fund balance categories:

***Nonspendable*** - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

***Restricted*** - Constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments, or imposed by law through enabling legislation.

***Committed*** - Amounts can be only used for specific purposes pursuant to constraints imposed by formal action of the Board of Finance (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.

***Assigned*** - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by the Board of Finance.

***Unassigned*** - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

***Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance *(Continued)***

**Net Position and Fund Balances *(Continued)***

***Net Position Flow Assumption***

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

***Fund Balance Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Town's policy that when an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the fund balance is to be spent in the following order: committed, assigned, and then unassigned. In addition, the Town's adopted policy states that the Board of Finance shall propose annual budgets that provide for an unassigned General Fund balance of not less than 8.0% or more than 13.0% of the total operating General Fund expenditures.

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed, or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Interfund Services Provided and Used**

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

**Interfund Transfers**

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

**Interfund Activities *(Continued)***

**Interfund Reimbursements**

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE**

**Budgetary Information**

A legally adopted budget is authorized annually for the General Fund. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements, in accordance with provisions of Connecticut General Statutes:

- The head of each department, office or agency of the Town, supported wholly or in part from Town funds, except the Board of Education, files with the Board of Selectmen a detailed estimate of the expenditures to be made and the revenues, other than property taxes, to be collected in the ensuing fiscal year.
- The Board of Selectmen presents an estimate of revenues and expenditures and justifications to the Board of Finance for all Town-supported functions. The Board of Education presents estimates of revenues and expenditures and justifications to the Board of Finance for all local education functions.
- The Board of Finance holds at least one public hearing on the proposed budget. The Board of Finance may review the budget requests with the head of each department, board, agency and commission including the Board of Education. The Board of Finance then prepares a budget to be presented at the Town's Annual Budget meeting. The Annual Budget meeting will adjourn to referendum.
- The Town has an ordinance limiting the increase in the Town's combined annual expenditure budget to the increases in the Town's grand list, State and Federal assistance, and other income. The limit on expenditure increases does not apply to increases necessary to cover debt services, court judgments, State mandated programs and emergency expenditures. In revaluation years, the dollar amount of the combined annual expenditure budget is limited to the dollar increase of the preceding year's budget or the average amount of increase of the preceding three years, whichever is less.
- Expenditures are budgeted by function, department and object. The legal level of budget control is the department level. The Board of Finance may approve additional appropriations for a department, provided such additional appropriations do not exceed \$20,000 or are not a second request for an appropriation by the asking board, commission or department. Appropriations in excess of \$20,000 must also be approved by vote of a Town Meeting. During the year ended June 30, 2016 the Board of Finance made additional appropriations in the amount of \$39,509.

**TOWN OF WOODSTOCK, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE (Continued)**

**Budgetary Information (Continued)**

- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year. Generally, all unexpended appropriations lapse at year-end, except those for capital improvements and nonrecurring expenditures. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2016:

|  | <u>Total</u><br><u>Revenues</u> | <u>Total</u><br><u>Expenditures</u> | <u>Other</u><br><u>Financing</u><br><u>Sources (Uses)</u> | <u>Net Change</u><br><u>In Fund</u><br><u>Balance</u> |
|--|---------------------------------|-------------------------------------|---|---|
| Budgetary basis  | \$ 22,277,671                   | \$ 21,788,690                       | \$ (265,111)  | \$ 223,870  |
| "On-behalf" payments - State<br>Teachers Retirement Fund (see Note J)                                      | 1,078,775                       | 1,078,775                           | -   | -   |
| Reimbursement for certain grant costs<br>recorded as a reduction to<br>expenditures for budgetary purposes | 271,429                         | 271,429                             | -   | -   |
| Certain transfers recorded as revenues or<br>expenditures for budgetary purposes                           | -                               | (61,203)                            | (61,203)  | -   |
| Noncash financing sources (uses) not<br>recognized for budgetary purposes:<br>Capital lease financing      | -                               | 369,057                             | 369,057   | -   |
| GAAP basis   | <u>\$ 23,627,875</u>            | <u>\$ 23,446,748</u>                | <u>\$ 42,743</u>  | <u>\$ 223,870</u>                                     |

**TOWN OF WOODSTOCK, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2016

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**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE *(Continued)***

**Deficit Fund Balance**

The following fund has a deficit fund balance as of June 30, 2016, which does not constitute a violation of statutory provisions:

| Fund             | Amount       |
|------------------|--------------|
| School Roof Fund | \$ (643,444) |

The deficit is expected to be eliminated through future revenue sources, bonding, and transfers in from the General Fund.

