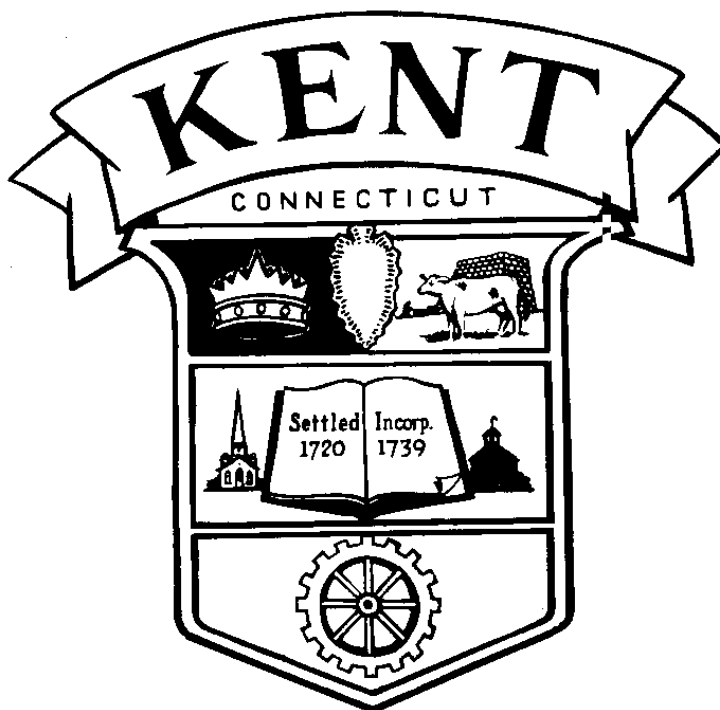


TOWN OF KENT, CONNECTICUT



FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF KENT, CONNECTICUT

FINANCIAL STATEMENT

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Independent Auditors' Report

To the Board of Finance
Town of Kent, Connecticut

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 Kent, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the Town of Kent, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Kent, Connecticut, as of June 30, 2011 and the respective changes in financial position and cash flows where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 on our consideration of the Town of Kent, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kent, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

November 9, 2011

TOWN OF KENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

The Management of the Town of Kent (the Town) is pleased to present this overview of the financial activities of the Town for the fiscal year ended June 30, 2011. The information presented below should be considered in conjunction with the Town's financial statements that follow.

FINANCIAL HIGHLIGHTS

On a government-wide basis, the Town's assets of \$21,643,623 exceeded its liabilities of \$5,994,992 at June 30, 2011, resulting in total net assets of \$15,648,631. Of that, \$10,977,874 was invested in capital assets while \$4,613,378 represented unrestricted net assets, available to meet ongoing government obligations. The Town's net assets increased \$1,563,089 or 11.1% during the fiscal year.

The Town's governmental funds reported, on a current financial resources basis, a combined ending fund balance of \$4,135,959, an increase of \$557,191 or 15.6 %, during the fiscal year. The General Fund operating surplus for this fiscal year was \$307,649. The General Fund balance at June 30, 2011 was \$2,942,944, of which \$402,326 was assigned for expenditures in the 2011- 2012 fiscal year.

The unassigned fund balance of \$2,540,618 of the General Fund represented 23.5% of the General Fund budgeted appropriations for the fiscal year ending June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the Town's finances, similar to those used by private-sector businesses. The statement of net assets and the statement of activities, which are the government-wide statements, report information about Town finances as a whole. All revenues and charges are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues, called "governmental activities" from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, referred to as "business-type activities." The governmental activities of the Town include general government, public safety, public works, health and welfare, recreation, sanitation, and education activities. The Kent Sewer Commission operates the Town's only business-type activity.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain and control accountability over resources that have been segregated for specific activities or objectives. In order to comply with finance-related legal requirements, the Town of Kent, like other local governments, uses fund accounting. All of the Town's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 the current year's cash receipts and expenditures and the balances of expendable resources at the end of the year. Consequently, the governmental fund statements provide a near or short-term view of the Town's finances that may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison is facilitated by a reconciliation schedule of both statements, found on pages 14 and 16 of this report.

The Town maintains various Governmental Funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and the Capital Projects Fund, each of which is considered to be a major fund. The remaining 17 governmental funds are combined into a single aggregated presentation in the governmental fund financial statements as other funds.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 17 of this report to demonstrate compliance with the authorized budget.

The basic fund financial statements can be found on pages 13 to 17 of this report.

Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The information provided for proprietary funds is the same type as for government-wide financial statements but in more detail.

The proprietary fund statements provide separate information for the Kent Sewer Commission Operating Fund, the Town's enterprise fund.

The proprietary fund financial statements can be found on pages 18 to 20 of this report.

Fiduciary Funds are used to account for resources held by the Town 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 provide services to the Town. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 to 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities by \$15,648,631 at June 30, 2011.

Town of Kent
Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current assets	\$ 4,847,755	\$ 4,040,864	\$ 460,615	\$ 425,264	\$ 5,308,370	\$ 4,466,128
Capital assets	14,772,150	14,474,550	1,505,724	1,414,334	16,277,874	15,888,884
Noncurrent assets	57,379	54,083			57,379	54,083
Total assets	<u>19,677,284</u>	<u>18,569,497</u>	<u>1,966,339</u>	<u>1,839,598</u>	<u>21,643,623</u>	<u>20,409,095</u>
Current liabilities	1,044,891	837,312	20,417	15,112	1,065,308	852,424
Noncurrent liabilities	4,929,684	5,471,129			4,929,684	5,471,129
Total liabilities	<u>5,974,575</u>	<u>6,308,441</u>	<u>20,417</u>	<u>15,112</u>	<u>5,994,992</u>	<u>6,323,553</u>
Invested in capital assets, net of related debt	9,472,150	8,606,816	1,505,724	1,414,334	10,977,874	10,021,150
Restricted	57,379	72,146			57,379	72,146
Unrestricted	<u>4,173,180</u>	<u>3,582,094</u>	<u>440,198</u>	<u>410,152</u>	<u>4,613,378</u>	<u>3,992,246</u>
Total Net Assets	<u>\$ 13,702,709</u>	<u>\$ 12,261,056</u>	<u>\$ 1,945,922</u>	<u>\$ 1,824,486</u>	<u>\$ 15,648,631</u>	<u>\$ 14,085,542</u>

Town of Kent
Management's Discussion and Analysis (Unaudited) (continued)

The largest portion of the Town's net assets (70.2%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets), which is reported net of any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently those assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves can not be used to liquidate these liabilities. Unrestricted net assets increased \$621,132, or 15.6%, during the fiscal year.

Town of Kent
Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 501,390	\$ 399,807	\$ 434,669	\$ 398,195	\$ 936,059	\$ 798,002
Operating grants and contributions	700,762	621,547			700,762	621,547
Capital grants and contributions	486,789	410,898			486,789	410,898
General revenues:						
Property taxes	9,147,525	9,197,936			9,147,525	9,197,936
Grants and contributions not restricted to specific programs	98,546	231,900			98,546	231,900
Investment income	10,169	7,680	935	3,318	11,104	10,998
Miscellaneous	105,913				105,913	
Total revenues	<u>11,051,094</u>	<u>10,869,768</u>	<u>435,604</u>	<u>401,513</u>	<u>11,486,698</u>	<u>11,271,281</u>
Expenses:						
General government	926,213	963,029			926,213	963,029
Public safety	164,092	165,781			164,092	165,781
Public works	1,137,576	1,370,794			1,137,576	1,370,794
Health and welfare	118,732	127,379			118,732	127,379
Recreation	205,698	206,968			205,698	206,968
Sanitation	100,594	95,619	314,168	363,940	414,762	459,559
Education	6,714,160	6,774,768			6,714,160	6,774,768
Interest on long-term debt	242,376	262,611			242,376	262,611
Total expenses	<u>9,609,441</u>	<u>9,966,949</u>	<u>314,168</u>	<u>363,940</u>	<u>9,923,609</u>	<u>10,330,889</u>
Change in net assets	1,441,653	902,819	121,436	37,573	1,563,089	940,392
Net Assets - July 1	<u>12,261,056</u>	<u>11,358,237</u>	<u>1,824,486</u>	<u>1,786,913</u>	<u>14,085,542</u>	<u>13,145,150</u>
Net Assets - June 30	<u>\$ 13,702,709</u>	<u>\$ 12,261,056</u>	<u>\$ 1,945,922</u>	<u>\$ 1,824,486</u>	<u>\$ 15,648,631</u>	<u>\$ 14,085,542</u>

Governmental Activities

The largest portion of the Town's governmental activities revenues, 82.8%, was derived from property taxes, followed by 6.3% from operating grants and contributions and 4.4% from capital grants and contributions.

