

TOWN OF SHARON
AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Board of Finance of the
Town of Sharon, CT
Sharon, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, CT as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Sharon CT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, CT as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 9 and the required supplementary information on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sharon CT's basic financial statements. The general fund budgetary comparison detail and combining and individual nonmajor fund financial statements, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the Connecticut State Single Audit Act and is not a required part of the basic financial statements.

The general fund budgetary comparison detail, combining and individual nonmajor fund financial statements, and other schedules and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of State Financial Assistance 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 29, 2017, on our consideration of the Town of Sharon CT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sharon CT's internal control over financial reporting and compliance.



Sinnamon & Associates, LLC
Certified Public Accountants

December 29, 2017
Canaan Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SHARON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

The Management Discussion and Analysis (MD&A) offers the readers of the Town of Sharon (the "Town") financial statements a narrative overview and analysis of the financial activities of the Town for the fiscal year ending June 30, 2017. The information presented here should be considered in conjunction with the Town's basic financial statements that follow this section. Wherever possible, reference to the financial statements is provided.

FINANCIAL HIGHLIGHTS

On a government-wide basis the Town's assets of \$22,693,765 exceeded its liabilities at June 30, 2017, resulting in a total net position of \$15,881,697. Unrestricted net position was \$5,620,631 and was available to meet ongoing government obligations. Of that amount \$5,480,197 is related to governmental activities, which include the General Fund.

The Town's governmental funds, reported on a current financial resources basis, combined ending fund balance is \$4,207,146, an increase of \$377,507 for the year. The General Fund operating surplus for the year was \$207,351 vs. a budgeted decrease of \$384,829. The General Fund balance was \$2,530,921, of which \$286,002 was assigned and committed.

At the end of the current fiscal year unassigned fund balance for the general fund was \$2,264,919 or 20.78 % of total General Fund expenditures and transfers.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information and statistical tables.

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 and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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 these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

TOWN OF SHARON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the Town include general government, public safety, public works, and recreation.

The government-wide financial statements can be found on pages 10 -11 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 special activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is the Town's most basic services. Unlike the government-wide financial statements, however, the funds focus on (1) cash and other financial resources that can be readily converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a near or short-term view of the Town's finances that may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental 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 government's near-term decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital reserve fund, both 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 non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 - 16 of this report.

TOWN OF SHARON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

Proprietary Funds –

The proprietary fund is the Sewer and Water Commission

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The funds are combined into single, aggregated presentation in the proprietary fund financial statements.

The basic Proprietary fund statements can be found on pages 17 - 19 of this report.

Fiduciary Funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

The basic fiduciary fund statements can be found on pages 20-21 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 financial fund statements. The notes to the financial statements can be found on pages 22 - 44 of this report.

Other Information.

The required supplementary information for the Town's proportionate share of the Connecticut State Teachers Retirement Pension liability can be found on page 45 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 46 – 60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town, assets exceeded liabilities by \$15,881,697 at the close of the most recent fiscal year.

By far the largest portion of the Town's assets is its investment in capital assets (e.g., land, buildings, machinery, and equipment). It is presented in the statement of net position less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets, net of accumulated depreciation, 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.

The Town's net position increased by \$489,389 during the current fiscal year.

TOWN OF SHARON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

NET POSITION - June 30, 2017 and June 30, 2016

	June 30, 2017 Net Position			June 30, 2015 Net Position		
	Governmental Activities	Business -Type Activities	Total	Governmental Activities	Business -Type Activities	Total
ASSETS						
Current and Other Assets	\$ 5,058,727	\$ 280,434	\$ 5,339,161	\$ 4,637,014	\$ 231,588	\$ 4,868,602
Capital Assets	12,021,437	4,912,169	16,933,606	12,023,214	5,105,650	17,128,864
Non Current Assets	420,998	-	420,998	367,337	-	367,337
TOTAL ASSETS	17,501,162	5,192,603	22,693,765	17,027,565	5,337,238	22,364,803
LIABILITIES						
Current Liabilities	997,532	100,968	1,098,500	842,069	140,067	982,136
Non Current Liabilities	5,230,133	483,435	5,713,568	5,381,723	608,636	5,990,359
TOTAL LIABILITIES	6,227,665	584,403	6,812,068	6,223,792	748,703	6,972,495
NET POSITION						
Net Investment in Capital Assets	5,793,300	4,327,766	10,121,066	5,778,762	4,356,947	10,135,709
Restricted for Capital Improvements	-	140,000	140,000	-	140,000	140,000
Unrestricted	5,480,197	140,434	5,620,631	5,025,011	91,588	5,116,599
TOTAL NET POSITION	\$ 11,273,497	\$ 4,608,200	\$ 15,881,697	\$ 10,803,773	\$ 4,588,535	\$ 15,392,308

TOWN OF SHARON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

CHANGES IN NET POSITION - June 30, 2017 and June 30, 2016

	June 30, 2017			June 30, 2016		
	Changes in Net Position			Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 404,309	\$ 539,300	\$ 943,609	\$ 400,743	\$ 493,545	\$ 894,288
Operating grants and contributions	1,204,398	-	1,204,398	993,027	-	993,027
Capital grants and contributions	-	-	-	115,000	-	115,000
General Revenues:						
Property Taxes	10,719,125	-	10,719,125	9,754,463	-	9,754,463
Grants and contributions, unrestricted	65,938	-	65,938	52,967	-	52,967
Other Revenues	49,604	18,067	67,671	22,398	23,133	45,531
Total Revenues	12,443,374	557,367	13,000,741	11,338,598	516,678	11,855,276
Expenses						
General Government	\$ 1,280,428	\$ -	1,280,428	\$ 1,201,808	\$ -	1,201,808
Public Safety	314,794	-	314,794	321,363	-	321,363
Public Works	1,964,657	-	1,964,657	1,830,502	-	1,830,502
Health Department	74,126	-	74,126	84,024	-	84,024
Parks and Recreation	215,628	-	215,628	225,212	-	225,212
Miscellaneous	228,008	-	228,008	253,061	-	253,061
Board of Education	7,572,380	-	7,572,380	7,177,570	-	7,177,570
Sewer and Water Commission	-	517,553	517,553	-	519,532	519,532
Interest on Long Term Debt	323,629	20,149	343,778	172,891	23,828	196,719
Total Expenses	11,973,650	537,702	12,511,352	11,266,431	543,360	11,809,791
Change in Net Position	469,724	19,665	489,389	72,167	(26,682)	45,485
Net Position, beginning	10,803,773	4,588,535	15,392,308	10,731,606	4,615,217	15,346,823
Net Position, ending	\$ 11,273,497	\$ 4,608,200	\$ 15,881,697	\$ 10,803,773	\$ 4,588,535	\$ 15,392,308

Governmental Activities.

Approximately 86% of the revenues were derived from property taxes, followed by 9.7% from operating and capital grants, 3.2% from service charges, and 1.1% from grants and investment earnings. Detailed revenue information can be found on page 46.

For the most part, increases in expenses closely paralleled inflation and growth in demand for services. Approximately 63.2% of the Town's expenses relate to education, 16.4% relate to public works, 10.7% for general government and 9.7% for all other activities.

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

TOWN OF SHARON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

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, unreserved fund balance may serve as a useful measure of a government's net resources for spending at the end of a fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund total fund balance was \$2,530,921. Of this total fund balance, \$266,002 is assigned to the subsequent years expenditures. The remaining balance of \$2,264,919 is unassigned.

The fund balance of the Town's General Fund decreased by \$207,351 during the current fiscal year, compared to an expected decrease of \$384,829.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues were more than budgetary estimates and expenditures were less than budgetary estimates.

A detailed schedule of revenues and expenditures, budget and actual, can be found on 46 - 51 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The town's investment in capital assets (net of accumulated depreciation) for its governmental and as of June 30, 2017 amounted to \$12,021,437. This investment in capital assets included land, buildings and system improvements, machinery and equipment and vehicles.

CAPITAL ASSETS, Net of Depreciation
June 30, 2017 and June 30, 2016

	<u>Governmental Activities</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Land	\$ 274,081	\$ 274,081
Buildings and improvements	4,302,144	4,465,547
Machinery and equipment	1,016,895	707,613
Infrastructure	6,428,317	6,575,973
Total	<u>\$ 12,021,437</u>	<u>\$ 12,023,214</u>

TOWN OF SHARON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

Long-Term Debt

At the end of the current fiscal year, the Town had total outstanding debt of \$5,964,056 related to governmental activities and \$584,403 related to business-type activities. All of the debt is backed by the full faith and credit of the Town.

The Town's total debt had a net decrease of \$79,632 during the current fiscal year reflecting the new borrowings of \$454,654 for equipment purchases, net of the principal amount repaid against the general obligation bonds and outstanding notes payable and the refinancing of bonds as described in Note 10 and detailed on page 60.

The Water and Sewer Commission total debt had a net decrease of \$164,300 during the current fiscal year reflecting the principal amount repaid against the outstanding notes payable.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.0 times its total prior year tax collections. The current statutory debt limitation for the Town is \$74,624,900 which is significantly more than the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 10 on pages 36-38 and the detail schedule on page 60 of this report.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

In August 2016, the Town issued \$5,375,000 of general obligation refunding bonds with an interest rate of 1.59%. The bonds were issued to fully refinance August 2011 general obligation bonds. The Town refunded the above bonds to reduce total debt service payments over the next ten years by \$128,155 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt of \$115,923)

The management of the Town of Sharon considered the following in preparation of the 2017/2018 budget:

- The State of Connecticut's budget and projected cuts to municipalities
- Projected Town needs as estimated in the 5 year capital improvement plan
- Education budgets (Region 1 & Sharon Center School)
- The budget impact of adding a seventh member to the Town road crew
- The debt service schedule of payments

All of the above factors were considered in preparing the Town's budget for the 2017-2018 fiscal year.

Requests for Information

This financial report is designed to provide a general overview for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the First Selectman's office, Town of Sharon, PO Box 385, 63 Main Street, Sharon, Connecticut 06063.