**NOTE C - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut general statutes, as described below. In addition, in order to anticipate market changes and provide for a level of security for all funds, all public deposits shall be held in qualified public depositories. As of June 30, 2016, \$5,194,623 of the Town's bank balance of \$6,299,716 was exposed to custodial credit risk as follows:

|   |              |
|---|--------------|
| Uninsured and uncollateralized  | \$ 4,675,161 |
| Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name | 519,462      |
|   | \$ 5,194,623 |

All of the Town's deposits were in qualified public institutions as defined by Connecticut general statutes. Under these statutes, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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**NOTE C - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Cash Deposits *(Continued)***

A reconciliation of the Town's cash deposits as of June 30, 2016 is as follows:

|   |              |
|---|--------------|
| Government-wide statement of net position:  |              |
| Cash and cash equivalents   | \$ 6,580,029 |
| Statement of fiduciary net position:  |              |
| Cash and cash equivalents   | 169,601      |
|   | 6,749,630    |
|   |              |
| Add: certificates of deposit classified as investments<br>for disclosure purposes | 579,534      |
| Less: cash equivalents considered investments<br>for disclosure purposes          | (1,332,088)  |
|   | \$ 5,997,076 |

**Investments**

A reconciliation of the Town's investments as of June 30, 2016 is as follows:

|  |              |
|--|--------------|
| Government-wide statement of net position:   |              |
| Investments  | \$ 579,534   |
| Restricted assets - investments  | 3,544,295    |
| Statement of fiduciary net position:   |              |
| Investments  | 33,199       |
| Add: cash equivalents considered investments<br>for disclosure purposes            | 1,332,088    |
| Less: certificates of deposit classified as investments<br>for disclosure purposes | (579,534)    |
|  | \$ 4,909,582 |

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

**NOTE C - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments *(Continued)***

As of June 30, 2016, the Town's investments consisted of the following:

| <u>Investment type</u>            | <u>Valuation Basis</u> | <u>Credit Rating</u> | <u>Value</u>        | <u>Investment Maturities<br/>(In Years)<br/>Less<br/>Than 1</u> |
|-----------------------------------|------------------------|----------------------|---------------------|---|
| <b>Debt Securities:</b>           |                        |                      |                     |   |
| <i>Governmental activities:</i>   |                        |                      |                     |   |
| Short-term Investment Fund (STIF) | Net asset value        | AAA                  | \$ 1,332,088        | <u>\$ 1,332,088</u>   |
| <br><b>Other Investments:</b>     |                        |                      |                     |   |
| <i>Governmental activities:</i>   |                        |                      |                     |   |
| Equity securities                 | Fair value             |                      | 3,544,295           |   |
| <i>Fiduciary Funds:</i>           |                        |                      |                     |   |
| Mutual funds                      | Fair value             |                      | <u>33,199</u>       |   |
|                                   |                        |                      | <u>\$ 4,909,582</u> |   |

Because investments in the Short-term Investment Fund have weighted average maturities of less than 90 days, they have been presented as investments with maturities of less than one year.

**Interest Rate Risk**

The Town does not have a formal investment policy that limits Town 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.

**Credit Risk**

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut general statutes. Connecticut general statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments consist primarily of investments in pooled fixed income accounts and equity securities, and are therefore not exposed to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.



**TOWN OF WOODSTOCK, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE C - CASH DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2016, more than 10% of the Town's governmental activities investments are invested in the following:

| <u>Issuer</u>                           | <u>Investment</u>          | <u>Value</u> | <u>% of<br/>Total<br/>Investments</u> |
|---|----------------------------|--------------|---------------------------------------|
| State of Connecticut                    | Short-term Investment Fund | \$ 1,332,088 | 27.1%                                 |
| The Bank of New York Mellon Corporation | Common Stock               | 1,049,846    | 21.4%                                 |
| JP Morgan Chase & Co.                   | Common Stock               | 2,550,450    | 51.9%                                 |

As of June 30, 2016, more than 10% of the Town's fiduciary investments are invested in the following:

| <u>Issuer</u>                    | <u>Investment</u>                            | <u>Value</u> | <u>% of<br/>Fiduciary<br/>Investments</u> |
|----------------------------------|--|--------------|---|
| Vanguard Voyager Select Services | Growth Index Fund Admiral Shares             | \$ 11,654    | 35.1%                                     |
| Vanguard Voyager Select Services | Total Bond Market Index Fund                 | 7,809        | 23.5%                                     |
| Vanguard Voyager Select Services | Total Stock Market Index Fund Admiral Shares | 13,736       | 41.4%                                     |

**NOTE D - FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly), and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2016, by level within the fair value hierarchy are presented in the table below.