Revenues of governmental activities increased \$181,326 or 1.7% from the previous year. Significant factors affecting this increase include receipt of a Public Act 490 tax penalty in the amount of \$49,189; KCS tuition for students that do not live in Kent in the amount of \$31,079; receipt of \$51,466 from the State of Connecticut for 2009-10 Excess Costs Grant prior year adjustment; and increased collections from Land Use permitting fees in the amount of \$59,948.

Expenses decreased \$357,508 or 3.6% from the previous year. Significant factors affecting this decrease include a temporary reduction in employment expense of approximately \$14,000 in the Land Use department resulting from the Land Use officer taking a maternity leave and not returning to work; savings of approximately \$63,000 realized in the Public Works department primarily due to purchasing road sand from the State D.O.T.; an adjustment for audited expenses in the prior year in the BOE regional budget expense of \$37,759; cost savings realized in the regular BOE budget of approximately \$80,000; and approximately \$72,168 in debt service costs primarily due decreased interest expense.

Business-Type Activities

Business-type activities increased the Town's net assets by \$121,436, primarily the result of increases in charges for services and reductions in expense.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2011, the Town's governmental funds reported combined fund balances of \$4,135,959. Of this amount, \$339 was reserved for inventory; \$57,379 was nonexpendable and held in Permanent Funds; \$975,459 was restricted for Capital Projects; \$19,525 was restricted by Permanent Funds; \$140,313 was committed through Special Revenue Funds; and \$402,326 was assigned for a specific purposes. The remaining \$2,540,618 was unassigned.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare both the General Fund's unassigned fund balance and the total fund balance to total fund expenditures. The General Fund's unassigned fund balance of \$2,540,618 represented 31.2% of total General Fund budgetary basis expenditures. The General Fund's total fund balance of \$2,942,944 represented 31.2% of total General Fund budgetary basis expenditures. For the fiscal year, the General Fund's fund balance increased \$307,649. See "General Fund Budgetary Highlights" for further discussion.

The fund balance of the Capital Projects Fund was \$975,459 at June 30, 2011, an increase of \$253,091 from the previous fiscal year. The Town will utilize a combination of state grants and Town funds to finance the currently unfunded appropriations.

Proprietary Funds The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Commission's fund was \$1,945,922 at June 30, 2011. The factors affecting the funds are discussed in the Business-Type Activities section of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fund balance of the Town's General Fund increased by \$307,649 or 11.7% during the fiscal year. The original budget proposed and adopted in May 2010 included an appropriation of \$281,000 from the available fund balance. However, actual revenues exceeded budgetary estimates by \$381,427, actual expenditures were \$197,725 less than appropriations and other financing sources were less than budgetary estimates by \$270,910. As a result, use of fund balance as provided for in the budget was not needed.

The primary factors affecting the positive budget results were (1) a higher tax collection rate than was provided for in the budget, resulting in a positive tax revenue variance of \$123,507; intergovernmental revenues resulting in a positive variance of \$38,654 and departmental revenues resulting in a positive variance of \$81,359 and (2) general government, public works and Board of Education expenditures which were \$56,683 and \$11,410 and \$117,660, respectively, less than approved appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$16,277,874 (net of accumulated depreciation). This investment in capital assets included land, buildings and improvements, machinery and equipment, vehicles and infrastructure. The increase in the Town's investment in capital assets for the fiscal year was \$389,350.

Town of Kent
Capital Assets Net of Depreciation where Appropriate

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,186,507	\$ 1,186,507	\$	\$	\$ 1,186,507	\$ 1,186,507
Construction in progress	165,587		161,083	25,248	326,670	25,248
Buildings and improvements	9,267,979	9,530,483	682,917	710,494	9,950,896	10,240,977
Land improvements	21,955	23,591			21,955	23,591
Machinery and equipment	366,823	352,198	108,477	116,730	475,300	468,928
Vehicles	293,465	307,533			293,465	307,533
Infrastructure	3,469,834	3,073,877	553,247	561,863	4,023,081	3,635,740
Total	\$ 14,772,150	\$ 14,474,189	\$ 1,505,724	\$ 1,414,335	\$ 16,277,874	\$ 15,888,524

Major capital asset additions during 2011 included \$97,565 for improvements at the Kent Center School, \$74,443 for a new tractor and \$45,408 for a new pick up truck which were both for the Public Works Department and \$193,418 in Bridge restoration costs on Cobble Road.

Debt Administration

At June 30, 2011, the Town's long-term debt included general obligation bond debt outstanding totaling \$5,300,000. The Town's general obligation debt is backed by the full faith and credit of the Town. General obligation bonds totaling \$525,000 were repaid during the fiscal year.

Including \$562,533 of Regional School District No. 1 debt, for which the Town is contingently liable, the Town's outstanding debt is significantly below the statutory debt limit of \$63,734,125 (seven times the base for debt limitation computation).

Additional information on the Town's long-term debt can be found in Note 3 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors considered in preparing the Town's budget for the 2012 fiscal year remain unchanged from the previous fiscal year:

- The overriding consideration of the planning of the Town Budget was the continued severity of the effects of the recent economic recession and impact to the Kent taxpayer's household budgeting.
- Uncertain employment opportunities in Kent as well as numerous business vacancies in the downtown expected to show slow to little improvement.
- Real estate tax revenues, while still strong, may lag due to the slowing of the real estate market in general. Additionally, revenues from back taxes may slow as well as those delinquent have been curtailed.
- Opportunity to strengthen the ongoing fiscal prudence employed by the Town of Kent while still maintaining the assets and services was critical to the structuring of the budget itself.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Selectmen at 41 Kent Green Boulevard, P.O. Box 678, Kent, CT 06757.

TOWN OF KENT, CONNECTICUT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 3,680,797	\$ 452,969	\$ 4,133,766
Investments	333,136		333,136
Property taxes receivable, net	279,597		279,597
Intergovernmental receivable	437,464		437,464
Accounts and other receivables	59,269	7,646	66,915
Other assets	11,559		11,559
Deferred charges	45,933		45,933
Capital assets, nondepreciable	1,352,094	161,083	1,513,177
Capital assets, net of accumulated depreciation	<u>13,420,056</u>	<u>1,344,641</u>	<u>14,764,697</u>
 Total assets	 <u>19,677,284</u>	 <u>1,966,339</u>	 <u>21,643,623</u>
Liabilities:			
Accounts payable	345,061	20,417	365,478
Accrued liabilities	28,887		28,887
Accrued interest payable	89,091		89,091
Unearned revenue	52,372		52,372
Noncurrent liabilities, due within one year	529,480		529,480
Noncurrent liabilities, due in more than one year	<u>4,929,684</u>		<u>4,929,684</u>
 Total liabilities	 <u>5,974,575</u>	 <u>20,417</u>	 <u>5,994,992</u>
Net Assets:			
Invested in capital assets, net of related debt	9,472,150	1,505,724	10,977,874
Restricted for:			
Endowments - nonexpendable	57,379		57,379
Unrestricted	<u>4,173,180</u>	<u>440,198</u>	<u>4,613,378</u>
 Total Net Assets	 <u>\$ 13,702,709</u>	 <u>\$ 1,945,922</u>	 <u>\$ 15,648,631</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF KENT, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 926,213	\$ 307,557	\$	\$	\$ (618,656)	\$	\$ (618,656)
Public safety	164,092	3,871	20		(160,201)		(160,201)
Public works	1,137,576		154,369	125,197	(858,010)		(858,010)
Health and welfare	118,732		12,650		(106,082)		(106,082)
Recreation	205,698	38,108	9,491	361,592	203,493		203,493
Sanitation	100,594	99,048			(1,546)		(1,546)
Board of Education	6,714,160	52,806	524,232		(6,137,122)		(6,137,122)
Interest on long-term debt	242,376				(242,376)		(242,376)
Total governmental activities	<u>9,609,441</u>	<u>501,390</u>	<u>700,762</u>	<u>486,789</u>	<u>(7,920,500)</u>	<u>-</u>	<u>(7,920,500)</u>
Business-Type Activities:							
Sewer Fund	314,168	434,669				120,501	120,501
Total business-type activities	<u>314,168</u>	<u>434,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,501</u>	<u>120,501</u>
Total Primary Government	<u>\$ 9,923,609</u>	<u>\$ 936,059</u>	<u>\$ 700,762</u>	<u>\$ 486,789</u>	<u>(7,920,500)</u>	<u>120,501</u>	<u>(7,799,999)</u>
General revenues:							
Property taxes, interest, and lien fees					9,147,525		9,147,525
Grants and contributions not restricted to specific programs					98,546		98,546
Unrestricted investment earnings					10,169	935	11,104
Miscellaneous revenue					105,913		105,913
Total general revenues					<u>9,362,153</u>	<u>935</u>	<u>9,363,088</u>
Change in net assets					1,441,653	121,436	1,563,089
Net Assets at Beginning of Year					<u>12,261,056</u>	<u>1,824,486</u>	<u>14,085,542</u>
Net Assets at End of Year					<u>\$ 13,702,709</u>	<u>\$ 1,945,922</u>	<u>\$ 15,648,631</u>