BASIC FINANCIAL STATEMENTS

TOWN OF SHARON
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,963,349	\$ 168,633	\$ 4,131,982
Investments	411,955	-	411,955
Inventory	827	-	827
Receivables:			
Property Taxes	667,220	-	667,220
Accounts Receivable	11,390	111,801	123,191
Accrued interest and fees on property tax	420,998	-	420,998
Due From Other Governments	3,986	-	3,986
Capital Assets, not being depreciated	274,081	69,775	343,856
Capital Assets, net of accumulated depreciation	11,747,356	4,842,394	16,589,750
<u>TOTAL ASSETS</u>	<u>\$ 17,501,162</u>	<u>\$ 5,192,603</u>	<u>\$ 22,693,765</u>
<u>LIABILITIES</u>			
Accounts and Other Payables	\$ 145,388	\$ -	\$ 145,388
Security Deposit	1,000	-	1,000
Due to State	103,368	-	103,368
Noncurrent Liabilities Bonds & Notes Payable:			
Due within one year	723,923	100,968	824,891
Due in more than one year	5,230,133	483,435	5,713,568
<u>TOTAL LIABILITIES</u>	<u>6,203,812</u>	<u>584,403</u>	<u>6,788,215</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Advance Tax Collections	23,853	-	23,853
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,793,300	4,327,766	10,121,066
Restricetd Net Postion	-	140,000	140,000
Unrestricted	5,480,197	140,434	5,620,631
<u>TOTAL NET POSITION</u>	<u>11,273,497</u>	<u>4,608,200</u>	<u>15,881,697</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND AND NET POSITION</u>	<u>\$ 17,501,162</u>	<u>\$ 5,192,603</u>	<u>\$ 22,693,765</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ (1,280,428)	\$ 149,097	\$ 4,000	\$ -	\$ (1,127,331)	\$ -	\$ (1,127,331)
Public Safety	(314,794)	-	-	-	(314,794)	-	(314,794)
Public Works	(1,964,657)	146,510	357,425	-	(1,460,722)	-	(1,460,722)
Health Welfare	(74,126)	6,451	-	-	(67,675)	-	(67,675)
Parks and Recreation	(215,628)	8,515	-	-	(207,113)	-	(207,113)
Miscellaneous	(228,008)	70,651	104,526	-	(52,831)	-	(52,831)
Interest on Long Term Debt	(323,629)	-	-	-	(323,629)	-	(323,629)
Board of Education	(7,572,380)	23,085	738,447	-	(6,810,848)	-	(6,810,848)
Total Governmental Activities	(11,973,650)	404,309	1,204,398	-	(10,364,943)	-	(10,364,943)
Business Type Activities							
Sewer and Water Commission	(537,702)	539,300	-	-	-	1,598	1,598
Total Primary Government	\$ (12,511,352)	\$ 943,609	\$ 1,204,398	\$ -	(10,364,943)	1,598	(10,363,345)
General Revenues:							
Property taxes					10,719,125	-	10,719,125
Grants and contributions not restricted to specific programs					65,938	-	65,938
Unrestricted investment earnings					49,604	18,067	67,671
Total General Revenues					10,834,667	18,067	10,852,734
Change in net position				-	469,724	19,665	489,389
Net position beginning of year					10,803,773	4,588,535	15,392,308
Net position end of year					\$ 11,273,497	\$ 4,608,200	\$ 15,881,697

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital and Non-Recurring Fund	Non Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,672,684	\$ 871,859	\$ 418,806	\$ 3,963,349
Investments	-	-	411,955	411,955
Inventory	-	-	827	827
Receivables:				
Property Taxes	667,220	-	-	667,220
Accounts Receivable	-	-	11,390	11,390
Due From Other Funds	16,210	16,130	538	32,878
Due From Other Governments	-	-	3,986	3,986
<u>TOTAL ASSETS</u>	<u>3,356,114</u>	<u>887,989</u>	<u>847,502</u>	<u>5,091,605</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-	-
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 3,356,114</u>	<u>\$ 887,989</u>	<u>\$ 847,502</u>	<u>\$ 5,091,605</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts and Other Payables	\$ 102,332	\$ -	\$ 43,056	\$ 145,388
Due to Other Funds	16,668	-	16,210	32,878
Security Deposit	1,000	-	-	1,000
Performance Bonds	103,368	-	-	103,368
<u>TOTAL LIABILITIES</u>	<u>223,368</u>	<u>-</u>	<u>59,266</u>	<u>282,634</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Advance Tax Collections	23,853	-	-	23,853
Unavailable Revenue - property taxes	577,972	-	-	577,972
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>601,825</u>	<u>-</u>	<u>-</u>	<u>601,825</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	827	827
Restricted	-	-	269,040	269,040
Committed	198,806	887,989	518,369	1,605,164
Assigned	67,196	-	-	67,196
Unassigned	2,264,919	-	-	2,264,919
<u>TOTAL FUND BALANCES</u>	<u>2,530,921</u>	<u>887,989</u>	<u>788,236</u>	<u>4,207,146</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	<u>\$ 3,356,114</u>	<u>\$ 887,989</u>	<u>\$ 847,502</u>	<u>\$ 5,091,605</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

<u>Total fund balances for governmental funds</u>	\$ 4,207,146
Total net position reported for governmental activities in the statement of net assets is different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	12,021,437
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Property tax and receivables greater than 60 days	577,972
Interest receivable on property taxes	420,998
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
General Obligation Bonds & Notes Payable	<u>(5,954,056)</u>
<u>Net position of governmental activities</u>	<u>\$ 11,273,497</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 10,641,446	\$ -	\$ -	\$ 10,641,446
Intergovernmental	762,514	-	403,296	1,165,810
Investment Income	8,077	1,570	39,957	49,604
Licenses Fees and Charges	-	-	-	-
Other Revenue	363,588	-	87,737	451,325
Contributions	-	-	-	-
Sales	-	34,425	23,085	57,510
<u>Total Revenues</u>	<u>11,775,625</u>	<u>35,995</u>	<u>554,075</u>	<u>12,365,695</u>
<u>Expenditures:</u>				
Current:				
General Government	1,232,544	-	-	1,232,544
Public Safety	309,006	-	5,788	314,794
Public Works	1,312,903	-	358,181	1,671,084
Health Department	74,126	-	-	74,126
Parks and Recreation	215,628	-	-	215,628
Miscellaneous	154,082	-	71,926	226,008
Debt Service	710,929	110,777	-	821,706
Education	7,365,171	-	92,235	7,457,406
Capital Outlay	-	456,654	-	456,654
<u>Total Expenditures</u>	<u>11,374,389</u>	<u>567,431</u>	<u>528,130</u>	<u>12,469,950</u>
Excess (deficiency) of Revenues Over Expenditures	401,236	(531,436)	25,945	(104,255)
<u>Other Financing Sources (Uses):</u>				
Proceeds From Borrowing	-	454,654	-	454,654
Issuance of Refunding Bonds	5,375,000	-	-	5,375,000
Payment to Refunded Bond Escrow Agent	(5,347,892)	-	-	(5,347,892)
Transfers In	16,210	175,686	64,573	256,469
Transfers Out	(237,203)	-	(19,266)	(256,469)
<u>Total Other Financing sources (Uses):</u>	<u>(193,885)</u>	<u>630,340</u>	<u>45,307</u>	<u>481,762</u>
Net Change in Fund Balances	207,351	98,904	71,252	377,507
<u>Fund Balances Beginning of Year</u>	<u>2,323,570</u>	<u>789,085</u>	<u>716,984</u>	<u>3,829,639</u>
<u>Fund Balances End of Year</u>	<u>\$ 2,530,921</u>	<u>\$ 887,989</u>	<u>\$ 788,236</u>	<u>\$ 4,207,146</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Net change in fund balances for governmental funds</u>		\$ 377,507
Total change in net position reported for governmental activities in the statement of activities is different because of the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation differed from capital outlays in the current period is as follows:		
Expenditures for capital assets	454,654	
Depreciation expense	(456,431)	
Net adjustment	<u>(1,777)</u>	(1,777)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		77,679
Proceeds from Long-Term Financing are reported as an other financing source in governmental funds, but the proceeds increase long-term liabilities in the statement of net assets		(5,829,654)
Amortization of Bond Premium and Deferred Charges reported in statement of activities but not in fund statements		100,983
Principal Payments on Long-Term Financing are reported as an other financing uses in governmental funds, but the payments decrease long-term liabilities in the statement of net assets		5,744,986
<u>Change in net position of governmental activities</u>		<u>\$ 469,724</u>

TOWN OF SHARON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$ 10,361,733	\$ 10,361,733	\$ 10,641,446	\$ 279,713
Intergovernmental	186,923	186,923	76,464	(110,459)
Other Revenues	253,000	253,000	379,798	126,798
Interest Investments	6,500	6,500	8,077	1,577
<u>Total Revenues</u>	<u>10,808,156</u>	<u>10,808,156</u>	<u>11,105,785</u>	<u>297,629</u>
<u>Expenditures:</u>				
General Government	1,292,173	1,338,393	1,250,044	88,349
Public Safety	319,343	319,962	316,579	3,383
Public Works	1,491,340	1,496,340	1,387,903	108,437
Health Department	79,179	78,997	74,126	4,871
Parks and Recreation	255,327	255,870	235,628	20,242
Miscellaneous	179,166	181,666	179,082	2,584
Debt Service	695,160	695,160	683,821	11,339
Education	6,826,597	6,826,597	6,771,251	55,346
<u>Total Expenditures</u>	<u>11,138,285</u>	<u>11,192,985</u>	<u>10,898,434</u>	<u>294,551</u>
<u>Excess of Revenues Over</u> <u>(Under) Expenditures</u>	<u>(330,129)</u>	<u>(384,829)</u>	<u>207,351</u>	<u>592,180</u>
<u>Other Financing Sources (Uses):</u>				
Prior Year Encumbrances	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Change In Fund Balance</u>	<u>\$ (330,129)</u>	<u>\$ (384,829)</u>	<u>207,351</u>	<u>\$ 592,180</u>
<u>Fund Balance - Beginning Of Year As Restated</u>			<u>2,323,570</u>	
<u>Fund Balance - End Of Year</u>			<u>\$ 2,530,921</u>	