| <u>Financial Assets<br/>Measured at Fair Value</u> | <u>Prices in Active<br/>Market<br/>(Level 1)</u> | <u>Significant Other<br/>Observable Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable Inputs<br/>(Level 3)</u> | <u>Total</u>        |
|--|--|--|--|---------------------|
| Mutual funds                                       | \$ 33,199  | \$ -   | \$ -   | \$ 33,199           |
| Equity securities                                  | 3,544,295  | -  | -  | 3,544,295           |
|  | <u>\$ 3,577,494</u>                              | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ 3,577,494</u> |

**TOWN OF WOODSTOCK, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 consisted of the following:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| <b>Governmental Activities</b>               |                              |                     |                     |                           |
| Capital assets, not being depreciated:       |                              |                     |                     |                           |
| Land   | \$ 1,922,121                 | \$ 66,100           | \$ (14,000)         | \$ 1,974,221              |
| Construction in progress                     | 546,388                      | 719,673             | (517,698)           | 748,363                   |
| Intangibles                                  | 524,618                      | 76,256              | -                   | 600,874                   |
| Total capital assets, not being depreciated  | <u>2,993,127</u>             | <u>862,029</u>      | <u>(531,698)</u>    | <u>3,323,458</u>          |
| Capital assets, being depreciated:           |                              |                     |                     |                           |
| Buildings and improvements                   | 21,220,332                   | -                   | -                   | 21,220,332                |
| Land improvements                            | 1,135,481                    | -                   | -                   | 1,135,481                 |
| Machinery and equipment                      | 4,315,204                    | 511,621             | (207,186)           | 4,619,639                 |
| Infrastructure                               | 8,580,464                    | 483,698             | -                   | 9,064,162                 |
| Total capital assets, being depreciated      | <u>35,251,481</u>            | <u>995,319</u>      | <u>(207,186)</u>    | <u>36,039,614</u>         |
| Less accumulated depreciation for:           |                              |                     |                     |                           |
| Buildings and improvements                   | 7,523,127                    | 341,076             | -                   | 7,864,203                 |
| Land improvements                            | 350,947                      | 19,183              | -                   | 370,130                   |
| Machinery and equipment                      | 2,199,626                    | 273,741             | (192,795)           | 2,280,572                 |
| Infrastructure                               | 2,221,692                    | 171,010             | -                   | 2,392,702                 |
| Total accumulated depreciation               | <u>12,295,392</u>            | <u>805,010</u>      | <u>(192,795)</u>    | <u>12,907,607</u>         |
| Total capital assets, being depreciated, net | <u>22,956,089</u>            | <u>190,309</u>      | <u>(14,391)</u>     | <u>23,132,007</u>         |
| Governmental activities capital assets, net  | <u>\$ 25,949,216</u>         | <u>\$ 1,052,338</u> | <u>\$ (546,089)</u> | <u>\$ 26,455,465</u>      |

Depreciation expense was charged to functions of the Town as follows:

|  |                   |
|--|-------------------|
| Governmental Activities:                             |                   |
| General government                                   | \$ 31,780         |
| Public safety  | 19,762            |
| Public works   | 340,640           |
| Health, welfare and recreation                       | 37,471            |
| Education  | 375,357           |
| Total depreciation expense - governmental activities | <u>\$ 805,010</u> |

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

**NOTE F - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2016 are as follows:

| <u>Receivable Fund</u>               | <u>Payable Fund</u>         | <u>Amount</u>              |
|--------------------------------------|-----------------------------|----------------------------|
| <b>Governmental Funds</b>            |                             |                            |
| General Fund                         | WPCA Fund                   | \$ 12,082                  |
|                                      | School Roof Fund            | 59,666                     |
|                                      | Nonmajor Governmental Funds | <u>12,240</u>              |
|                                      |                             | <u>83,988</u>              |
| Herbert W. Bowen Fund                | General Fund                | <u>202</u>                 |
| Town Aid Road Fund                   | General Fund                | <u>623,390</u>             |
| Nonmajor Governmental Funds          | General Fund                | <u>1,020,068</u>           |
| <b>Proprietary Funds</b>             |                             |                            |
| Internal Service Funds               | General Fund                | <u>60,071</u>              |
| <b>Fiduciary Funds</b>               |                             |                            |
| Agency Funds                         | General Fund                | <u>22,240</u>              |
| Total interfund receivables/payables |                             | <u><u>\$ 1,809,959</u></u> |