The accompanying notes are an integral part of the financial statements

TOWN OF KENT, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,857,886	\$ 747,031	\$ 133,259	\$ 3,738,176
Investments	250,000		83,136	333,136
Receivables	471,327	265,668	3,956	740,951
Due from other funds	2,859			2,859
Other			339	339
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,582,072</u>	<u>\$ 1,012,699</u>	<u>\$ 220,690</u>	<u>\$ 4,815,461</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$ 326,017	\$ 34,915	\$ 2,600	\$ 363,532
Due to other funds		2,325	534	2,859
Deferred revenue	302,694			302,694
Other liabilities	10,417			10,417
Total liabilities	<u>639,128</u>	<u>37,240</u>	<u>3,134</u>	<u>679,502</u>
Fund balances:				
Reserved for:				
Nonspendable			57,718	57,718
Restricted		975,459	19,525	994,984
Committed			140,313	140,313
Assigned	402,326			402,326
Unassigned	2,540,618			2,540,618
Total fund balances	<u>2,942,944</u>	<u>975,459</u>	<u>217,556</u>	<u>4,135,959</u>
Total Liabilities and Fund Balances	<u>\$ 3,582,072</u>	<u>\$ 1,012,699</u>	<u>\$ 220,690</u>	<u>\$ 4,815,461</u>

(Continued on next page)

TOWN OF KENT, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2011

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balances (Exhibit III)	\$	4,135,959
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	22,841,736	
Less accumulated depreciation		<u>(8,069,586)</u>	
			14,772,150

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

Property tax receivable - accrual basis change		250,322
Bond issue costs		45,934

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

Bonds and sewer notes payable		(5,300,000)
Compensated absences		(4,480)
Accrued interest payable		(89,091)
Other long-term receivables		46,599
Teacher severance		<u>(154,684)</u>

Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>13,702,709</u></u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF KENT, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 9,080,783	\$	\$	\$ 9,080,783
Interest and lien fees	65,709			65,709
Intergovernmental	868,557	361,592	22,711	1,252,860
Charges for services	299,509	2,420	199,461	501,390
Investment income	7,309	2,400	460	10,169
Other revenues	105,913		33,237	139,150
Total revenues	<u>10,427,780</u>	<u>366,412</u>	<u>255,869</u>	<u>11,050,061</u>
Expenditures:				
Current:				
General government	822,833		106,769	929,602
Public safety	150,387		13,705	164,092
Public works	1,215,537			1,215,537
Health and welfare	108,813		9,919	118,732
Recreation	170,167		8,832	178,999
Sanitation	100,594			100,594
Board of Education	6,345,040		91,403	6,436,443
Debt service	766,950			766,950
Capital outlay		581,921		581,921
Total expenditures	<u>9,680,321</u>	<u>581,921</u>	<u>230,628</u>	<u>10,492,870</u>
Excess (Deficiency) of Revenues over Expenditures	<u>747,459</u>	<u>(215,509)</u>	<u>25,241</u>	<u>557,191</u>
Other Financing Sources (Uses):				
Transfers in	37,290	468,600	8,500	514,390
Transfers out	<u>(477,100)</u>		<u>(37,290)</u>	<u>(514,390)</u>
Net other financing sources (uses)	<u>(439,810)</u>	<u>468,600</u>	<u>(28,790)</u>	<u>-</u>
Net Change in Fund Balances	307,649	253,091	(3,549)	557,191
Fund Balances at Beginning of Year, as Restated	<u>2,635,295</u>	<u>722,368</u>	<u>221,105</u>	<u>3,578,768</u>
Fund Balances at End of Year	<u>\$ 2,942,944</u>	<u>\$ 975,459</u>	<u>\$ 217,556</u>	<u>\$ 4,135,959</u>

(Continued on next page)

**TOWN OF KENT, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different due to:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 557,191
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	886,089
Depreciation expense	(587,516)
Loss on disposal of capital assets	(973)

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

Decrease in property tax receivable - accrual basis change	50,323
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond payments	525,000
Change in accrued interest	7,724
Amortization of bond premium and deferred bond issue costs	(8,150)

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

Compensated absences	2,973
Teacher severance	<u>8,992</u>

Change in Net Assets of Governmental Activities (Exhibit II)	<u><u>\$ 1,441,653</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF KENT, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Property taxes	\$ 8,957,276	\$ 8,957,276	\$ 9,080,783	\$ 123,507
Interest and lien fees	41,000	41,000	65,709	24,709
Intergovernmental	508,750	508,750	598,870	90,120
Investment income	3,000	3,000	7,309	4,309
Departmental	218,150	218,150	299,509	81,359
Other	48,490	48,490	105,913	57,423
Total revenues	<u>9,776,666</u>	<u>9,776,666</u>	<u>10,158,093</u>	<u>381,427</u>
Expenditures:				
Current:				
General government	883,362	876,597	819,914	56,683
Public safety	151,054	151,449	150,387	1,062
Public works	1,211,992	1,226,947	1,215,537	11,410
Health and welfare	111,691	111,916	108,813	3,103
Recreation	171,614	173,971	170,167	3,804
Sanitation	115,764	104,597	100,594	4,003
Education	6,220,339	6,220,339	6,102,679	117,660
Debt service	766,950	766,950	766,950	-
Total expenditures	<u>9,632,766</u>	<u>9,632,766</u>	<u>9,435,041</u>	<u>197,725</u>
Excess of Revenues over Expenditures	<u>143,900</u>	<u>143,900</u>	<u>723,052</u>	<u>579,152</u>
Other Financing Sources (Uses):				
Transfers in	307,200	307,200	37,290	(269,910)
Transfers out	<u>(451,100)</u>	<u>(451,100)</u>	<u>(452,100)</u>	<u>(1,000)</u>
Net other financing uses	<u>(143,900)</u>	<u>(143,900)</u>	<u>(414,810)</u>	<u>(270,910)</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	308,242	<u>\$ 308,242</u>
Fund Balance at Beginning of Year			<u>2,604,208</u>	
Fund Balance at End of Year			<u>\$ 2,912,450</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF KENT, CONNECTICUT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Business-Type Activities Enterprise Funds <u>Sewer Operating Fund</u>
Assets:	
Current assets:	
Cash	\$ 452,969
Accounts receivable	7,646
Total current assets	<u>460,615</u>
Noncurrent assets:	
Capital assets, nondepreciable:	
Construction in progress	161,083
Capital assets, net of accumulated depreciation:	
Plant and pumping station	<u>1,344,641</u>
Total noncurrent assets	<u>1,505,724</u>
Total assets	<u>1,966,339</u>
Liabilities:	
Accounts payable	<u>20,417</u>
Net Assets:	
Invested in capital assets	1,505,724
Unrestricted	<u>440,198</u>
Total Net Assets	<u>\$ 1,945,922</u>