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	Business Type Activities
	<u>Enterprise Fund</u>
	<u>Sewer and Water Commission</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 168,633
Accounts Receivable, Net of Allowance	111,801
Capital Assets, Net of Accumulated Depreciation	
Land	69,775
Utility Plant, Net of Depreciation	<u>4,842,394</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,192,603</u>
<u>LIABILITIES</u>	
Accounts and Other Payables	\$ -
Noncurrent Liabilities Bonds Payable:	
Due within one year	100,968
Due in more than one year	<u>483,435</u>
<u>TOTAL LIABILITIES</u>	<u>584,403</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	4,327,766
Restricted for Capital Improvements	140,000
Unrestricted	<u>140,434</u>
<u>TOTAL NET POSITION</u>	<u>4,608,200</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 5,192,603</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business Type Activities <u>Enterprise Fund</u> <u>Sewer and Water</u> <u>Commission</u>
<u>Operating Revenue</u>	
Water Sales	\$ 379,892
Sewer Services	159,408
<u>Total Operating Revenues</u>	<u>539,300</u>
<u>Operating Expenses</u>	
Operations Services	179,685
Chemicals	4,187
Depreciation	193,481
Electric	15,344
Repairs and Maintenance	40,738
Supplies	4,171
Telephone	3,168
Fuel	5,598
Other Costs	807
Professional Services	4,175
Wages and Payroll Taxes	17,144
Insurance	15,106
Lab Fees	11,723
Sewer Bed Cleaning	20,306
Meters	1,920
<u>Total Expenditures</u>	<u>517,553</u>
<u>Operating Income (Loss)</u>	<u>21,747</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	276
Finance Charge Revenue	17,791
Interest Expense	(20,149)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(2,082)</u>
<u>Change In Net Position</u>	19,665
<u>Net Position, Beginning</u>	<u>4,588,535</u>
<u>Net Position, Ending</u>	<u>\$ 4,608,200</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Business Type Activities <u>Enterprise Fund</u> <u>Sewer and Water</u> <u>Commission</u>
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$ 543,258
Cash Payments to Suppliers	(302,753)
Cash Payments to Employees and Professional	(21,319)
<u>Net Cash Provided by Operating Activities</u>	<u>219,186</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal Repayments	(164,300)
Capital Additions	-
Interest Paid	(20,149)
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>(184,449)</u>
<u>Cash Flows From Investing Activities</u>	
Receipts of Interest	276
<u>Net Cash Provided by Investing Activities</u>	<u>276</u>
<u>Net Increase in Cash</u>	35,013
<u>Cash, Beginning of Year</u>	<u>133,620</u>
<u>Cash, End of Year</u>	<u>168,633</u>
<u>Reconciliation of Operating Income to</u>	
<u>Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	21,747
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities	
Depreciation Expense	193,481
Receipt of Other Revenue	17,791
(Increase) Decrease in Accounts Receivable	(13,833)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 219,186</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Pension Trust Funds	Agency Funds Student Activity Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 18,720
Investments	1,245,508	-
<u>TOTAL ASSETS</u>	<u>\$ 1,245,508</u>	<u>\$ 18,720</u>
<u>LIABILITIES</u>		
Due to beneficiaries	\$ -	\$ 18,720
<u>TOTAL LIABILITIES</u>	<u>-</u>	<u>18,720</u>
<u>NET ASSETS</u>		
Net assets held in trust for pension benefits	1,245,508	-
<u>TOTAL NET ASSETS</u>	<u>1,245,508</u>	<u>-</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,245,508</u>	<u>\$ 18,720</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Pension Trust Fund</u>
<u>ADDITIONS</u>	
Contributions Employer	\$ 84,772
<u>Total Contributions</u>	<u>84,772</u>
<u>Investment Income</u>	
Dividend and Interest Earnings and gains/(losses)	95,502
<u>Total Investment Income</u>	<u>95,502</u>
<u>TOTAL ADDITIONS</u>	<u>180,274</u>
<u>DEDUCTIONS</u>	
Benefits	42,536
Administrative Expense	17,256
<u>TOTAL DEDUCTIONS</u>	<u>59,792</u>
<u>CHANGE IN NET POSITION</u>	<u>120,482</u>
<u>NET POSITION BEGINNING OF YEAR</u>	<u>1,125,026</u>
<u>NET POSITION END OF YEAR</u>	<u>\$ 1,245,508</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The Town of Sharon, Connecticut (the "Town") is a municipal corporation governed by a Board of Selectman, Town Meeting, Board of Finance form of government and provides the following services as authorized by State Statute: public safety, public works, health, welfare, parks, recreation, and elementary and secondary education. Under this form of Government, the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes, and borrow money. The executive branch is led by an elected three-member Board of Selectman. The Selectman oversee most of the activities not assigned specifically to another Body. An elected Board of Education oversees the public school system.

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.

The Town has the power to incur indebtedness by issuing bonds or notes as provided by Connecticut General Statutes.

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The following related organizations, to which the Town appropriates funds annually, do not meet the above criteria and are not included in the reporting entity:

Regional School District #1 - This potential component unit has a separate elected board and provides educational services to residents of several local Towns which make up the region. It is excluded from the reporting entity because the Town does not have the ability to exercise influence or control over the daily operations or approve budgets.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town or specifically identified.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The various funds included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund- the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Capital Reserve Fund - accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Proprietary Funds

Sewer and Water Commission Enterprise Fund -is used to account for the operations for the Sewer and Water Commission, which oversees the water and sewer services

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund - is used to account for the activities of the Town's pension plan which accumulates resources for pension benefit payments to qualified employees.

Agency Funds account for monies held by the Town as a custodian for outside groups and agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3)

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciations on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Accounting Estimates

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

D. Cash Equivalents

The Town classifies all highly liquid investments having original maturities of three months or less as cash equivalents.

E. Interfund Transactions

The following is a description of the three basic types of interfund transactions and the related accounting policies:

Transactions to reimburse a fund for expenditures made by it or for the benefit of another fund are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.

Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them are recorded as transfers in and out.

Transactions to record equity contributions between funds are recorded in a manner such that the receiving fund records a transfer in as an addition to fund balance. The disbursing fund records the transaction as a transfer out and a reduction of fund balance.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

F. Investments

The Town's policy is to present all investments at fair market value.

G. Inventory

Purchased inventory is presented at cost (first-in, first-out). USDA donated commodities are presented at market value. inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

H. Property Taxes

The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property located in the Town. Assessed values are established by the Town Assessment Board at 70 percent of estimated market value. A revaluation of all property is required to be completed no less than every five years.

Property taxes are assessed on property as of October 1. Real estate and personal property taxes are due and payable in two installments on July 1 and the following January 1, although a 30-day grace period is provided. Motor vehicle taxes are due and payable July 1, and motor vehicle supplemental taxes are due and payable January 1. Current tax collections for the year ended June 30, 2017 were 97.8% of the adjusted tax levy.

Uncollected property taxes are recorded as receivables. An allowance based on historical collection experience is provided for uncollectible taxes. Outstanding real estate tax accounts are lienied each year prior to June 30, with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

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

Property, plant, equipment and infrastructure assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Building improvements	20
Machinery and equipment	5 - 20
Infrastructure	30 - 50
Vehicles	5 - 10

J. Compensated Absences

Employees are paid under a prescribed formula for absences due to sickness or vacation. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid with available resources.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

L. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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refunding in the government-wide statement of net position. The Town had no financial statement elements meeting the criteria to be reported as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

N. Fund Equity and Net Position

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

Net Investment in Capital Assets - this category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the Town, which is not restricted for any project or other purpose.

The Town follows the provisions of Governmental Accounting Standards Board Statement #54 (GASB 54), which defines the different types of fund balances that the Town must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable Fund Balance – includes amounts that are not in spendable form or amounts that must be maintained intact legally or contractually. The criteria includes items that are not expected to be converted to cash such as inventories, prepaid amounts and long term receivables.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers or through enabling legislation.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision making authority. Commitments may be changed or lifted only by the same group taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – includes amounts intended to be used by the Town for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned Fund Balance – includes the general fund balance amount that is not classified as nonspendable, restricted, committed or assigned.

The Town's policy is to apply expenditures against the applicable fund balances in the order of restricted, committed, assigned, and unassigned.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget for the general fund is authorized annually by the Board of Finance. The procedures for establishing the budgetary data reflected in the general-purpose financial statements are as follows:

- The proposed operating budget for the fiscal year is compiled by the Board of Finance for submission at public hearings. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted at the annual Town budget meeting by vote of the general public.
- Upon the request of the Board of Selectmen, the Board of Finance may, by resolution, transfer any unencumbered appropriation, balance or portion thereof, from one department, commission, board or office, to another.
- The budget is prepared on a modified accrual basis under which encumbrances are recognized as expenditures.
- Budgeted amounts are shown as originally adopted or as amended at a Board of Finance meeting during the course of the fiscal year.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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Departments seeking additional appropriations or appropriation transfers between budgetary line items must make a written request to the Board of Finance through the Board of Selectmen. An additional appropriation to a budgetary line item requires approval at a Town meeting if it exceeds \$20,000 or is a second request by the asking board or department. An additional appropriation of \$20,000 or higher is voted by the citizens of the Town. Additional appropriations for the year ended June 30, 2017 amounted to \$54,700,.