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE G - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2016 consisted of the following:

| <u>Transfers In</u>         | <u>Transfers Out</u> | <u>Amount</u>            |
|-----------------------------|----------------------|--------------------------|
| <b>Governmental Funds</b>   |                      |                          |
| Nonmajor Governmental Funds | General Fund         | <u>\$ 326,314</u>        |
| Total transfers             |                      | <u><u>\$ 326,314</u></u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, and (2) use revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TOWN OF WOODSTOCK, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE H - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

| <u>Governmental Activities</u> | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------------------------|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| General obligation bonds       | \$ 3,616,700                 | \$ -                | \$ (284,650)        | \$ 3,332,050              | \$ 279,650                     |
| Other liabilities:             |                              |                     |                     |                           |                                |
| Notes payable                  | 43,306                       | -                   | (43,306)            | -                         | -                              |
| Capital lease obligations      | 304,300                      | 369,057             | (305,858)           | 367,499                   | 220,079                        |
| Loans payable                  | 14,385                       | -                   | (4,888)             | 9,497                     | 4,888                          |
| Contract payable               | -                            | 136,162             | (27,232)            | 108,930                   | 27,232                         |
| Compensated absences           | 128,752                      | 21,495              | (40,665)            | 109,582                   | 21,916                         |
| Termination benefits           | 90,000                       | -                   | (70,000)            | 20,000                    | 10,000                         |
| Post-closure landfill costs    | 82,500                       | -                   | (6,640)             | 75,860                    | 9,000                          |
| Net pension liability (Note J) | 786,465                      | 260,271             | -                   | 1,046,736                 | -                              |
| Net OPEB obligation (Note K)   | 3,688,247                    | 450,430             | -                   | 4,138,677                 | -                              |
|                                | <u>\$ 8,754,655</u>          | <u>\$ 1,237,415</u> | <u>\$ (783,239)</u> | <u>\$ 9,208,831</u>       | <u>\$ 572,765</u>              |

The above liabilities have typically been liquidated by the General Fund and transfers in from the WPCA Fund.

**General Obligation Bonds**

A summary of general obligation bonds outstanding at June 30, 2016 is as follows:

| <u>Purpose of Bonds</u>   | <u>Final<br/>Maturity Dates</u> | <u>Interest<br/>Rates</u> | <u>Amount<br/>Outstanding</u> |
|---|---------------------------------|---------------------------|-------------------------------|
| <b>Governmental Activities</b>  |                                 |                           |                               |
| <b>Bonds Payable</b>  |                                 |                           |                               |
| General obligation bonds issued September 2010,<br>original amount of \$2,415,000           | 8/1/2030                        | 2.0% - 4.0%               | \$ 2,010,000                  |
| General obligation refunding bonds issued September 2010,<br>original amount of \$1,245,000 | 8/1/2020                        | 2.0% - 3.0%               | 595,000                       |
| General obligation sewer bonds issued June 2013,<br>original amount of \$786,000            | 10/1/2053                       | 2.75%                     | 727,050                       |
|   |                                 |                           | <u>\$ 3,332,050</u>           |

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

**NOTE H - LONG-TERM LIABILITIES *(Continued)***

**General Obligation Bonds *(Continued)***

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2016:

| Year ending<br>June 30: | Governmental Activities  |                     |                     |
|-------------------------|--------------------------|---------------------|---------------------|
|                         | General Obligation Bonds |                     |                     |
|                         | Principal                | Interest            | Total               |
| 2017                    | \$ 279,650               | \$ 105,095          | \$ 384,745          |
| 2018                    | 269,650                  | 98,117              | 367,767             |
| 2019                    | 274,650                  | 90,951              | 365,601             |
| 2020                    | 269,650                  | 84,948              | 354,598             |
| 2021                    | 809,650                  | 244,757             | 1,054,407           |
| 2022-2026               | 768,250                  | 173,657             | 941,907             |
| 2027-2031               | 228,250                  | 70,147              | 298,397             |
| 2032-2036               | 98,250                   | 54,038              | 152,288             |
| 2037-2041               | 98,250                   | 40,528              | 138,778             |
| 2042-2046               | 98,250                   | 27,019              | 125,269             |
| 2047-2051               | 98,250                   | 13,510              | 111,760             |
| 2052-2053               | 39,300                   | 1,619               | 40,919              |
|                         | <u>\$ 3,332,050</u>      | <u>\$ 1,004,386</u> | <u>\$ 4,336,436</u> |

**Contract Reimbursements**

The Town has entered into a long-term contract in connection with the general obligation sewer bonds issued in fiscal year 2013, in which Woodstock Academy is liable to reimburse the Town for bond principal and interest costs. The amount of principal and interest reimbursements for the year ended June 30, 2016 was \$19,650 and \$20,534, respectively. Additional reimbursements of principal and interest aggregating \$727,050 and \$379,884, respectively, are expected to be received through the applicable bond's maturity dates.

**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 \$115,184,027 as of June 30, 2016. The Town did not exceed any of the statutory debt limitations at June 30, 2016.

**Authorized, Unissued Bonds**

As of June 30, 2016, the Town had authorized but unissued bonds totaling \$2,378,018.