The accompanying notes are an integral part of the financial statements

TOWN OF KENT, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds Sewer Operating Fund
Operating Revenues:	
Charges for services	\$ <u>434,669</u>
Operating Expenses:	
Payroll and payroll taxes	132,550
Materials and supplies	6,876
Administration and operation	105,337
Outside services	250
Insurance	24,710
Depreciation	44,445
Total operating expenses	<u>314,168</u>
Operating Income	120,501
Nonoperating Revenue:	
Investment income	<u>935</u>
Change in Net Assets	121,436
Net Assets at Beginning of Year	<u>1,824,486</u>
Net Assets at End of Year	\$ <u><u>1,945,922</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF KENT, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities <u>Enterprise Funds</u> <u>Sewer</u> <u>Operating Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 435,664
Payments to suppliers and personnel	(264,416)
Net cash provided by operating activities	<u>171,248</u>
Cash Flows from Investing Activities:	
Purchase of capital assets	(135,835)
Investment income	935
Net cash used in investing activities	<u>(134,900)</u>
Net Increase in Cash	36,348
Cash at Beginning of Year	<u>416,621</u>
Cash at End of Year	<u><u>\$ 452,969</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 120,501
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	44,445
(Increase) decrease in accounts receivable	2,011
(Increase) decrease in other receivables	(1,016)
Increase (decrease) in accounts payable	5,307
Net Cash Provided by Operating Activities	<u><u>\$ 171,248</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF KENT, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash	\$ 3,702	\$ 122,435
Investments	<u> -</u>	<u>101,051</u>
Total assets	3,702	\$ <u><u>223,486</u></u>
Liabilities:		
Due to beneficiaries	<u> </u>	\$ <u><u>223,486</u></u>
Net Assets:		
Held in Trust for Other Purposes	\$ <u><u>3,702</u></u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF KENT, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest and dividends	\$ <u>18</u>
Deductions:	
Scholarships awarded	<u>300</u>
Change in Net Assets	(282)
Net Assets at Beginning of Year	<u>3,984</u>
Net Assets at End of Year	\$ <u><u>3,702</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF KENT, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Kent, Connecticut (the Town) was incorporated in 1739. It operates under the Board of Selectmen, Town Meeting, Board of Finance form of government and provides a full range of services including public safety (police and fire), public works, health and welfare, recreation, sanitation, education and general administrative services to its residents.

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:

Kent Volunteer Fire Department - The Kent Volunteer Fire Department has a separate elected board and provides services to residents, generally within the geographic boundaries of the Town. 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.

Kent Library Association - The Town has no financial, operational or managerial control over this organization.

B. Basis of Presentation

The financial statements of the Town 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town's primary government. 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, 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. Agency funds, however, have no measurement focus.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are 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, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

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 Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment and accounts for financial resources designated for future appropriation for capital expenditures, or for the acquisition or construction of capital facilities, improvements and/or equipment. Capital outlays are financed by appropriations from the General Fund intergovernmental grants and long-term debt obligations.

The Town reports the following major proprietary fund:

The *Sewer Operating Fund* accounts for the operations of the Town's wastewater treatment system. The major sources of revenue for this fund are sewer assessments and use charges.

Additionally, the Town reports the following fund types:

The *Private Purpose Trust Funds* are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

The *Agency Funds* account for monies from various self-funding school activity programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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) 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 nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund is charges to customers for services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses and depreciation 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

C. Cash Equivalents

For purposes of reporting cash flows, all savings, checking, money market accounts and certificates of deposit with an original maturity of less than 90 days are considered to be cash equivalents.

D. Investments

Investments are stated at fair value.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of donated commodities are stated at fair market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

G. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and enterprise fund financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 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 estimated fair market 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 lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building improvements	20-40
Land improvements	15-40
Infrastructure	25-50
Sewer system infrastructure	50-100
Machinery and equipment	5-25
Vehicles	10-12

H. Compensated Absences and Teachers Severance

Town employees accumulate, by prescribed formula, vacation for subsequent use or for payment upon termination or retirement. In addition, Board of Education teachers with at least 20 years of service are entitled to severance pay by prescribed formula. Vacation and severance pay expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid with available resources, for example, as a result of employee resignations or retirements.

I. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Equity

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

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority, the Town of Kent Board of Finance.

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The Town does not have a minimum fund balance policy.

L. Property Taxes

Property taxes are assessed as of October 1, levied on the following July 1 and are due in two installments, July 1 and January 1. Supplemental motor vehicle taxes are due in full January 1. Taxes are overdue on August 1 and February 1. Interest at the rate of 1.5% per month accrues on all overdue taxes. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of appraised market value. Liens are filed by the last day of the fiscal year.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year-end. Property taxes receivable not expected to be collected during the available period are reflected in deferred revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements. An allowance based on historical collection experience is provided for uncollectible taxes.

M. 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town follows these procedures in establishing budgetary data reflected in the financial statements:

- Department heads, officers and agencies of the Town file estimates of expenditures to be made and revenues to be collected in the upcoming year to the Board of Finance. The Board of Finance recommends budgets, as revised, for adoption at the annual Town meeting in May or, if a petition is filed with the Town Clerk in accordance with Section 7-7 of the Connecticut General Statutes, at Town referendum.
- The budget is legally adopted by a vote at the Annual Town Budget meeting referendum.
- The Board of Finance is authorized to transfer budgeted amounts between departmental appropriations of up to \$20,000 per department per year. Subsequent appropriations and appropriations of more than \$20,000 for any one department per year must be approved by Town Meeting referendum.

- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- Appropriations for capital projects do not lapse until completion of the applicable projects. All General Fund unexpended appropriations lapse at year end.

The Town does not have legally adopted annual budgets for its special revenue funds because budgetary control is alternatively achieved by constraints imposed by the project authorization and grant awards related to these funds. The Town does not have legally adopted budgets for its fiduciary funds.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major difference between the budgetary and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as reservations of fund balance.

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in reporting in conformity with GAAP. A reconciliation of revenues, expenditures and fund balance of the General Fund between the accounting treatment required by GAAP and budgetary requirements is as follows:

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>	<u>Fund Balance</u>
Balance, budgetary basis	\$ 10,195,383	\$ 9,887,141	\$ 2,912,450
Encumbrances outstanding at June 30, 2011, charged to budgetary expenditures during the year ended June 30, 2011		(2,326)	2,326
State Teachers' Retirement on-behalf payment	269,687	269,687	
GASB 54 reclassification (Litigation)	<u> </u>	<u>2,919</u>	<u>28,168</u>
Balance, GAAP Basis	<u>\$ 10,465,070</u>	<u>\$ 10,157,421</u>	<u>\$ 2,942,944</u>

3. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by the Statutes, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank,” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$1,452,839 of the Town’s bank balance of \$1,987,309 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,269,799
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>183,040</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 1,452,839</u></u>

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2011, the Town's cash equivalents amounted to \$2,514,047. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard & Poor's</u>
State of Connecticut Short-Term Investment Fund (STIF)	AAAm
Cutwater Asset Management - Cooperative Liquid Assets Securities System (CLASS)	AAAm

Investments

As of June 30, 2011, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Investment Maturities (Years)</u>			
		<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Certificates of deposit	N/A	\$ <u>434,187</u>	\$ <u>412,921</u>	\$ <u>21,266</u>	\$ _____
Total Investments		\$ <u><u>434,187</u></u>	\$ <u><u>412,921</u></u>	\$ <u><u>21,266</u></u>	\$ <u><u>-</u></u>

Investment Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party.

Credit Risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments in obligations of any state or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk - The Town places no limit on the amount invested in any one issuer. No more than 5% of the Town's investments were invested in any one issuer in which credit risk was applicable.