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. A reconciliation of general fund amounts presented on the budgetary basis to amounts presented in conformity with accounting principles generally accepted in the United States of America is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Total Budgetary Basis - Non GAAP	\$ 11,105,785	\$ 10,898,434
State on-behalf payments for Teachers Retirement	686,050	686,050
Other Presentation Differences	-	27,108
Interfund Transfers reoprted on Non-GAAP		
statements as revenues and expenditures	<u>(16,210)</u>	<u>(237,203)</u>
Total GAAP Basis	<u>\$ 11,775,625</u>	<u>\$ 11,374,389</u>

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

	<u>Carrying Amount</u>	<u>Bank Balance</u>
General Fund	\$ 2,672,684	\$ 3,020,284
Capital and Non-Recurring Fund	871,859	870,239
Nonmajor Governmental Funds	418,806	498,104
Sewer and Water Commission	168,633	188,889
Agency Funds	<u>18,720</u>	<u>18,720</u>
Total Deposits	4,150,702	4,596,236
Less Certificates of deposit classified as investments	<u>(76,848)</u>	<u>(76,848)</u>
Total Cash and Cash Equivalents	<u>\$ 4,073,854</u>	<u>\$ 4,519,388</u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$4,084,018 of the Town's bank balance of \$4,596,236 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,625,616
Uninsured and collateralized with securities held by the pledging Bank's trust department or agent but not in the Town's name	<u>458,402</u>
	\$ <u>4,084,018</u>

All of the Town's deposits were in qualified public institutions as defined by state statute. Under this statute, 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 reports, 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.

The level of the Town's deposits varied significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were substantially higher than at year-end.

Investments

At June 30, 2017, the Town had the following investments:

Non-categorized investments – pooled accounts*:

Pension investments held by administrator	\$ 1,245,508
Equities held by Sharon Cemetery Fund	320,035
Fixed Income Funds held by Sharon Cemetery Fund	<u>15,072,</u>
Total	\$ <u>1,580,615</u>

* Categorization is not applicable since the Town does not own identifiable securities, but invests as a shareholder of the investment pool.

All of the above investments have maturities categorized as less than 1 year.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

A reconciliation of the Town's investments as of June 30, 2017 is as follows:

Government-wide statement of net position:

Investments	\$ 411,955
Less: certificates of deposit classified as investments	<u>(76,848)</u>
	335,107

Statement of fiduciary net position:

Pension Trust Funds	<u>1,245,508</u>
	\$ <u>1,580,615</u>

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair losses arising from increasing interest rates.

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state 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 any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund (STIF). The pension trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

The District's investments subject to credit risk had an average rating by Standard & Poor's as follows:

Sharon Cemetery Investments	AAA
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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 does not have a policy for custodial credit risk. 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 SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Concentrations of Credit Risk

The Town does not have a policy that limits the amounts invested in any one issuer.

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 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 investments are measured on a recurring basis using level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2017.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017 for individual major funds and all other funds in the aggregate, including the applicable allowance for collection losses, are as follows:

	General Fund	Non-Major and Other Funds	Proprietary Funds	Total
Property Taxes	\$ 667,220	\$ -	\$ -	\$ 667,220
Interest due on taxes	420,998	-	-	420,998
Grants Receivable	-	3,986		3,986
Accounts Receivable	-	11,390	124,201	135,591
Total Gross Receivables	<u>1,088,218</u>	<u>15,376</u>	<u>124,201</u>	<u>1,227,795</u>
Allowance for Collection Losses	<u>-</u>	<u>-</u>	<u>12,400</u>	<u>12,400</u>
Total Net Receivables	<u>\$ 1,088,218</u>	<u>\$ 15,376</u>	<u>\$ 111,801</u>	<u>\$ 1,215,395</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 16,210	\$ 16,668
Capital Non-Recurring Fund	16,130	-
Dog Fund	538	
Sharon Cemetery Fund	-	16,210
Total	<u>\$ 32,878</u>	<u>\$ 32,878</u>

A summary of interfund transfers is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 16,210	\$ 237,203
Capital Non-Recurring Fund	175,686	-
School Cafeteria Fund	26,000	-
Sharon Cemetery Fund	-	16,210
Town Clerk Preservation Fund	1,000	3,056
Tree Committee	15,000	-
Dog Fund	7,573	-
Green Rehab Fund	10,000	-
Revaluation Fund	5,000	-
Total	<u>\$ 256,469</u>	<u>\$ 256,469</u>

NOTE 6 -DEFICIT FUND BALANCES

As of June 30, 2017 no funds had deficit fund balances.

NOTE 7 - POST EMPLOYMENT AND HEALTHCARE BENEFITS

The Town does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the act, and no direct costs are incurred by the Town.

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks and any claims have not exceeded commercial coverage.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, not being depreciated	\$ -	\$ -	\$ -	\$ -
Land	274,081	-	-	274,081
Construction in Process	-	-	-	-
Total Capital Assets, not being depreciated	274,081	-	-	274,081
Capital Assets, being depreciated				
Building and Improvement	9,677,612	-	-	9,677,612
Machinery and Equipment	2,752,139	454,654	(67,500)	3,139,293
Infrastructure	7,382,824	-	-	7,382,824
Total Capital Assets being depreciated	19,812,575	454,654	(67,500)	20,199,729
Less Accumulated Depreciation for:				
Building and Improvement	5,212,065	163,403	-	5,375,468
Machinery and Equipment	2,044,526	145,372	(67,500)	2,122,398
Infrastructure	806,851	147,656	-	954,507
Total Accumulated Depreciation	8,063,442	456,431	(67,500)	8,452,373
Total Capital Assets, being depreciated net	11,749,133	(1,777)	-	11,747,356
Governmental Activities Capital Assets, Net	\$ 12,023,214	\$ (1,777)	\$ -	\$ 12,021,437
<u>Business Type Activities</u>				
Capital Assets, not being depreciated	\$ -	\$ -	\$ -	\$ -
Land	69,775	-	-	69,775
Total Capital Assets, not being depreciated	69,775	-	-	69,775
Capital Assets, being depreciated				
Building and Improvement	6,796,503	-	-	6,796,503
Machinery and Equipment	1,167,067	-	-	1,167,067
Total Capital Assets being depreciated	7,963,570	-	-	7,963,570
Less Accumulated Depreciation for:				
Building and Improvement	2,410,462	169,875	-	2,580,337
Machinery and Equipment	517,233	23,606	-	540,839
Total Accumulated Depreciation	2,927,695	193,481	-	3,121,176
Total Capital Assets, being depreciated net	5,035,875	(193,481)	-	4,842,394
Business Type Activities Capital Assets, Net	\$ 5,105,650	\$ (193,481)	\$ -	\$ 4,912,169

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General Governemnt Services	\$ 47,884
Public Works, including depreciation of general infrastructure assets	293,573
Education	114,974
Total Depreciation Expense - Governmental Activities	<u>\$ 456,431</u>

Business-Type Activities:

Sewer and Water Commission	<u>\$ 193,481</u>
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NOTE 10 - GENERAL LONG-TERM DEBT

The following is a summary of changes in general obligation debt during the fiscal year.

	<u>Governmental Activities</u>	<u>Business-Type Activites</u>	<u>Total</u>
Bonds and Debts Payable			
July 1, 2016	\$ 5,869,388	\$ 748,703	\$ 6,618,091
Additions	5,829,654	-	5,829,654
Deductions	<u>(5,744,986)</u>	<u>(164,300)</u>	<u>(5,909,286)</u>
Total Bonds/Debt and Related Liabilities June 30, 2017	<u>\$ 5,954,056</u>	<u>\$ 584,403</u>	<u>\$ 6,538,459</u>

The amortization of bond premiums for the year ended June 30, 2017 amounted to \$136,018, and the amortization of deferred charges amounted to \$35,035 for the year then ended. These amounts were fully amortized to correspond with the refinancing of the related outstanding bonds. The annual principal requirements to amortize debt are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2018	\$ 723,923	\$ 100,968	\$ 824,891
2019	714,286	103,757	818,043
2020	704,793	106,605	811,398
2021	693,046	62,883	755,929
2022	573,008	30,958	603,966
2022-2041	<u>2,545,000</u>	<u>179,232</u>	<u>2,724,232</u>
	<u>\$ 5,954,056</u>	<u>\$ 584,403</u>	<u>\$ 6,538,459</u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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Bonds and Debt Payable at June 30, 2016 are comprised of the following obligations:

Bonds payable dated 08/2016 to 08/2026 payable at various annual installments, including interest at 1.59%, final payment due 8/2026 - General Fund	\$ 5,375,000
Note payable dated 7/2016 to Caterpillar, payable \$54,014.77 per year, including interest at 2.75%, final payment due 7/2020 - General Fund	206,593
Note payable dated 1/2017 to Daimler, payable \$44,783.66 per year, including interest at 4.128%, final payment due 1/2022 - General Fund	198,654
Note payable dated 7/2015 to Salisbury Bank and Trust Company, payable \$40,038.46 per year, including interest at 2.65%, final payment due 07/2020 - General Fund	149,864
Note payable dated 11/2015 to Salisbury Bank and Trust Company, payable \$1,360.31 per month, including interest at 2.51%, final payment due 12/2018 - General Fund	23,945
Note Payable dated 10/2010 to Salisbury Bank and Trust Company, payable \$930 a month, including interest at 4.25% final payment due 10/2040 - Enterprise Fund	161,822
Note payable dated 12/2000 to State of Connecticut Drinking Water Fund, payable \$1,110 a month, including interest at 2.60% final payment due 06/2020 - Enterprise Fund	38,395
Note payable dated 06/2001 to State of Connecticut Clean Water Fund, payable \$5,503 a month, including interest at 2.77%, final payment due 12/2020 - Enterprise Fund	220,021
Note payable dated 06/2004 to State of Connecticut Drinking Water Fund, payable \$2,275 a month, including interest at 2.40%, after first payment of \$27,166 in December 2004, final payment due 12/2023 - Enterprise Fund	<u>164,165</u>
Total Bonds and Notes Payable	<u>\$ 6,538,459</u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Refunding Bonds

In August 2016, the Town issued \$5,375,000 of general obligation refunding bonds with an interest rate of 1.59%. The bonds were issued to fully refinance August 2011 general obligation bonds. The net proceeds of \$5,317,892 (after \$57,108 in underwriter's fees and other issuance costs) were deposited in an irrevocable trust fund under an escrow agreement between the escrow Agent and the Town. The Town also deposited an additional \$30,000 to this fund for a total of \$5,347,892. The escrow Agent deposited such proceeds in a United States Treasury Money Market Fund. All investment income on and the maturing principal of the escrow securities held in the escrow deposit fund will be irrevocably deposited by the Town for payment of the refunding bonds. The Town refunded the above bonds to reduce total debt service payments over the next ten years by \$128,155 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt of \$115,923)

Sharon is a member of Regional School District #1 which also provides education for grades one through twelve for the Towns of Canaan, Cornwall, Kent, North Canaan and Salisbury. As of June 30, 2017, the outstanding indebtedness of the District was \$3,325,000. The Town of Sharon's share will be approximately 18.66% of the outstanding indebtedness, or \$620,455. Such outstanding indebtedness represents general obligations of Regional School District #1 and its member towns. However, the Town is not required to record its share in its general-purpose financial statements.