**Notes Payable**

The State of Connecticut Department of Environmental Protection had provided Clean Water financing in the form of permanently financed serial notes to the Town dated March 31, 1998, in the initial amount of \$1,580,232. The note was payable in 240 monthly installments of \$7,920 and matured during fiscal year 2016. The note bore an interest rate of 2.0%.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

**NOTE H - LONG-TERM LIABILITIES *(Continued)***

**Capital Leases**

A summary of assets acquired through capital leases is as follows as of June 30, 2016:

|                                | <b>Governmental<br/>Activities</b> |
|--------------------------------|------------------------------------|
| Machinery and equipment        | \$ 656,963                         |
| Less: accumulated amortization | <u>(71,013)</u>                    |
|                                | <u><u>\$ 585,950</u></u>           |

Amortization expense relative to leased property under capital leases totaled \$46,146 for the year ended June 30, 2016 and is included in depreciation and amortization expense disclosed in Note E.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

| <b>Year ending<br/>June 30:</b>         | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| 2017                                    | \$ 227,621                         |
| 2018                                    | 51,605                             |
| 2019                                    | 51,605                             |
| 2020                                    | <u>51,604</u>                      |
| Total minimum lease payments            | 382,435                            |
| Less: amount representing interest      | <u>(14,936)</u>                    |
| Present value of minimum lease payments | <u><u>\$ 367,499</u></u>           |

**Loans payable**

The Town executed two loan agreements totaling \$17,563 with a local utility provider to finance various energy conservation improvements to the Town's school buildings. These loans were zero interest loans and have annual payments of approximately \$4,888 through July 2018.

**Contract Payable**

The Town has entered into a long-term contract with the Northeastern Connecticut Council of Governments and other local Connecticut municipalities in connection with revaluation services. The initial contract totaled \$136,162, with annual required payments of \$27,232 through 2020.

**Termination Benefits**

The Board of Education provides special termination benefits based on early retirement incentive agreements initiated in January 2013 and February 2015. The 2013 agreement involves six former employees and amounts due consist of annuity payments, and which were paid in full during fiscal year 2016. The 2015 agreement involves one employee and the amount due consists of annuity payments that will be paid out in equal installments of \$10,000 through fiscal year 2018.

**TOWN OF WOODSTOCK, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE H - LONG-TERM LIABILITIES (Continued)**

**Post-closure Landfill Costs**

The Town landfill has been closed. State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Estimated monitoring costs of approximately \$9,000 per year for the next nine years total \$75,860 as of June 30, 2016. These amounts are based on estimates, which are subject to change due to inflation, technology or changes in applicable laws and regulations.

**NOTE I - FUND BALANCE**

The various components of fund balance at June 30, 2016 are as follows:

|                          | <u>General<br/>Fund</u> | <u>WPCA<br/>Fund</u> | <u>Herbert W.<br/>Bowen<br/>Fund</u> | <u>School Roof<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|--------------------------|-------------------------|----------------------|--------------------------------------|-----------------------------|--|---------------------|
| Nonspendable:            |                         |                      |                                      |                             |  |                     |
| Permanent principal      | \$ -                    | \$ -                 | \$ -                                 | \$ -                        | \$ 13,100                                  | \$ 13,100           |
| Inventories              | -                       | -                    | -                                    | -                           | 6,417                                      | 6,417               |
| Restricted for:          |                         |                      |                                      |                             |  |                     |
| Donor restrictions       | -                       | -                    | 3,545,195                            | -                           | 7,607                                      | 3,552,802           |
| Loan programs            | -                       | -                    | -                                    | -                           | 752,498                                    | 752,498             |
| Grant programs           | -                       | -                    | -                                    | -                           | 123,943                                    | 123,943             |
| Capital projects         | -                       | -                    | -                                    | -                           | 103,659                                    | 103,659             |
| Record restoration       | -                       | -                    | -                                    | -                           | 27,899                                     | 27,899              |
| Committed to:            |                         |                      |                                      |                             |  |                     |
| WPCA                     | -                       | 181,636              | -                                    | -                           | -  | 181,636             |
| Revaluation              | -                       | -                    | -                                    | -                           | 2,948                                      | 2,948               |
| Cafeteria                | -                       | -                    | -                                    | -                           | 49,607                                     | 49,607              |
| Education                | -                       | -                    | -                                    | -                           | 64,287                                     | 64,287              |
| Capital projects         | -                       | -                    | -                                    | -                           | 1,115,554                                  | 1,115,554           |
| General government       | -                       | -                    | -                                    | -                           | 16,738                                     | 16,738              |
| Fuel Depot               | -                       | -                    | -                                    | -                           | 15,288                                     | 15,288              |
| Recreation               | -                       | -                    | -                                    | -                           | 77,454                                     | 77,454              |
| Assigned to:             |                         |                      |                                      |                             |  |                     |
| Subsequent year's budget | 169,419                 | -                    | -                                    | -                           | -  | 169,419             |
| Capital outlay           | -                       | -                    | -                                    | -                           | 228,916                                    | 228,916             |
| Unassigned               | 3,247,058               | -                    | -                                    | (643,444)                   | -  | 2,603,614           |
|                          | <u>\$ 3,416,477</u>     | <u>\$ 181,636</u>    | <u>\$ 3,545,195</u>                  | <u>\$ (643,444)</u>         | <u>\$ 2,605,915</u>                        | <u>\$ 9,105,779</u> |