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

B. Receivables

Receivables by type at year end for the Town’s fund financial statements, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Sewer</u>	<u>Total</u>
Receivables:					
Taxes	\$ 341,904	\$	\$	\$	\$ 341,904
Interest and liens	140,193				
Accounts and other	66,533		3,956	7,646	78,135
Intergovernmental	125,197	265,668			390,865
Gross receivables	<u>673,827</u>	<u>265,668</u>	<u>3,956</u>	<u>7,646</u>	<u>951,097</u>
Less allowance for collection losses	<u>202,500</u>				<u>202,500</u>
Net Total Receivables	<u>\$ 471,327</u>	<u>\$ 265,668</u>	<u>\$ 3,956</u>	<u>\$ 7,646</u>	<u>\$ 748,597</u>

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Delinquent property taxes receivable	\$ 250,322	\$
Advance collections on permits		<u>52,372</u>
Total Deferred Revenue for Governmental Funds	<u>\$ 250,322</u>	<u>\$ 52,372</u>

C. Fund Balance

The components of fund balance for the governmental funds at June 30, 2011 are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 339	\$ 339
Trusts			57,379	57,379
Restricted for:				
Grants			4,753	4,753
Endowment			14,772	14,772
Capital projects		975,459		975,459
Committed for:				
Public safety			1,369	1,369
Education			37,039	37,039
General government			90,266	90,266
Recreation			11,639	11,639
Assigned to:				
Education	402,326			402,326
Unassigned	<u>2,540,618</u>			<u>2,540,618</u>
 Total Fund Balances	 <u>\$ 2,942,944</u>	 <u>\$ 975,459</u>	 <u>\$ 217,556</u>	 <u>\$ 4,135,959</u>

Encumbrances at June 30, 2011 are contained in the above table in the assigned category of the General Fund.

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,186,507	\$	\$	\$ 1,186,507
Construction in progress		165,587		165,587
Total capital assets not being depreciated	<u>1,186,507</u>	<u>165,587</u>	<u>-</u>	<u>1,352,094</u>
Capital assets being depreciated:				
Buildings and improvements	12,224,554	97,565		12,322,119
Land improvements	29,939			29,939
Machinery and equipment	744,190	74,443	8,781	809,852
Vehicles	674,239	45,408	31,000	688,647
Infrastructure	7,147,341	503,086	11,342	7,639,085
Total capital assets being depreciated	<u>20,820,263</u>	<u>720,502</u>	<u>51,123</u>	<u>21,489,642</u>
Less accumulated depreciation for:				
Buildings and improvements	2,694,072	360,068		3,054,140
Land improvements	5,988	1,996		7,984
Machinery and equipment	391,991	58,846	7,808	443,029
Vehicles	366,705	59,477	31,000	395,182
Infrastructure	4,073,464	107,129	11,342	4,169,251
Total accumulated depreciation	<u>7,532,220</u>	<u>587,516</u>	<u>50,150</u>	<u>8,069,586</u>
Total capital assets being depreciated, net	<u>13,288,043</u>	<u>132,986</u>	<u>973</u>	<u>13,420,056</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,474,550</u>	<u>\$ 298,573</u>	<u>\$ 973</u>	<u>\$ 14,772,150</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 25,248	\$ 135,835	\$	\$ 161,083
Total capital assets not being depreciated	<u>25,248</u>	<u>135,835</u>	<u>-</u>	<u>161,083</u>
Capital assets being depreciated:				
Buildings and improvements	1,316,170			1,316,170
Machinery and equipment	188,591			188,591
System infrastructure	749,973			749,973
Total capital assets being depreciated	<u>2,254,734</u>	<u>-</u>	<u>-</u>	<u>2,254,734</u>
Less accumulated depreciation for:				
Buildings and improvements	605,677	27,576		633,253
Machinery and equipment	71,861	8,253		80,114
System infrastructure	188,110	8,616		196,726
Total accumulated depreciation	<u>865,648</u>	<u>44,445</u>	<u>-</u>	<u>910,093</u>
Total capital assets being depreciated, net	<u>1,389,086</u>	<u>(44,445)</u>	<u>-</u>	<u>1,344,641</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,414,334</u>	<u>\$ 91,390</u>	<u>\$ -</u>	<u>\$ 1,505,724</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 44,046
Public works	230,062
Recreation	26,699
Education	<u>286,709</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 587,516</u>
Business-type activities:	
Sewer Operating	<u>\$ 44,445</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 44,445</u>

Construction Commitments

The government has active construction projects as of June 30, 2011. The projects include renovations at the Community House and work on bridges. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Community House Phase I	\$ 196,054	\$ 40,250
Community House Phase II	66,900	57,118
Highways and bridges	<u>185,008</u>	<u>15,375</u>
	<u>\$ 447,962</u>	<u>\$ 112,743</u>

All of the Community House and 50% of the highway and bridge construction are being funded by state and federal grants.

E. Interfund Receivables, Payables and Transfers

Interfund receivables and payables that resulted from various interfund transactions, as of June 30, 2011, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 2,325
	Nonmajor Funds	<u>534</u>
Total		<u>\$ 2,859</u>

All balances are expected to be repaid within a year.

Interfund transfers are generally used to supplement revenues of other funds. The transfers that occurred during the year are as follows:

	Transfers In			Total Transfers Out
	General Fund	Capital Project Fund	Nonmajor Governmental Funds	
Transfers out:				
General Fund	\$	\$ 468,600	\$ 8,500	\$ 477,100
Nonmajor Governmental Funds	<u>37,290</u>			<u>37,290</u>
Total Transfers In	<u>\$ 37,290</u>	<u>\$ 468,600</u>	<u>\$ 8,500</u>	<u>\$ 514,390</u>

F. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 5,825,000	\$	\$ 525,000	\$ 5,300,000	\$ 525,000
Compensated absences	7,453		2,973	4,480	4,480
Teachers' severance	<u>163,676</u>		<u>8,992</u>	<u>154,684</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,996,129</u>	<u>\$ -</u>	<u>\$ 536,965</u>	<u>\$ 5,459,164</u>	<u>\$ 529,480</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town.

General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Annual Principal</u>	<u>Balance Outstanding June 30, 2011</u>
General obligation bonds:						
Kent Fire Department Project	09/08	09/18	avg 3.13%	\$ 1,250,000	125,000	\$ 1,000,000
Kent Center School Renovation	02/02	02/22	3.399%	<u>7,900,000</u>	400,000	<u>4,300,000</u>
Total General Obligation Bonds				<u>\$ 9,150,000</u>		<u>\$ 5,300,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 525,000	\$ 222,357
2013	525,000	202,519
2014	525,000	182,425
2015	525,000	161,675
2016	525,000	140,425
2017-2021	2,200,000	375,102
2022	<u>475,000</u>	<u>16,626</u>
Total	<u>\$ 5,300,000</u>	<u>\$ 1,301,129</u>

Authorized but Unissued Bonds

The total of authorized but unissued bonds at June 30, 2011 is \$4.5 million. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

Regional School District No. 1 Debt

At June 30, 2011, the Town is contingently liable for Regional School District No. 1 debt in the amount of \$562,533.

Teachers' Severance

Under the teachers' contract agreement between the Kent Board of Education (BOE) and the Kent Center Faculty Association (KCFA), a severance benefit was offered to members of KCFA who have been employed by the BOE for at least 20 years. Teachers who are eligible shall receive a severance benefit equal to 15% of their basic salary.

In addition, the BOE is obligated to a teacher who accepted a one-time early retirement incentive in lieu of the severance benefit for three years of paid health insurance. At June 30, 2011, liabilities of \$42,926 for the teachers who elected the early retirement incentive and \$111,758 for nine teachers qualifying for the contract severance benefit are accrued in the government-wide statement of net assets.

4. EMPLOYEE RETIREMENT PLAN

A. Defined Contribution Plan

The Town provides retirement benefits through a single-employer defined contribution pension plan for all eligible employees except certified personnel of the Board of Education who are covered by the State of Connecticut Teacher's Retirement System. The Board of Selectmen has oversight and fiduciary responsibility for the plan.

All eligible employees who have completed one year of service with a minimum of 1,000 hours during the year and who have reached age 21 are eligible for inclusion in the plan. The plan provides that benefits are 100% vested at all times with respect to all of the amounts allocated to employees' accounts. The Town contributes an amount equal to 5% of each eligible employee's base compensation. During the year, the Town's contributions totaled \$13,591.