The Town's indebtedness does not exceed the legal debt limitation as established by the Connecticut General Statutes as reflected in the following schedule:

	<u>Debt Limitation</u>	<u>Indebtedness</u>	<u>Balance</u>
General purpose	\$23,986,575	\$ 5,954,056	\$16,795,038
Schools	47,973,150	620,455	44,556,871
Sewers	39,977,625	584,403	36,975,341
Urban renewal	34,647,275	-	32,694,171

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, as adjusted, or \$74,624,900. Indebtedness pertaining to schools includes the Town's share of the outstanding indebtedness of Regional School District #1 of \$620,455.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11- PENSION PLANS

MONEY PURCHASE PENSION PLAN

Substantially all town and non-certified Board of Education employees are eligible to participate in a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. To be eligible to participate in the plan, the employee must be at least twenty one years of age and complete one year of service. Employees who work less than one thousand hours per annum are not eligible to participate. The town contributes seven percent of base compensation. Plan assets are held in investment accounts through the plan administrator. Vesting is immediate.

The Plan is accounted for using the accrual basis of accounting. Employer contributions are recognized when due. Plan assets are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Plan investments consist of two insurance contracts with Great West Retirement Service.

Total contributions made to the plan for the year ended June 30, 2017 by the Town were \$84,772.

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public school are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers' Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years if service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary)

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan

Employees

Effective July 1, 1992, each teacher not covered by social security is required to contribute 6% of salary for the pension benefit. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wages base plus 5% of compensation, if any, in excess of such base.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
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Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportional share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>6,290,948</u>
Total	<u>\$ 6,290,948</u>

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2017, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$686,050 for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Salary Increases	3.25 – 6.50% including inflation
Investment rate of return	8.00 %, net of pension plan investment Expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

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

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equities	21.0%	7.3%
Developd Non-U.S. Equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core Fixed Income	7.0%	1.7%
Inflation Linked Bond Fund	3.0%	1.3%
Emerging Market Bond	5.0%	4.8%
High Yield Bond	5.0%	3.7%
Real Estate	7.0%	5.9%
Private Equity	11.0%	10.9%
Alternate Investments	8.0%	0.7%
Liquidity Fund	6.0%	0.0%
Total	<u>100%</u>	

Discount Rate

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

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

The Town's proportionate share of the net pension liability is \$0, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Pension Liabilities and Deferred Inflows/Outflows of Resources

The State makes all contributions to the Plan on behalf of employees of the participating towns and districts, therefore the State is considered to be a non-employer contributing entity in the system. Since the Town does not contribute directly to the plan, there is no net pension liability or deferred inflows or deferred outflows to be reported in the financial statements of the Town.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

NOTE 12 – RESTRICTED NET POSITION

As of June 30, 2017, the Board of Commissioners of the Water and Sewer Commission has restricted \$140,000 of Net Position for capital improvements.

NOTE 13 - CONTINGENCIES

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 allowances, if any, will not be material.

There are legal actions pending in which the Town is involved. The Town Officials are of the opinion that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the Town.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- GASB Statement Number 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”
- GASB Statement Number 81 “Irrevocable Split Interest Agreements”
- GASB Statement Number 82 “Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73”
- GASB Statement Number 83 “Certain Asset Retirement Obligations”
- GASB Statement Number 84 “Fiduciary Activities”
- GASB Statement Number 86 “Certain Debt Extinguishment Issues”
- GASB Statement Number 87 “Leases”

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SHARON
Connecticut State Teachers Retirement System

Required Supplementary Information
Schedule of the Town's Proportionate Share of the Net Pension Liability

Last Three Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the town	6,290,948	4,635,777	4,284,847
Total	\$ 6,290,948	\$ 4,635,777	\$ 4,284,847
Town's covered-employee payroll	\$ 1,797,405	\$ 1,723,151	\$ 1,693,960
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2016, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the system for the five year period ended June 30, 2015
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	20.4 years
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.25% - 6.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense

Note: This schedule is intended to show information for ten years. Additional years information will be displayed as it becomes available

**SUPPLEMENTAL AND COMBINING AND INDIVIDUAL
NONMAJOR FUND STATEMENTS AND SCHEDULES**

TOWN OF SHARON
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
<u>Property Taxes</u>				
Property taxes, interest and lien fees	\$ 10,236,733	\$ 10,236,733	\$ 10,442,282	\$ 205,549
Back Taxes	125,000	125,000	199,164	74,164
<u>Total Property Taxes</u>	<u>10,361,733</u>	<u>10,361,733</u>	<u>10,641,446</u>	<u>279,713</u>
<u>Intergovernmental</u>				
Education (ECS)	139,800	139,800	10,526	(129,274)
School transportation	287	287	-	(287)
Pilot - State Property	100	100	1,149	1,049
Tax Relief- Elderly & Veterans	18,000	18,000	16,394	(1,606)
TeleCom Property Tax	18,000	18,000	19,382	1,382
Pequot/Mohegan Grant	9,736	9,736	9,111	(625)
Miscellaneous Grants	1,000	1,000	19,902	18,902
<u>Total Intergovernmental</u>	<u>186,923</u>	<u>186,923</u>	<u>76,464</u>	<u>(110,459)</u>
<u>Other Revenues</u>				
Town Clerk fees	70,000	70,000	115,882	45,882
Town Beach	8,500	8,500	8,515	15
Vital Statistics	25,000	25,000	33,215	8,215
Building Permits	100,000	100,000	143,635	43,635
Zoning permits/ZBA	2,000	2,000	2,875	875
Cemetery Fund	16,500	16,500	16,210	(290)
Miscellaneous	27,000	27,000	54,441	27,441
Sanitary Inspector	4,000	4,000	5,025	1,025
<u>Total Other Revenues</u>	<u>253,000</u>	<u>253,000</u>	<u>379,798</u>	<u>126,798</u>
<u>Interest - Investments</u>	<u>6,500</u>	<u>6,500</u>	<u>8,077</u>	<u>1,577</u>
<u>Total Revenues</u>	<u>\$ 10,808,156</u>	<u>\$ 10,808,156</u>	<u>\$ 11,105,785</u>	<u>\$ 297,629</u>

TOWN OF SHARON
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>General Government</u>				
Office of Selectman	\$ 79,226	\$ 79,226	\$ 77,050	\$ 2,176
Town Secretary	44,595	44,595	44,595	-
Probate Court	5,582	5,582	5,582	-
Elections	15,864	16,047	16,047	-
Board of Finance/Annual Report	1,000	1,000	756	244
Auditor	33,968	32,758	23,000	9,758
Town treasurer	16,647	16,647	16,512	135
Town Council	12,500	12,500	4,203	8,297
Assessors	78,286	78,286	69,126	9,160
Board of Assessment Appeals	2,500	2,500	161	2,339
Tax Collector	42,067	42,067	41,102	965
Town Clerk	83,015	83,015	79,461	3,554
Planning and Zoning Commission	39,880	40,380	30,462	9,918
Town Hall	109,452	153,952	131,660	22,292
67 Main Street	-	-	-	-
Town Insurance	139,000	137,730	132,820	4,910
Employee Benefits	449,278	449,278	439,579	9,699
Building Official/Fire Marshall	107,323	108,640	108,640	-
Miscellaneous Administration	18,700	18,700	16,096	2,604
Community Hall	13,290	15,490	13,192	2,298
<u>Total General Government</u>	<u>1,292,173</u>	<u>1,338,393</u>	<u>1,250,044</u>	<u>88,349</u>
<u>Public Safety</u>				
Fire	247,900	247,900	246,268	1,632
Constables	350	350	350	-
Street Lighting	8,500	8,500	7,393	1,107
Water Hydrants	52,000	52,000	51,376	624
Civil Preparedness	10	10	-	10
Dog Warden	10,583	11,202	11,192	10
<u>Total Public Safety</u>	<u>319,343</u>	<u>319,962</u>	<u>316,579</u>	<u>3,383</u>
<u>Public Works</u>				
Highways and Roadways	1,194,300	1,194,300	1,086,338	107,962
Municipal Waste	222,040	227,040	226,565	475
Equipment Replacement	75,000	75,000	75,000	-
<u>Total Public Works</u>	<u>1,491,340</u>	<u>1,496,340</u>	<u>1,387,903</u>	<u>108,437</u>