**NOTE J - EMPLOYEE RETIREMENT PLANS**

**Connecticut Municipal Employees' Retirement System**

The Town participates in the Connecticut's 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 PERS benefits, member contribution rates, and other plan provisions.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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**NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

Municipalities may designate which departments are to be covered under the CMERS. 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.

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

**Plan Description**

*Plan administration* - CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

*Plan membership* - All full-time employees of the Town, except for certified Board of Education personnel who are eligible for the State Teachers' Retirement System, who are age 55 or younger at the date of hire, participate in the CMERS plan for general employees with social security.

*Benefits provided* - General 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. Police are eligible at the compulsory retirement age for police and fire members are eligible at the age of 65.

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% 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.

Employees are eligible for early retirement 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.

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 benefits) of 50% of compensation at the time of disability.



**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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**NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Plan Description *(Continued)***

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.

The plan also offers a pre-retirement death benefit in the form of a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

*Contributions* - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The Town is required to contribute 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. The current rate is 11.38% of the annual Town employees' covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the CMERS for the years ended June 30, 2016, 2015 and 2014 were \$215,656, \$203,247, and \$213,680, respectively, and were equal to the required contributions for each year.

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.

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

*Investment policy* - The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

**Net Pension Liability**

The total estimated net pension liability of the CMERS as of June 30, 2015 was \$192.737 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$1.047 million or approximately 0.543% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward for the year ending June 30, 2015. The portion of the net pension liability associated with the Town was based on the 2014 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

**NOTE J- EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Net Pension Liability *(Continued)***

*Actuarial assumptions* - The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2014, rolled forward for the year ending June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                     |
|---------------------------|-------------------------------------|
| Inflation                 | 3.25%                               |
| Salary increases          | 4.25% - 11.00%, including inflation |
| Investment rate of return | 8.00%                               |
| Discount rate             | 8.00%                               |

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 long-term expected rate of return on pension plan investments was determined using a building-block method 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>          | <u>Target<br/>Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Large cap U.S. Equities     | 16.0%                        | 5.80%   |
| Developed Non-U.S. Equities | 14.0%                        | 6.60%   |
| Emerging Markets (Non-U.S.) | 7.0%                         | 8.30%   |
| Core Fixed Income           | 8.0%                         | 1.30%   |
| Inflation Linked Bonds      | 5.0%                         | 1.00%   |
| Emerging Market Bonds       | 8.0%                         | 3.70%   |
| High Yield Bonds            | 14.0%                        | 3.90%   |
| Real Estate                 | 7.0%                         | 5.10%   |
| Private Equity              | 10.0%                        | 7.60%   |
| Alternative Investment      | 8.0%                         | 4.10%   |
| Liquidity Fund              | 3.0%                         | 0.40%   |
|                             | <u>100.0%</u>                |   |

*Discount rate* - The discount rate used to measure the CMERS' 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 State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF WOODSTOCK, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 JUNE 30, 2016

**NOTE J - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut Municipal Employees' Retirement System (Continued)**

**Net Pension Liability (Continued)**

*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 calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of 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:

|   | <b>1% Decrease<br/>(7.00%)</b> | <b>Current<br/>Discount<br/>(8.00%)</b> | <b>1% Increase<br/>(9.00%)</b> |
|---|--------------------------------|---|--------------------------------|
| Town proportionate share of the net pension liability as of June 30, 2016 | \$ 4,365,242                   | \$ 1,046,736                            | \$ 336,991                     |

*Pension plan fiduciary net position* - Detailed information about the CMERS plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

**Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2016, the Town recognized pension expense related to the CMERS of \$193,507. At June 30, 2016, the Town reported its proportionate share of deferred inflows and outflows of resources related to the MERS from the following source:

|  | <b>Deferred Inflows<br/>of Resources</b> | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Outflows<br/>of Resources, net</b> |
|--|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ 188,862                               | \$ 268,307                                | \$ 79,445                                      |
| Total  | \$ 188,862                               | \$ 268,307                                | \$ 79,445                                      |

Amounts reported as deferred outflows and inflows of resources related to the CMERS will be recognized as a component of pension expense in future years as follows:

|                     |           |
|---------------------|-----------|
| Year ended June 30, |           |
| 2017                | \$ 4,123  |
| 2018                | 4,123     |
| 2019                | 4,123     |
| 2020                | 67,076    |
|                     | \$ 79,445 |

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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**NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System**

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan established under Chapter 167a of the Connecticut General Statutes. The TRS is administered by the Connecticut State Teachers' Retirement Board (the "Board") and is included as a fiduciary pension trust fund in the State of Connecticut's basic financial statements. The Board issues publicly available financial reports.

Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the Connecticut General Statutes. The plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. For the year ended June 30, 2016, plan members of the Town contributed \$320,144 to the plan and covered payroll for the year was \$4,415,779. The Town has recognized on-behalf payments of \$1,078,775 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Administrative costs of the plan are funded by the State.

The total estimated net pension liability of the TRS as of June 30, 2015 was \$10.972 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$14.5 million or approximately 0.132% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015. The portion of the net pension liability associated with the Town was based on a projection of the long-term share of contributions to the plan related to the Town relative to the projected contributions of all participating employers, actuarially determined. The pension expense attributed to the Town totaled \$1,159,619 for the year ended June 30, 2016.

The total pension liability as of June 30, 2015 was rolled forward from the total pension liability determined from the June 30, 2014 actuarial valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods in the measurement:

|                                  |                                   |
|----------------------------------|-----------------------------------|
| Inflation                        | 3.0%                              |
| Salary increases                 | 3.75% - 7.0% (includes inflation) |
| Investment rate of return        | 8.5% (includes inflation)         |
| Cost of living adjustments:      |                                   |
| Retirements prior to 9/1/1992    | 3.0%                              |
| Retirements on or after 9/1/1992 | 2.0%                              |

For healthy retirees and beneficiaries, the RP-2000 Combined Mortality Table projected forward 19 years using scale AA, with a two-year setback for males and females.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

**NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>          | <u>Target<br/>Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Large cap U.S. Equities     | 16.0%                        | 5.80%   |
| Developed Non-U.S. Equities | 14.0%                        | 6.60%   |
| Emerging Markets (Non-U.S.) | 7.0%                         | 8.30%   |
| Core Fixed Income           | 8.0%                         | 1.30%   |
| Inflation Linked Bonds      | 5.0%                         | 1.00%   |
| Emerging Market Bonds       | 8.0%                         | 3.70%   |
| High Yield Bonds            | 14.0%                        | 3.90%   |
| Real Estate                 | 7.0%                         | 5.10%   |
| Private Equity              | 10.0%                        | 7.60%   |
| Alternative Investment      | 8.0%                         | 4.10%   |
| Liquidity Fund              | 3.0%                         | 0.40%   |
|                             | <u>100.0%</u>                |   |

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.50%) or 1-percentage-point higher (9.50%) than the current rate:

|   | <u>1.00%<br/>Decrease<br/>(7.50%)</u> | <u>Current<br/>Rate<br/>(8.50%)</u> | <u>1.00%<br/>Increase<br/>(9.50%)</u> |
|---|---------------------------------------|-------------------------------------|---------------------------------------|
| Town proportionate share of the net pension liability as of June 30, 2016 | \$18.3 million                        | \$14.5 million                      | \$11.3 million                        |

Detailed information about the plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

**NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The Town's Board of Education administers one single-employer defined benefit healthcare plan (the "Plan") to provide medical benefits to certain eligible retirees, spouses and beneficiaries. The plan provides for medical, prescription drugs and dental benefits. Benefits provisions are established by contract and may be amended by union negotiations each bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

**Funding Policy**

Contribution requirements of the participants and the Town are established by and may be amended through negotiations between the Town and the union representing the employees. Currently, participants are required to contribute 100% of their healthcare and dental premiums to the Town, less any reimbursements received by the Town from the State Retirement Board. The Town pays the benefits on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with post-employment benefits.

**Annual OPEB Cost and Net OPEB Obligation**

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

|  |                            |
|--|----------------------------|
| Annual required contribution               | \$ 550,313                 |
| Interest on net OPEB obligation            | 165,971                    |
| Adjustment to annual required contribution | <u>(197,873)</u>           |
| Annual OPEB cost                           | 518,411                    |
| Contributions made                         | <u>67,981</u>              |
| Increase in net OPEB obligation            | 450,430                    |
| Net OPEB obligation, beginning of year     | <u>3,688,247</u>           |
| Net OPEB obligation, end of year           | <u><u>\$ 4,138,677</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

| <u>Year Ended</u><br><u>June 30</u> | <u>Annual</u><br><u>OPEB Cost</u> | <u>Actual</u><br><u>Contribution</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|-------------------------------------|-----------------------------------|--------------------------------------|---|--------------------------------------|
| 2014                                | \$ 543,786                        | \$ 67,038                            | 12.3%   | \$ 3,251,831                         |
| 2015                                | 516,360                           | 79,944                               | 15.5%   | 3,688,247                            |
| 2016                                | 518,411                           | 67,981                               | 13.1%   | 4,138,677                            |