B. Teachers Retirement

Teachers participate in a contributory defined benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service in this state.

All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. The Board of Education does not contribute to the plan. Prior to July 1, 1989, teachers were vested in their contributions up to 5% of their earnings prior to five years of service. After five years of service, teachers were fully vested in their own contributions. After 10 years of service, teachers are fully vested and entitled to a monthly pension benefit that is payable at the age of 60. The State of Connecticut contributes amounts based on the actuarial reserve basis described in C.G.S. Sections 10-1831 and 10-1832. The State's contribution to the plan on behalf of the Town for the fiscal year ended June 30, 2011 was \$269,687 and is recognized in the governmental funds GAAP-basis income statement. For the year ended June 30, 2011, teachers of the Town contributed \$122,998 to the plan, and covered payroll for the year was \$1,696,525.

Effective July 1, 1989, 1% of the mandatory 7% contribution is placed into a fund from which retirees' health insurance premiums will be paid. This 1% contribution is no longer credited to the member's individual account and does not vest.

5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2011.

B. Contingent Liabilities

There are various suits and claims pending against the Town, including lawsuits brought by the Schaghticoke Tribal Nation and the Schaghticoke Indian Tribe seeking to recover land allegedly conveyed by the State of Connecticut to prior owners in violation of the Federal Indian Non-Intercourse Act. The Town is vigorously opposing all claims. In the opinion of Town management, in consultation with the Town Attorney, none of the lawsuits, individually or in the aggregate, is believed to be likely to result in judgment or judgments that could materially affect the Town's financial position.

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

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

6. JOINT VENTURES

The Town is a participant in three joint ventures as described below:

Housatonic Resource Recovery Authority - The Town and ten other local municipalities each appoint the governing board of the Housatonic Resource Recovery Authority, with which the Town contracts for waste management services. Each town is awarded voting rights based upon population.

Lake Waramaug Interlocal Commission - The Lake Waramaug Interlocal Commission (the Commission) was created by the towns of Kent, Warren and Washington to jointly finance and conduct projects for the purpose of controlling water pollution and improving water quality. The Town appoints one member of the five-member Commission. The Town expended \$1,229 for the operation of the Commission for the year ended June 30, 2011.

Lake Waramaug Authority - The Lake Waramaug Authority (the Authority) was created by the Towns of Kent, Warren and Washington to enforce water safety. The Authority is comprised of three members from each town. The Town expended \$1,535 for the operation of the Authority for the year ended June 30, 2011.

7. PRIOR PERIOD ADJUSTMENTS

During the year, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This required the Town to review their special revenue funds and determine if they have a revenue source that is restricted or committed for a specific purpose. This revenue source also needs to constitute a substantial portion of the resources in the fund. As a result, the Litigation Fund did not meet those requirements and is now reported as part of the General Fund.

The beginning fund balances for the following funds were restated:

	<u>General Fund</u>	<u>Litigation Fund</u>	<u>Nonmajor Governmental Funds</u>
Balance at June 30, 2010	\$ 2,604,208	\$ 31,087	\$ 252,192
Reclassification to General Fund	<u>31,087</u>	<u>(31,087)</u>	<u>(31,087)</u>
Restated Fund Balance at June 30, 2010	<u>\$ 2,635,295</u>	<u>\$ -</u>	<u>\$ 221,105</u>

**TOWN OF KENT, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 8,957,276	\$ 8,957,276	\$ 9,080,783	\$ 123,507
Interest and lien fees	41,000	41,000	65,709	24,709
Intergovernmental:				
Education assistance	167,342	167,342	218,808	51,466
Education transportation	536	536	373	(163)
Elderly tax relief			23,758	23,758
Mashantucket Pequot	6,804	6,804	7,474	670
Town aid roads	133,675	133,675	136,384	2,709
In lieu of taxes	65,596	65,596	66,654	1,058
Other	134,797	134,797	145,419	10,622
Total intergovernmental	<u>508,750</u>	<u>508,750</u>	<u>598,870</u>	<u>90,120</u>
Investment Income:				
Interest and dividends	3,000	3,000	7,309	4,309
Departmental:				
Planning and zoning	12,000	12,000	71,948	59,948
Parks and recreation	36,900	36,900	38,108	1,208
Town clerk recording fees and conveyance taxes	80,000	80,000	89,568	9,568
Transfer station	86,000	86,000	91,539	5,539
Other	3,250	3,250	8,346	5,096
Total departmental	<u>218,150</u>	<u>218,150</u>	<u>299,509</u>	<u>81,359</u>
Other:				
Rental income	36,490	36,490	34,374	(2,116)
Telecommunications property	9,000	9,000	16,125	7,125
Miscellaneous	3,000	3,000	55,414	52,414
Total other	<u>48,490</u>	<u>48,490</u>	<u>105,913</u>	<u>57,423</u>
Total revenues	<u>9,776,666</u>	<u>9,776,666</u>	<u>10,158,093</u>	<u>381,427</u>
Other Financing Sources:				
Transfers in:				
Building inspector fund	26,200	26,200	37,290	11,090
Undesignated fund balance	281,000	281,000		(281,000)
Total other financing sources	<u>307,200</u>	<u>307,200</u>	<u>37,290</u>	<u>(269,910)</u>
Total Revenues and Other Financing Sources	<u>\$ 10,083,866</u>	<u>\$ 10,083,866</u>	<u>\$ 10,195,383</u>	<u>\$ 111,517</u>

**TOWN OF KENT, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
General Government:				
Board of Selectman	\$ 150,460	\$ 150,460	\$ 146,491	\$ 3,969
Probate court	5,135	5,135	5,135	-
Elections	18,601	18,601	15,362	3,239
Board of Finance	2,770	2,770	2,161	609
Treasurer	31,170	31,170	30,280	890
Assessors	70,458	70,458	60,963	9,495
Tax collector	58,929	58,929	57,167	1,762
Assessment appeals	975	975	433	542
Conservation commission	1,100	1,100	1,068	32
Town clerk	101,220	101,220	98,054	3,166
Planning and zoning	59,310	59,310	47,032	12,278
Zoning Board of Appeals	3,690	3,690	1,334	2,356
Inland wetlands commission	21,970	21,970	12,596	9,374
Building inspector	19,029	22,789	22,789	-
Town hall	54,820	65,851	65,851	-
Audit	24,000	24,000	19,102	4,898
Legal	19,200	19,200	14,463	4,737
Town library grant	78,800	78,800	78,800	-
Cemetery association grant	31,800	31,800	31,800	-
Council of governments	6,200	6,200	6,182	18
Insurance	105,000	93,444	93,445	(1)
Retirees health benefits	3,200	3,200	2,788	412
Contingency	10,000	-	-	-
Other	5,525	5,525	6,618	(1,093)
Total general government	<u>883,362</u>	<u>876,597</u>	<u>819,914</u>	<u>56,683</u>
Public Safety:				
Fire marshal	25,630	26,025	26,026	(1)
Fire protection grant	75,000	75,000	75,000	-
Litchfield county dispatch	30,940	30,940	29,940	1,000
Paramedic	16,484	16,484	16,489	(5)
Civil preparedness	3,000	3,000	2,932	68
Total public safety	<u>151,054</u>	<u>151,449</u>	<u>150,387</u>	<u>1,062</u>
Public Works:				
Highways	1,000,407	1,008,004	1,005,339	2,665
Town aid road	133,675	133,675	136,384	(2,709)
Town utilities	41,990	49,348	46,234	3,114
Town garage building	19,920	19,920	15,578	4,342
Tree upkeep	10,000	10,000	5,113	4,887
Other	6,000	6,000	6,889	(889)
Total public works	<u>1,211,992</u>	<u>1,226,947</u>	<u>1,215,537</u>	<u>11,410</u>
Health and Welfare:				
General assistance	30,828	31,053	30,053	1,000
Nutrition site	14,635	14,635	13,638	997
Director of health and health district	17,510	17,510	17,505	5
Nursing association grant	21,000	21,000	21,000	-
Kent children's center grant	14,000	14,000	14,000	-
Youth service bureau	6,743	6,743	6,743	-
Other grants	6,975	6,975	5,874	1,101
Total health and welfare	<u>111,691</u>	<u>111,916</u>	<u>108,813</u>	<u>3,103</u>