TOWN OF SHARON
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Health Department</u>				
Conservation of Health	31,679	30,522	28,025	2,497
Sanitary Inspector	2,500	3,475	3,475	-
Public Health Nurse	4,200	4,200	3,925	275
Welfare and Social Services	40,800	40,800	38,701	2,099
<u>Total Health Department</u>	<u>79,179</u>	<u>78,997</u>	<u>74,126</u>	<u>4,871</u>
<u>Parks and Recreation</u>				
Recreation	28,465	29,008	29,008	-
Youth Services	85,078	85,078	79,180	5,898
Town Beach	69,800	69,800	68,350	1,450
Sharon Green	71,984	71,984	59,090	12,894
<u>Total Parks and Recreation</u>	<u>255,327</u>	<u>255,870</u>	<u>235,628</u>	<u>20,242</u>
<u>Miscellaneous</u>				
Hotchkiss Library	60,000	60,000	60,000	-
Contingency	10	10	-	10
Contributions	50,716	53,216	53,206	10
Other	31,940	31,940	29,666	2,274
Cemeteries	16,500	16,500	16,210	290
Reserve for Capital Non-Recurring	20,000	20,000	20,000	-
<u>Total Miscellaneous</u>	<u>179,166</u>	<u>181,666</u>	<u>179,082</u>	<u>2,584</u>
<u>Debt Service</u>				
General Obligations Bonds	695,150	695,150	683,821	11,329
Old Amenia Landfill	10	10	-	10
School Roof Loan Payment	-	-	-	-
<u>Total Debt Service</u>	<u>695,160</u>	<u>695,160</u>	<u>683,821</u>	<u>11,339</u>
<u>Education</u>				
Elementary Education	4,143,679	4,143,679	4,143,679	-
Regional Education	2,682,918	2,682,918	2,627,572	55,346
<u>Total Education</u>	<u>6,826,597</u>	<u>6,826,597</u>	<u>6,771,251</u>	<u>55,346</u>
<u>Total Expenditures</u>	<u>11,138,285</u>	<u>11,192,985</u>	<u>10,898,434</u>	<u>294,551</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over (Under) Expenditures</u>	<u>\$ (330,129)</u>	<u>\$ (384,829)</u>	<u>\$ 207,351</u>	<u>\$ 592,180</u>

TOWN OF SHARON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BUDGETARY BASIS - BOARD OF EDUCATION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Salaries:</u>				
Certified personnel:				
Teachers	\$ 1,526,694	\$ 1,526,694	\$ 1,482,179	\$ (44,515)
Remedial Instruction	71,669	71,669	67,326	(4,343)
Interscholastic Sports Coaches and Referees	15,440	15,440	12,922	(2,518)
Extra Pay for Extra Duty	36,345	36,345	26,526	(9,819)
Special Programs	6,961	6,961	8,308	1,347
Principal	121,163	121,163	121,162	(1)
Substitutes	35,100	35,100	21,887	(13,213)
Total Certified Personnel	1,813,372	1,813,372	1,740,310	(73,062)
Non Certified Personnel:				
Teacher Assistants	75,166	75,166	74,816	(350)
Computer Technologist	48,946	48,946	46,581	(2,365)
School Nurse, RN	47,515	47,515	47,991	476
Board Clerk	41,144	41,144	41,670	526
Secretaries	95,167	95,167	96,921	1,754
Substitute Stipend	4,101	4,101	4,101	-
Head Custodian/Assistant Custodian	164,423	164,423	170,256	5,833
Custodial Overtime	6,986	6,986	7,190	204
Teacher Assistants Substitutes	2,000	2,000	1,350	(650)
School Nurse Substitutes	2,000	2,000	2,258	258
Office Substitutes	1,000	1,000	262	(738)
Custodial Substitutes	6,130	6,130	5,760	(370)
Total Non Certified Personnel	494,578	494,578	499,156	4,578
<u>Total Salaries</u>	<u>2,307,950</u>	<u>2,307,950</u>	<u>2,239,466</u>	<u>(68,484)</u>
<u>Employee Benefits:</u>				
Health Insurance	640,944	640,944	554,740	(86,204)
Social Security/Medicare	71,343	71,343	67,619	(3,724)
Pension Plan Classified	35,388	35,388	36,463	1,075
Annuity - Principal	2,424	2,424	2,423	(1)
Reimbursement Graduate Credits	5,412	5,412	3,597	(1,815)
Unemployment Compensation	1,000	1,000	-	(1,000)
Workers' Compensation	14,023	14,023	14,210	187
Life Insurance	4,716	4,716	4,654	(62)
<u>Total Employee Benefits</u>	<u>775,250</u>	<u>775,250</u>	<u>683,706</u>	<u>(91,544)</u>
<u>Purchased Services:</u>				
Professional / Educational				
Board of Education In-service	100	100	583	483
Assemblies & Student Activities	15,987	15,987	13,947	(2,040)
In Service/Curriculum Dev, Staff Training	11,425	11,425	10,875	(550)
Public Relations	600	600	969	369
School Physicians	600	600	600	-
Legal, Negotiation Fees, Contracts	1,500	1,500	1,627	127
Audit ED 001 Report, Cafeteria, All Audits	6,358	6,358	4,000	(2,358)
Technology Support Services	14,400	14,400	23,508	9,108
Total professional services	50,970	50,970	56,109	5,139

TOWN OF SHARON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BUDGETARY BASIS - BOARD OF EDUCATION
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
Purchased property services:				
Water and Sewer	9,480	9,480	7,400	(2,080)
Cleaning Services	1,300	1,300	1,350	50
Refuse Removal - Recycling	5,826	5,826	6,057	231
Upkeep of Grounds/Buildings	24,028	24,028	29,192	5,164
Service Office, AV, Music Equipment	7,867	7,867	5,658	(2,209)
Building repairs	88,179	88,179	213,442	125,263
Emergency	10,000	10,000	10,668	668
Scheduled Painting	10,000	10,000	19,138	9,138
Asbestos Removal/Mgmt. Plan/Testing	520	520	475	(45)
Total property services	157,200	157,200	293,380	136,180
Other Purchased Services				
All-Star Bus Contract	274,050	274,050	274,050	-
School Class Trips	18,059	18,059	13,675	(4,384)
Multi-peril Insurance	46,032	46,032	47,387	1,355
Student Athletic Insurance	475	475	361	(114)
Postage	2,500	2,500	1,651	(849)
Telephone	10,821	10,821	9,845	(976)
Advertising	585	585	-	(585)
Printing -Graduation Prog, diploma, etc.	700	700	410	(290)
Summer School Remedial	3,400	3,400	3,656	256
Staff Travel, Prof Memb, Conf-All Staff	9,172	9,172	5,032	(4,140)
Technology	43,762	43,762	39,972	(3,790)
Total other purchased services	409,556	409,556	396,039	(13,517)
<u>Total - Purchased Services</u>	<u>617,726</u>	<u>617,726</u>	<u>745,528</u>	<u>127,802</u>
<u>Supplies</u>				
Classroom Supplies	28,000	28,000	29,050	1,050
Art Supplies	3,000	3,000	2,801	(199)
Music Supplies	3,000	3,000	2,881	(119)
Physical Education Supplies	5,500	5,500	6,017	517
Test Materials	800	800	636	(164)
Consumable Workbooks	7,028	7,028	5,970	(1,058)
Medical Supplies	2,000	2,000	1,485	(515)
Audio Visual Materials	2,000	2,000	1,390	(610)
Computer Software -Internet Subscriptions	37,094	37,094	25,652	(11,442)
Office Supplies	9,884	9,884	11,214	1,330
PBIS Supplies	750	750	230	(520)
Graduation Supplies	2,500	2,500	2,466	(34)
Custodial Supplies	27,108	27,108	25,135	(1,973)
Maintenance Supplies	30,776	30,776	32,013	1,237
Electricity	70,339	70,339	66,906	(3,433)
Heating Fuel	31,200	31,200	31,283	83
Diesel Fuel	24,275	24,275	24,275	-
Textbooks	19,000	19,000	14,939	(4,061)
Library Books	8,440	8,440	11,709	3,269
Library: Supplies/Periodicals/Newspapers	6,400	6,400	6,372	(28)
<u>Total Supplies</u>	<u>319,094</u>	<u>319,094</u>	<u>302,424</u>	<u>(16,670)</u>

TOWN OF SHARON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BUGETARY BASIS - BOARD OF EDUCATION
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<u>Property</u>				
Equipment, Instructional	3,385	3,385	7,783	4,398
Equipment, Non-instructional	50,024	50,024	71,883	21,859
<u>Total Property</u>	<u>53,409</u>	<u>53,409</u>	<u>79,666</u>	<u>26,257</u>
<u>Dues and Fees</u>				
Education Connection	250	250	759	509
<u>Total Dues and Fees</u>	<u>250</u>	<u>250</u>	<u>759</u>	<u>509</u>
<u>Capital Expenses</u>				
Transfer Cafeteria	20,000	20,000	26,000	6,000
Capital Expense	50,000	50,000	66,130	16,130
<u>Total Capital Expenses</u>	<u>70,000</u>	<u>70,000</u>	<u>92,130</u>	<u>22,130</u>
<u>TOTAL SHARON BOARD OF EDUCATION</u>	<u>4,143,679</u>	<u>4,143,679</u>	<u>4,143,679</u>	<u>-</u>
<u>Region One</u>				
High School	1,870,737	1,870,737	1,836,201	(34,536)
Pupil Services	687,332	687,332	666,535	(20,797)
Administrative Services	124,849	124,849	124,836	(13)
<u>Total Region One</u>	<u>2,682,918</u>	<u>2,682,918</u>	<u>2,627,572</u>	<u>(55,346)</u>
<u>TOTAL EDUCATION EXPENDITURES</u>	<u>\$ 6,826,597</u>	<u>\$ 6,826,597</u>	<u>\$ 6,771,251</u>	<u>\$ (55,346)</u>

TOWN OF SHARON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Town Aid Road Fund	School Cafeteria Fund	Special Education Grants Fund	Local and State Fund	Brown Fund	Sharon Fund	Sharon Cemetery Fund	LOCIP
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ 158,768	\$ 2,395	\$ -	\$ 49,805	\$ 5,260	\$ 3,104	\$ 12,218	\$ -
Investments	-	-	-	-	46,095	30,753	335,107	-
Inventory	-	827	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	11,390	-	-
Due From Other Funds	-	-	-	-	-	-	-	-
Due From Other Governments	-	3,986	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>158,768</u>	<u>7,208</u>	<u>-</u>	<u>49,805</u>	<u>51,355</u>	<u>45,247</u>	<u>347,325</u>	<u>-</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 158,768</u>	<u>\$ 7,208</u>	<u>\$ -</u>	<u>\$ 49,805</u>	<u>\$ 51,355</u>	<u>\$ 45,247</u>	<u>\$ 347,325</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities:</u>								
Accounts Payable	\$ 42,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	16,210	-
<u>Total Liabilities</u>	<u>42,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,210</u>	<u>-</u>
<u>Fund Balances:</u>								
Nonspendable	-	827	-	-	-	-	-	-
Restricted	116,252	6,381	-	49,805	51,355	45,247	-	-
Committed	-	-	-	-	-	-	331,115	-
Unassigned	-	-	-	-	-	-	-	-
<u>Total Fund Balances</u>	<u>116,252</u>	<u>7,208</u>	<u>-</u>	<u>49,805</u>	<u>51,355</u>	<u>45,247</u>	<u>331,115</u>	<u>-</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	<u>\$ 158,768</u>	<u>\$ 7,208</u>	<u>\$ -</u>	<u>\$ 49,805</u>	<u>\$ 51,355</u>	<u>\$ 45,247</u>	<u>\$ 347,325</u>	<u>\$ -</u>