**TOWN OF WOODSTOCK, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2016

**NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2014, the date of the most recent actuarial valuation, was as follows:

| Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL) -<br>Entry Age Normal<br>Cost Method (B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>((B-A)/C) |
|--|--|------------------------------------|--------------------------|---------------------------|---|
| \$ -                                   | \$ 8,435,837   | \$ 8,435,837                       | 0.0%                     | \$ 5,067,544              | 166.47%   |

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in 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 Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

|                                |                                       |
|--------------------------------|---------------------------------------|
| Valuation date:                | June 30, 2014                         |
| Actuarial cost method:         | Entry age normal                      |
| Amortization method:           | Level Percent of Payroll Amortization |
| Remaining amortization period: | 30 years                              |
| Asset valuation method:        | N/A                                   |
| Actuarial assumptions:         |                                       |
| Discount rate                  | 4.50%                                 |
| Inflation                      | 1.07%                                 |
| Healthcare cost trend rate     | 9.00% initial<br>3.00% final          |

**TOWN OF WOODSTOCK, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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**NOTE L - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. During 2016, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

The general government previously self-insured its full-time municipal employees and highway foreman for dental and vision claims through the use of an internal service fund. Coverage under such fund has ceased. The remaining balance in the fund as of June 30, 2016 is \$60,071.

The Board of Education self-insures its employees for medical and dental claims through the use of an internal service fund. Maximum liability to the Board of Education per employee is \$35,000. The Board of Education retains an insurance policy for employee claims in excess of \$35,000. A third party administers the plan for which the Board of Education pays an administrative fee.

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2016. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

A summary of claims activity for the years ended June 30, 2015 and 2016 is as follows:

| <u>Year Ended<br/>June 30</u> | <u>Claims Payable,<br/>Beginning of<br/>Year</u> | <u>Claims and<br/>Changes in<br/>Estimates</u> | <u>Claims<br/>Paid</u> | <u>Claims Payable,<br/>End of<br/>Year</u> |
|-------------------------------|--|--|------------------------|--|
| 2015                          | \$ 247,060                                       | \$ 1,223,406                                   | \$ 1,195,393           | \$ 275,073                                 |
| 2016                          | 275,073  | 897,022  | 1,020,274              | 151,821                                    |

**NOTE M - COMMITMENTS AND CONTINGENCIES**

There are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

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



**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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**NOTE M - COMMITMENTS AND CONTINGENCIES *(Continued)***

**Joint Venture**

The Town, in a joint venture with the Town of Eastford, Connecticut, has created the Camp Nahaco Park Commission to oversee and maintain the Camp Nahaco Park. The Commission consists of four registered voters from each Town, as appointed by their respective Boards of Selectmen. The Commission adopts an annual operating budget. Each Town's Board of Selectmen include \$900 in their budget to offset expenses. The Town of Woodstock provides accounting services for the Commission, and as such, includes the Commission's financial activities as a nonmajor special revenue fund.

**NOTE N - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town currently provides other post-employment benefits to certain eligible employees. The Town has not yet determined the impact that this statement will have on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town currently provides other post-employment benefits to certain eligible employees. The Town has not yet determined the impact that this statement will have on its financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes disclosure of information about the nature and magnitude of tax abatements to allow users of the financial statements to understand 1) how tax abatements affect a government's future ability to raise resources and meets its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

**TOWN OF WOODSTOCK, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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**NOTE N - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)***

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Certain provisions of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

**NOTE O - SUBSEQUENT EVENTS**

In July 2016, the Town issued \$2,378,018 of general obligation bond anticipation notes. These notes bear an interest rate of 1.09% and mature in July 2017. The Town issued the notes to finance improvements to existing school facilities.

On July 1, 2016, the Woodstock Board of Education entered into a five year contract with a third party to provide student transportation services. The Contractor is to furnish all vehicles, drivers, and equipment in connection with the transportation services. In connection with the agreement, the Contractor purchased the Town's existing bus fleet, in entirety, and titles of all vehicles were transferred to the Contractor in July 2016. Savings realized from entering into the contract were utilized to pay off all capital lease obligations outstanding as of July 1, 2016 which pertained to the bus fleet. As such, these capital lease obligations have been included in the amounts due within one year (*See Note H*).

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**FIDUCIARY FUNDS**

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