(Continued on next page)

**TOWN OF KENT, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Recreation:				
Community house	\$ 23,000	\$ 23,000	\$ 19,337	\$ 3,663
Parks and recreation	140,009	142,351	142,352	(1)
Lake Waramaug interlocal	1,230	1,230	1,229	1
Lake Waramaug authority	2,430	2,430	2,289	141
Swift house	4,945	4,960	4,960	-
Total recreation	<u>171,614</u>	<u>173,971</u>	<u>170,167</u>	<u>3,804</u>
Sanitation				
Landfill monitoring	1,400	1,455	1,455	-
Transfer station	114,364	103,142	99,139	4,003
Total sanitation	<u>115,764</u>	<u>104,597</u>	<u>100,594</u>	<u>4,003</u>
Board of Education:				
Local expenditures:				
Salaries	2,306,996	2,306,996	2,301,130	5,866
Employee benefits	676,655	649,546	587,745	61,801
Purchased professional services	8,800	8,800	8,170	630
Purchased property services	119,800	161,449	161,447	2
Other purchased services	307,735	313,195	313,195	-
Supplies and energy	265,862	265,862	258,117	7,745
Dues and fees	4,500	4,500	3,643	857
Cafeteria subsidy	10,500	10,500	7,500	3,000
Regional expenditures:				
Pupil services	807,247	807,247	806,418	829
HVRHS tuition	1,529,520	1,529,520	1,530,080	(560)
Administrative services	137,724	137,724	100,234	37,490
Capital outlay	45,000	25,000	25,000	-
Total Board of Education	<u>6,220,339</u>	<u>6,220,339</u>	<u>6,102,679</u>	<u>117,660</u>
Debt Service:				
Principal	525,000	525,000	525,000	-
Interest	241,950	241,950	241,950	-
Total debt service	<u>766,950</u>	<u>766,950</u>	<u>766,950</u>	<u>-</u>
Total expenditures	<u>9,632,766</u>	<u>9,632,766</u>	<u>9,435,041</u>	<u>197,725</u>
Other Financing Uses:				
Transfers out:				
Capital projects fund	443,600	443,600	443,600	-
Food Bank	-	-	1,000	(1,000)
Dog fund	7,500	7,500	7,500	-
Total other financing uses	<u>451,100</u>	<u>451,100</u>	<u>452,100</u>	<u>(1,000)</u>
Total Expenditures and Other Financing Uses	<u>\$ 10,083,866</u>	<u>\$ 10,083,866</u>	<u>\$ 9,887,141</u>	<u>\$ 196,725</u>

**TOWN OF KENT, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2011**

Grand List Year	Uncollected Taxes July 1, 2010	Current Year	Lawful Corrections		Transfers to Suspense	Adjusted Amount Collectible	Collections			Uncollected Taxes June 30, 2011
			Additions	Deductions			Taxes	Interest and Lien Fees	Total	
1995 & prior	\$ 9,655	\$	\$	\$	\$	\$ 9,655	\$	\$ 504	\$ 504	\$ 9,655
1996	7,001					7,001	118	320	438	6,883
1997	7,583					7,583				7,583
1998	7,568					7,568				7,568
1999	5,632					5,632				5,632
2000	9,459					9,459	53	75	128	9,406
2001	10,505					10,505	120	165	285	10,385
2002	13,547					13,547	150	192	342	13,397
2003	13,790					13,790	2,608	805	3,413	11,182
2004	16,215					16,215	2,696	2,815	5,511	13,519
2005	19,111					19,111	3,222	2,746	5,968	15,889
2006	24,004			34		23,970	3,769	2,510	6,279	20,201
2007	38,712			371		38,341	9,692	4,901	14,593	28,649
2008	101,901		32	1,104		100,829	53,887	9,896	63,783	46,942
Total Prior Years	284,683	-	32	1,509	-	283,206	76,315	24,929	101,244	206,891
2009		9,104,823	9,927	13,224		9,101,526	8,966,513	37,118	9,003,631	135,013
Total	\$ 284,683	\$ 9,104,823	\$ 9,959	\$ 14,733	\$ -	\$ 9,384,732	\$ 9,042,828	\$ 62,047	\$ 9,104,875	\$ 341,904

**TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

Special Revenue Funds

	Dog Fund	School Cafeteria	KCS Cultural Arts	KCS Technology	Shunichi Kuga	Cultural Arts Fund	Selectman's Fund	Santa Fund	Ward Recreation	Hopson Swift House
ASSETS										
Cash	\$ 1,369	\$ 6,875	5,861	\$ 5,623	\$ 6,900		\$ 436	\$ 796	\$ 11,639	\$ 36,964
Investments			11,480							
Receivables		3,656	300							
Other		339								
Total Assets	\$ 1,369	\$ 10,870	\$ 17,641	\$ 5,623	\$ 6,900	\$ -	\$ 436	\$ 796	\$ 11,639	\$ 36,964
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and other payables/due to State	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Due to other funds										
Total liabilities	-	-	-	-	-	-	-	-	-	-
Fund Balances:										
Reserved for:										
Nonspendable		339								
Restricted		3,656								
Committed	1,369	6,875	17,641	5,623	6,900		436	796	11,639	36,964
Total fund balances	1,369	10,870	17,641	5,623	6,900	-	436	796	11,639	36,964
Total Liabilities and Fund Balances	\$ 1,369	\$ 10,870	\$ 17,641	\$ 5,623	\$ 6,900	\$ -	\$ 436	\$ 796	\$ 11,639	\$ 36,964

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**TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2011**

	<u>Special Revenue Funds</u>						<u>Permanent Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Kenico Road Fund</u>	<u>Energy Task Force</u>	<u>Building Inspection Fund</u>	<u>Recreation Programs</u>	<u>Food Bank</u>	<u>Records Preservation</u>	<u>Walter Skiff Fund</u>	<u>General Endowment Fund</u>	
ASSETS									
Cash	\$ 43,722	\$ 7,306	\$ -	\$ 2,600	\$ 1,042	\$ 1,097	\$ 1,029	\$ -	\$ 133,259
Investments							71,656		83,136
Receivables									3,956
Other									339
Total Assets	<u>\$ 43,722</u>	<u>\$ 7,306</u>	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 1,042</u>	<u>\$ 1,097</u>	<u>\$ 1,029</u>	<u>\$ 71,656</u>	<u>\$ 220,690</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts and other payables/due to State	\$ -	\$ -	\$ -	\$ 2,600	\$ -	\$ -	\$ -	\$ -	\$ 2,600
Due to other funds							534		534
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534</u>	<u>3,134</u>
Fund Balances:									
Reserved for:									
Nonspendable							1,000	56,379	57,718
Restricted						1,097	29	14,743	19,525
Committed	43,722	7,306	-	-	1,042	-	-	-	140,313
Total fund balances	<u>43,722</u>	<u>7,306</u>	<u>-</u>	<u>-</u>	<u>1,042</u>	<u>1,097</u>	<u>1,029</u>	<u>71,122</u>	<u>217,556</u>
Total Liabilities and Fund Balances	<u>\$ 43,722</u>	<u>\$ 7,306</u>	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 1,042</u>	<u>\$ 1,097</u>	<u>\$ 1,029</u>	<u>\$ 71,656</u>	<u>\$ 220,690</u>

**TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

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	<u>Special Revenue Funds</u>									
	<u>Dog Fund</u>	<u>School Cafeteria</u>	<u>KCS Cultural Arts</u>	<u>KCS Technology</u>	<u>Shunichi Kuga</u>	<u>Cultural Arts Fund</u>	<u>Selectman's Fund</u>	<u>Santa Fund</u>	<u>Ward Recreation</u>	<u>Hopson Swift House</u>
Revenues:										
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Charges for services	3,871	22,011	700							
Investment income		52,806	196	12	28		2	2	52	163
Donations and other	20	7,500	3,326	250	436			1,250		
Total revenues	<u>3,891</u>	<u>82,317</u>	<u>4,222</u>	<u>262</u>	<u>464</u>	<u>-</u>	<u>2</u>	<u>1,252</u>	<u>52</u>	<u>163</u>
Expenditures:										
Current:										
General government						114				
Public safety	10,787									
Health and welfare								1,014		
Recreation										
Education		82,068	9,335							
Total expenditures	<u>10,787</u>	<u>82,068</u>	<u>9,335</u>	<u>-</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>1,014</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(6,896)</u>	<u>249</u>	<u>(5,113)</u>	<u>262</u>	<u>464</u>	<u>(114)</u>	<u>2</u>	<u>238</u>	<u>52</u>	<u>163</u>
Other Financing Sources (Uses):										
Transfers in	7,500							2		
Transfers out						(2)				
Net other financing sources (uses)	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	604	249	(5,113)	262	464	(116)	2	240	52	163
Fund Balances at Beginning of Year, as Restated	<u>765</u>	<u>10,621</u>	<u>22,754</u>	<u>5,361</u>	<u>6,436</u>	<u>116</u>	<u>434</u>	<u>556</u>	<u>11,587</u>	<u>36,801</u>
Fund Balances at End of Year	<u>\$ 1,369</u>	<u>\$ 10,870</u>	<u>\$ 17,641</u>	<u>\$ 5,623</u>	<u>\$ 6,900</u>	<u>\$ -</u>	<u>\$ 436</u>	<u>\$ 796</u>	<u>\$ 11,639</u>	<u>\$ 36,964</u>

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**TOWN OF KENT, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds						Permanent Funds			Total Nonmajor Governmental Funds
	Kenico Road Fund	Energy Task Force	Building Inspection Fund	Recreation Programs	Food Bank	Records Preservation	Walter Skiff Fund	General Endowment Fund	Eliminations	
Revenues:										
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$	\$	22,711
Charges for services			142,179			605				199,461
Investment income							5			460
Donations and other		2,946		9,491	8,018					33,237
Total revenues	<u>-</u>	<u>2,946</u>	<u>142,179</u>	<u>9,491</u>	<u>8,018</u>	<u>605</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>255,869</u>
Expenditures:										
Current:										
General government			105,548			1,107				106,769
Public safety		2,918								13,705
Health and welfare					8,905					9,919
Recreation				8,832						8,832
Education										91,403
Total expenditures	<u>-</u>	<u>2,918</u>	<u>105,548</u>	<u>8,832</u>	<u>8,905</u>	<u>1,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,628</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>28</u>	<u>36,631</u>	<u>659</u>	<u>(887)</u>	<u>(502)</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>25,241</u>
Other Financing Sources (Uses):										
Transfers in					1,000				(2)	8,500
Transfers out			(36,631)	(659)					2	(37,290)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(36,631)</u>	<u>(659)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,790)</u>
Net Change in Fund Balances	<u>-</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>113</u>	<u>(502)</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>(3,549)</u>
Fund Balances at Beginning of Year, as Restated	<u>43,722</u>	<u>7,278</u>	<u>-</u>	<u>-</u>	<u>929</u>	<u>1,599</u>	<u>1,024</u>	<u>71,122</u>	<u>-</u>	<u>221,105</u>
Fund Balances at End of Year	<u>\$ 43,722</u>	<u>\$ 7,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042</u>	<u>\$ 1,097</u>	<u>\$ 1,029</u>	<u>\$ 71,122</u>	<u>\$ -</u>	<u>\$ 217,556</u>

TOWN OF KENT, CONNECTICUT
COMBINING STATEMENT OF NET ASSETS - PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2011

	Private Purpose Trust Funds		
	Ward	Ramesh	
	Scholarship	Mali	Total
	Scholarship	Scholarship	Total
Assets:			
Cash	\$ <u>2,888</u>	\$ <u>814</u>	\$ <u>3,702</u>
Net Assets Held in Trust	\$ <u><u>2,888</u></u>	\$ <u><u>814</u></u>	\$ <u><u>3,702</u></u>

**TOWN OF KENT, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN NET ASSETS -
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust Funds</u>		
	<u>Ward</u>	<u>Ramesh</u>	<u>Total</u>
	<u>Scholarship</u>	<u>Mali Scholarship</u>	
Additions:			
Interest and dividends	\$ 14	\$ 4	\$ 18
Deductions:			
Scholarship awards	200	100	300
Change in Net Assets	(186)	(96)	(282)
Net Assets Held in Trust - Beginning of Year	<u>3,074</u>	<u>910</u>	<u>3,984</u>
Net Assets Held in Trust - End of Year	<u>\$ 2,888</u>	<u>\$ 814</u>	<u>\$ 3,702</u>

TOWN OF KENT, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Saddle Ridge Repairs and Replacement				
Assets:				
Cash and cash equivalents	\$ 70,886	\$ 187	\$	\$ 71,073
Investments	63,447	755		64,202
	<u>134,333</u>	<u>942</u>	<u>-</u>	<u>135,275</u>
Liabilities:				
Due to beneficiaries	\$ 134,333	\$ 942	\$ -	\$ 135,275
	<u>134,333</u>	<u>942</u>	<u>-</u>	<u>135,275</u>
Saddle Ridge Permanent				
Assets:				
Cash and cash equivalents	\$ 10,786	\$ 12	\$	\$ 10,798
Investments	15,453	130		15,583
	<u>26,239</u>	<u>142</u>	<u>-</u>	<u>26,381</u>
Liabilities:				
Due to beneficiaries	\$ 26,239	\$ 142	\$ -	\$ 26,381
	<u>26,239</u>	<u>142</u>	<u>-</u>	<u>26,381</u>
Kent Affordable Housing				
Assets:				
Cash and cash equivalents	\$ 18,461	\$ 2,805	\$ -	\$ 21,266
Liabilities:				
Due to beneficiaries	\$ 18,461	\$ 2,805	\$ -	\$ 21,266
	<u>18,461</u>	<u>2,805</u>	<u>-</u>	<u>21,266</u>
Brookwoods II Repair and Replacement				
Assets:				
Cash and cash equivalents	\$ 30,416	\$ 25	\$ -	\$ 30,441
Liabilities:				
Due to beneficiaries	\$ 30,416	\$ 25	\$ -	\$ 30,441
	<u>30,416</u>	<u>25</u>	<u>-</u>	<u>30,441</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ 8,392	\$ 39,511	\$ 37,780	\$ 10,123
Liabilities:				
Due to beneficiaries	\$ 8,392	\$ 39,511	\$ 37,780	\$ 10,123
	<u>8,392</u>	<u>39,511</u>	<u>37,780</u>	<u>10,123</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 120,480	\$ 39,735	\$ 37,780	\$ 122,435
Investments	97,361	3,690		101,051
	<u>217,841</u>	<u>43,425</u>	<u>37,780</u>	<u>223,486</u>
Liabilities:				
Due to beneficiaries	\$ 217,841	\$ 43,425	\$ 37,780	\$ 223,486
	<u>217,841</u>	<u>43,425</u>	<u>37,780</u>	<u>223,486</u>

**TOWN OF KENT, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2011**

Total Tax Collections (Including Interest and Lien Fees)
for the Year Ended June 30, 2011 \$ 9,104,875

Base for Debt Limitation Computation \$ 9,104,875

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times base	\$ 20,485,969	\$	\$	\$	\$
4 1/2 times base		40,971,938			
3 3/4 times base			34,143,281		
3 1/4 times base				29,590,844	
3 times base					<u>27,314,625</u>
Total debt limitation	<u>20,485,969</u>	<u>40,971,938</u>	<u>34,143,281</u>	<u>29,590,844</u>	<u>27,314,625</u>
Indebtedness:					
Regional School District #1 (Town Share 16.6969%)		562,533			
Town bonds payable	<u>1,000,000</u>	<u>4,300,000</u>			
Net indebtedness (1) (2)	<u>1,000,000</u>	<u>4,862,533</u>	-	-	-
Debt Limitation in Excess of Indebtedness	<u>\$ 19,485,969</u>	<u>\$ 36,109,405</u>	<u>\$ 34,143,281</u>	<u>\$ 29,590,844</u>	<u>\$ 27,314,625</u>

(1) The total of the above net indebtedness amounts to: \$ 5,862,533

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 63,734,125

(2) There is no overlapping debt.