TOWN OF SHARON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>ASSETS</u>	67 Main Street Fund	Sharon Community Center	Town Clerk Preservation Fund	Tree Committee	Dog Fund	Amenia Landfill Fund	Green Rehab Fund	Revaluation Fund	Total
Cash and cash equivalents	\$ 61,159	\$ 1,567	\$ 8,325	\$ 2,585	\$ 7,108	\$ 43,786	\$ 40,345	\$ 22,381	\$ 418,806
Investments	-	-	-	-	-	-	-	-	411,955
Inventory	-	-	-	-	-	-	-	-	827
Accounts Receivable	-	-	-	-	-	-	-	-	11,390
Due From Other Funds	-	-	-	-	538	-	-	-	538
Due From Other Governments	-	-	-	-	-	-	-	-	3,986
TOTAL ASSETS	61,159	1,567	8,325	2,585	7,646	43,786	40,345	22,381	847,502
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 61,159	\$ 1,567	\$ 8,325	\$ 2,585	\$ 7,646	\$ 43,786	\$ 40,345	\$ 22,381	\$ 847,502
LIABILITIES AND FUND BALANCES									
<u>Liabilities:</u>									
Accounts Payable	\$ -	\$ -	\$ -	\$ 540	\$ -	\$ -	\$ -	\$ -	\$ 43,056
Due to Other Funds	-	-	-	-	-	-	-	-	16,210
Total Liabilities	-	-	-	540	-	-	-	-	59,266
<u>Fund Balances:</u>									
Nonspendable	-	-	-	-	-	-	-	-	827
Restricted	-	-	-	-	-	-	-	-	269,040
Committed	61,159	1,567	8,325	2,045	7,646	43,786	40,345	22,381	518,369
Unassigned	-	-	-	-	-	-	-	-	-
Total Fund Balances	61,159	1,567	8,325	2,045	7,646	43,786	40,345	22,381	788,236
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 61,159	\$ 1,567	\$ 8,325	\$ 2,585	\$ 7,646	\$ 43,786	\$ 40,345	\$ 22,381	\$ 847,502

TOWN OF SHARON
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Town Aid Road Fund	School Cafeteria Fund	Special Education Fund	Local and State Fund	Brown Fund	Sharon Fund	Sharon Cemetery Fund	LOCIP
<u>Revenues:</u>								
Intergovernmental	\$ 357,425	\$ 23,142	\$ 18,729	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-	-	-	-
Investment Income	60	-	-	-	539	316	38,721	-
Other Income	-	-	-	61,796	-	-	-	-
Sales	-	23,085	-	-	-	-	-	-
<u>Total Revenues</u>	<u>357,485</u>	<u>46,227</u>	<u>18,729</u>	<u>61,796</u>	<u>539</u>	<u>316</u>	<u>38,721</u>	<u>-</u>
<u>Expenditures:</u>								
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	330,263	-	-	-	-	-	-	-
Health Department	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	38,518	1,000	1,860	-	-
Debt Service	-	-	-	-	-	-	-	-
Education	-	73,506	18,729	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
<u>Total Expenditures</u>	<u>330,263</u>	<u>73,506</u>	<u>18,729</u>	<u>38,518</u>	<u>1,000</u>	<u>1,860</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues Over (Under)</u>	<u>27,222</u>	<u>(27,279)</u>	<u>-</u>	<u>23,278</u>	<u>(461)</u>	<u>(1,544)</u>	<u>38,721</u>	<u>-</u>
<u>Other Financing Sources (Uses):</u>								
Operating Transfers In	-	26,000	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	(16,210)	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,210)</u>	<u>-</u>
<u>Excess of Revenues and Other</u>								
<u>Sources Over (Under) Expenditures</u>								
and Other Uses	27,222	(1,279)	-	23,278	(461)	(1,544)	22,511	-
<u>Fund Balances Beginning of Year</u>	<u>89,030</u>	<u>8,487</u>	<u>-</u>	<u>26,527</u>	<u>51,816</u>	<u>46,791</u>	<u>308,604</u>	<u>-</u>
<u>Fund Balances End of Year</u>	<u>\$ 116,252</u>	<u>\$ 7,208</u>	<u>\$ -</u>	<u>\$ 49,805</u>	<u>\$ 51,355</u>	<u>\$ 45,247</u>	<u>\$ 331,115</u>	<u>\$ -</u>

TOWN OF SHARON
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	67 Main Street Fund	Sharon Community Center	Town Clerk Preservation Fund	Tree Committee	Dog Fund	Amenia Landfill Fund	Green Rehab Fund	Revaluation Fund	Total
<u>Revenues:</u>									
Intergovernmental	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,296
Contributions	-	-	-	-	-	-	-	-	-
Investment Income	101	2	15	9	-	95	67	32	39,957
Other Income	22,200	-	2,315	-	1,426	-	-	-	87,737
Sales	-	-	-	-	-	-	-	-	23,085
<u>Total Revenues</u>	<u>22,301</u>	<u>2</u>	<u>6,330</u>	<u>9</u>	<u>1,426</u>	<u>95</u>	<u>67</u>	<u>32</u>	<u>554,075</u>
<u>Expenditures:</u>									
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	5,788	-	-	-	5,788
Public Works	-	-	-	-	-	27,918	-	-	358,181
Health Department	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Miscellaneous	2,070	-	3,273	21,905	-	-	3,300	-	71,926
Debt Service	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	92,235
Capital Outlay	-	-	-	-	-	-	-	-	-
<u>Total Expenditures</u>	<u>2,070</u>	<u>-</u>	<u>3,273</u>	<u>21,905</u>	<u>5,788</u>	<u>27,918</u>	<u>3,300</u>	<u>-</u>	<u>528,130</u>
<u>Excess of Revenues Over (Under)</u>	<u>20,231</u>	<u>2</u>	<u>3,057</u>	<u>(21,896)</u>	<u>(4,362)</u>	<u>(27,823)</u>	<u>(3,233)</u>	<u>32</u>	<u>25,945</u>
<u>Other Financing Sources (Uses):</u>									
Operating Transfers In	-	-	1,000	15,000	7,573	-	10,000	5,000	64,573
Operating Transfers Out	-	-	(3,056)	-	-	-	-	-	(19,266)
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>(2,056)</u>	<u>15,000</u>	<u>7,573</u>	<u>-</u>	<u>10,000</u>	<u>5,000</u>	<u>45,307</u>
<u>Excess of Revenues and Other</u>	<u>20,231</u>	<u>2</u>	<u>1,001</u>	<u>(6,896)</u>	<u>3,211</u>	<u>(27,823)</u>	<u>6,767</u>	<u>5,032</u>	<u>71,252</u>
<u>Sources Over (Under) Expenditures</u>	<u>40,928</u>	<u>1,565</u>	<u>7,324</u>	<u>8,941</u>	<u>4,435</u>	<u>71,609</u>	<u>33,578</u>	<u>17,349</u>	<u>716,984</u>
<u>Fund Balances Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances End of Year</u>	<u>\$ 61,159</u>	<u>\$ 1,567</u>	<u>\$ 8,325</u>	<u>\$ 2,045</u>	<u>\$ 7,646</u>	<u>\$ 43,786</u>	<u>\$ 40,345</u>	<u>\$ 22,381</u>	<u>\$ 788,236</u>

TOWN OF SHARON
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>AGENCY FUNDS</u>		
	<u>School Activities Fund</u>	<u>Library Fund</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 18,509	\$ 211	\$ 18,720
Due From Other Funds	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 18,509</u>	<u>\$ 211</u>	<u>\$ 18,720</u>
<u>LIABILITIES AND NET POSTION</u>			
<u>Liabilities:</u>			
Due to beneficiaries	\$ 18,509	\$ 211	\$ 18,720
<u>Total Liabilities</u>	<u>18,509</u>	<u>211</u>	<u>18,720</u>
<u>Net Position</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 18,509</u>	<u>\$ 211</u>	<u>\$ 18,720</u>

TOWN OF SHARON
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>SCHOOL ACTIVITY FUND</u>	<u>BALANCE JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2017</u>
Assets:				
Cash	<u>\$ 17,543</u>	<u>\$ 43,839</u>	<u>\$ 42,873</u>	<u>\$ 18,509</u>
Liabilities:				
Due to students	<u>\$ 17,543</u>	<u>\$ 43,839</u>	<u>\$ 42,873</u>	<u>\$ 18,509</u>
<u>LIBRARY FUND</u>				
Assets:				
Cash	<u>\$ 553</u>	<u>\$ 2,174</u>	<u>\$ 2,516</u>	<u>\$ 211</u>
Due from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>553</u>	<u>2,174</u>	<u>2,516</u>	<u>211</u>
Liabilities:				
Due to others	<u>\$ 553</u>	<u>\$ 2,174</u>	<u>\$ 2,516</u>	<u>211</u>
<u>TOTAL ALL FUNDS</u>				
Assets:				
Cash	<u>\$ 18,096</u>	<u>\$ 46,013</u>	<u>\$ 45,389</u>	<u>\$ 18,720</u>
Due from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 18,096</u>	<u>\$ 46,013</u>	<u>\$ 45,389</u>	<u>\$ 18,720</u>
Liabilities:				
Due to students and others	<u>\$ 18,096</u>	<u>\$ 46,013</u>	<u>\$ 45,389</u>	<u>\$ 18,720</u>

TOWN OF SHARON
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2017

Revenue from taxation for the
year ended June 30, 2017

Taxes	\$ 10,546,526
Interest and lien fees	97,780
Total	<u>10,644,306</u>

Reimbursed for:
Tax relief for elderly

16,394

Base

\$ 10,660,700

	General Purpose	Schools	Sewers	Urban Renewal
Debt limitation:				
2-1/4 times base	\$ 23,986,575	\$ -	\$ -	\$ -
4-1/2 times base	-	47,973,150	-	-
3-3/4 times base	-	-	39,977,625	-
3-1/4 times base	-	-	-	34,647,275
Total debt limitation	<u>23,986,575</u>	<u>47,973,150</u>	<u>39,977,625</u>	<u>34,647,275</u>
Indebtedness:				
Bonds payable	5,375,000	-	-	-
Notes Payable	579,056	-	-	-
Regional School District #1	-	620,455	-	-
Sewer Bonds & Notes	-	-	584,403	-
Total indebtedness	<u>5,954,056</u>	<u>620,455</u>	<u>584,403</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 18,032,519</u>	<u>\$ 47,352,695</u>	<u>\$ 39,393,222</u>	<u>\$ 34,647,275</u>
Total capacity of borrowing (7 times base)		\$ 74,624,900		
Total present indebtedness		<u>7,158,914</u>		
Margin for additional borrowing		<u>\$ 67,465,986</u>		

TOWN OF SHARON
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Grand List Year	Balances 6/30/2016	Current Levy	Lawful Corrections		Collectable Taxes	Collections			Total	Transfers To Suspense	Balances 6/30/2017
			Additions	Deductions		Taxes	Interest	Liens			
2015	\$ -	\$ 10,584,975	\$ 10,722	\$ 13,959	\$ 10,581,738	\$ 10,347,362	\$ 42,041	\$ -	10,389,403	\$ 1,182	\$ 233,194
2014	218,694	-	3,211	977	220,928	144,458	21,495	1,392	167,345	-	76,470
2013	77,711	-	3,106	-	80,817	21,660	8,360	408	30,428	-	59,157
2012	70,334	-	-	-	70,334	16,228	6,520	192	22,940	-	54,106
2011	65,011	-	-	-	65,011	7,553	5,656	72	13,281	-	57,458
2010	57,204	-	-	-	57,204	6,147	6,856	48	13,051	-	51,057
2009	41,309	-	-	-	41,309	1,675	103	4	1,782	-	39,634
2008	29,080	-	-	-	29,080	1,443	4,608	24	6,075	-	27,637
2007	13,846	-	-	-	13,846	-	-	-	-	-	13,846
2006	13,013	-	-	-	13,013	-	-	-	-	-	13,013
2005	12,528	-	-	-	12,528	-	-	-	-	-	12,528
2004	10,729	-	-	-	10,729	-	-	-	-	-	10,729
2003	7,273	-	-	-	7,273	-	-	-	-	-	7,273
2002	6,166	-	-	-	6,166	-	-	-	-	-	6,166
2001	4,952	-	-	-	4,952	-	-	-	-	-	4,952
2000	4,777	-	-	4,777	-	-	-	-	-	-	-
Totals	\$ 632,627	\$ 10,584,975	\$ 17,039	\$ 19,713	\$ 11,214,928	\$ 10,546,526	\$ 95,640	\$ 2,140	\$ 10,644,306	\$ 1,182	\$ 667,220

TOWN OF SHARON
SCHEDULE OF DEBT
Year Ended June 30, 2017

	General Fund		Capital Reserve Fund				Enterprise Fund				Totals	
	2016 General Obligation Bonds	2011 General Obligation Bonds *	2016/17 Caterpillar Motor Grader	2016/17 Daimler Freightliner	2015/16 Tractor Loan	2015/16 Freightliner Loan	2005 Drinking Water Fund	1999 Clean Water Fund	2000 Drinking Water Fund	2001 Clean Water Fund		2010 Sewer Loan
Long Term Debt Payable July 1, 2016	\$ -	\$ 5,645,000	\$ -	\$ -	\$ 39,388	\$ 185,000	\$ 187,229	\$ 64,872	\$ 50,542	\$ 279,069	\$ 166,994	\$ 6,618,094
Issuances of New Debt	5,375,000	-	256,000	198,654	-	-	-	-	-	-	-	5,829,654
Bonds Refinanced	-	(5,115,000)	-	-	-	-	-	-	-	-	-	(5,115,000)
Payments During Year	-	(530,000)	(49,407)	-	(15,443)	(35,136)	(23,064)	(64,872)	(12,147)	(59,048)	(5,172)	(794,289)
Long Term Debt Payable June 30, 2017	\$ 5,375,000	\$ -	\$ 206,593	\$ 198,654	\$ 23,945	\$ 149,864	\$ 164,165	\$ -	\$ 38,395	\$ 220,021	\$ 161,822	\$ 6,538,459
Maturities by Fiscal Years Ending June 30:												
2018	585,000	-	50,296	36,583	15,977	36,067	23,622	-	12,467	60,705	4,174	824,891
2019	580,000	-	51,201	38,094	7,968	37,023	24,194	-	12,795	62,408	4,360	818,043
2020	575,000	-	52,123	39,666	-	38,004	24,781	-	13,133	64,158	4,533	811,398
2021	560,000	-	52,973	41,303	-	38,770	25,383	-	-	32,750	4,750	755,929
2022	530,000	-	-	43,008	-	-	25,999	-	-	-	4,959	603,966
2023	525,000	-	-	-	-	-	26,630	-	-	-	5,177	556,807
2024	515,000	-	-	-	-	-	13,556	-	-	-	5,389	533,945
2025	510,000	-	-	-	-	-	-	-	-	-	5,642	515,642
2026	500,000	-	-	-	-	-	-	-	-	-	5,889	505,889
2027	495,000	-	-	-	-	-	-	-	-	-	6,148	501,148
2028	-	-	-	-	-	-	-	-	-	-	6,405	6,405
2029	-	-	-	-	-	-	-	-	-	-	6,700	6,700
2030	-	-	-	-	-	-	-	-	-	-	5,994	5,994
2031	-	-	-	-	-	-	-	-	-	-	7,302	7,302
2032	-	-	-	-	-	-	-	-	-	-	7,613	7,613
2033	-	-	-	-	-	-	-	-	-	-	7,957	7,957
2034	-	-	-	-	-	-	-	-	-	-	8,307	8,307
2035	-	-	-	-	-	-	-	-	-	-	8,672	8,672
2036	-	-	-	-	-	-	-	-	-	-	9,048	9,048
2037	-	-	-	-	-	-	-	-	-	-	9,451	9,451
2038	-	-	-	-	-	-	-	-	-	-	9,866	9,866
2039	-	-	-	-	-	-	-	-	-	-	10,300	10,300
2040	-	-	-	-	-	-	-	-	-	-	10,752	10,752
2041	-	-	-	-	-	-	-	-	-	-	2,434	2,434
	\$ 5,375,000	\$ -	\$ 206,593	\$ 198,654	\$ 23,945	\$ 149,864	\$ 164,165	\$ -	\$ 38,395	\$ 220,021	\$ 161,822	\$ 6,538,459

STATE SINGLE AUDIT REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Finance of the
Town of Sharon, CT
Sharon, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, CT, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Sharon, CT's basic financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sinnamon & Associates, LLC
Certified Public Accountants

Canaan, Connecticut
December 29, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Board of Finance of the
Town of Sharon, CT
Sharon, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Sharon, CT's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Sharon, CT's major state programs for the year ended June 30, 2017. The Town of Sharon, CT's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Sharon, CT's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Sharon, CT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination the Town of Sharon, CT's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Sharon, CT, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Sinamon & Associates, LLC
Certified Public Accountants

December 29, 2017
Canaan, Connecticut

TOWN OF SHARON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program CORE-CT Number</u>	<u>Expenditures</u>
NONEXEMPT PROGRAMS		
DEPARTMENT OF TRANSPORTATION		
Town Aid Road	12052-DOT57131-43455	\$ 357,343
		<u>357,343</u>
CONNECTICUT STATE LIBRARY		
Historic Preservation Grant	12060-CSL66094-35150	<u>4,000</u>
JUDICIAL BRANCH		
Judicial Fines and Fees	34001-JUD95162-40001	<u>435</u>
		<u>435</u>
DEPARTMENT OF EDUCATION		
Child Nutrition Program	11000-SDE64000-16211	1,039
School Breakfast	11000-SDE64000-17046	2,893
		<u>3,932</u>
OFFICE OF POLICY AND MANAGEMENT		
Property Tax Relief for Elderly and Totally Disabled	11000-OPM20600-17018	14,174
Property Tax Relief for Veterans	11000-OPM20600-17024	2,198
Property Tax Relief for Elderly and Disabled Homeowners	11000-OPM20600-17011	<u>23</u>
		<u>16,395</u>
Total State Financial Assistance Before Exempt Programs		<u>382,105</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Education Cost Sharing	11000-SDE64000-17041	<u>10,526</u>
Total Department of Education		<u>10,526</u>
OFFICE OF POLICY AND MANAGEMENT		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	9,111
Municipal Revenue Sharing	12009-OPM20600-17102	19,467
Total Office of Policy and Management		<u>28,578</u>
Total Exempt Programs		<u>39,104</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 421,209</u>

TOWN OF SHARON

NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2017

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Sharon under programs of the State of Connecticut for the fiscal year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Sharon through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including road repair and maintenance, capital improvements, tax relief, general assistance and education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

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

TOWN OF SHARON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDIT RESULTS

Financial Statements

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

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> Yes	<u> </u> x No
Significant deficiency(ies) identified	<u> </u> Yes	<u> </u> x None Reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

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

 Yes x No

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u> Town Aid Road	12052-DOT57131-43455	\$ 357,343
Dollar threshold used to distinguish between type A and type B programs:		\$ 100,000

II - FINANCIAL STATEMENT FINDINGS

No Matters were reported

III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No Matters were reported