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**TOWN OF THOMPSON, CONNECTICUT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**TOWN OF THOMPSON, CONNECTICUT**  
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**JUNE 30, 2017**

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## **Independent Auditors' Report**

To the Board of Finance  
Town of Thompson, Connecticut

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

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

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

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

#### ***Auditors' Responsibility***

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

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

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

## ***Opinions***

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

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 55 through 60 and the pension schedules on pages 61 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thompson, 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 a required part of the basic financial statements.

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Town of Thompson, Connecticut, as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 26, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018 on our consideration of the Town of Thompson, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Thompson, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Thompson, Connecticut's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
March 27, 2018

## **TOWN OF THOMPSON, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

This discussion and analysis of the Town of Thompson, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

### **Financial Highlights**

- Net position of our governmental activities increased by \$258 thousand, or 0.7%.
- During the year, the Town had expenses that were \$258 thousand less than the \$32 million generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$31.8 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$3.3 million.
- The resources available for appropriation were \$400 thousand more than budgeted for the General Fund.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

### **Government-Wide Financial Statements**

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in the net position. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, the Town reports its activities as follows:

- *Governmental Activities* - The Town's basic services are reported here, including education, public safety, public works, civic and cultural, and general government. Property taxes, charges for services, and state and federal grants finance most of these activities.

## **Fund Financial Statements**

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by State Statutes. However, the Board of Finance establishes many other funds to help control and manage financial activities for particular purposes (like the Sewer Operating Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants received for education from the State and Federal governments). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. The Town's proprietary funds consist of the Town's internal service fund, which is used to report activities that provide supplies and services for the Town's other programs and activities, such as the Town's Data Processing Fund and risk management internal service funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of net position - fiduciary funds and changes in net position - fiduciary fund. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position changed from a year ago increasing from \$34.4 million to \$34.6 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1**  
**NET POSITION**  
(In Thousands)

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 10,053	\$ 9,378
Capital assets, net of accumulated depreciation	39,511	40,241
Total assets	49,564	49,619
Deferred outflows of resources	1,169	1,503
Long-term debt outstanding	14,491	13,416
Other liabilities	1,149	3,202
Total liabilities	15,640	16,618
Deferred inflows of resources	468	137
Net Position:		
Net investment in capital assets	28,379	29,136
Restricted for:		
Perpetual care:		
Expendable	256	256
Nonexpendable	2,991	2,930
Unrestricted	2,999	2,045
Total Net Position	\$ 34,625	\$ 34,367

Net position of the Town's governmental activities increased by 0.75% (\$34.6 million compared to \$34.4 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$2.045 million at June 30, 2016 to \$2.999 million at the end of this year.



**TABLE 2**  
**CHANGE IN NET POSITION**  
(In Thousands)

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Revenues:		
Program revenues:		
Charges for services	\$ 1,550	\$ 1,515
Operating grants and contributions	11,848	11,314
Capital grants and contributions	1,928	725
General revenues:		
Property taxes	15,855	14,702
Grants and contributions not restricted to specific purposes	415	304
Unrestricted investment earnings	211	98
Other general revenues	270	134
Total revenues	<u>32,077</u>	<u>28,792</u>
Program expenses:		
General government	1,348	1,318
Public safety	596	547
Public works	3,940	4,120
Human services	1,074	954
Civic and cultural	1,126	1,138
Development and planning	212	207
Education	23,213	20,892
Interest on long-term debt	310	263
Total program expenses	<u>31,819</u>	<u>29,439</u>
Increase (Decrease) in Net Position	\$ <u>258</u>	\$ <u>(647)</u>

The Town's total revenues were \$32 million. The total cost of all programs and services was \$31.8 million. Our analysis below separately considers the operations of governmental activities.

### **Governmental Activities**

- The Town has received \$632,000 in grants from the United States Department of Agriculture to offset the total cost of \$1,900,000 for a sewer line extension intended to serve Marianapolis School as the sole user. The School will cover 100% of the cost of the sewer extension. The project has not yet been completed and the Town is pursuing alternate route(s).
- The Town was awarded a grant through the State-Local Bridge Program for Replacement of the Quaddick Road Bridge, funded through a grant from the CT DOT State-Local Bridge Program. Total project cost is \$486,100, with \$238,772.32 in grant funds and a Town match of \$247,327.68. The work has, for the most part, been completed; remaining work consists of installation of guard rail brackets, and providing final as-built/close-out documentation to CT DOT. It is anticipated the project will be fully closed out by mid-summer 2018.

- The State of Connecticut Department of Economic and Community Development awarded the Town of Thompson a \$218,000 Historic Brownfield Revitalization Program grant for preparation of Phase I and Phase II Environmental Site Assessments, Hazardous Materials Survey, Structural Evaluation and preparation of a Remedial Action/Reuse Plan for 929 Riverside Drive, aka the River Mill, aka North Grosvenordale Mill. CME Associates was selected as consultant for the project and is now in the process of finalizing the Phase I Environmental Site Assessment. Much of the work has been completed and, as that work has come in under-budget, CME is working with the Town on determining additional tasks based on funds remaining.
- Work associated with the Town's 2015-awarded CDBG \$800,000 grant project for Phase IV of the Gladys Green/Pineview Court upgrades/rehabilitation/repair has been completed, and the Town is awaiting notification of final close-out audit scheduling.
- The Town has been working with UCONN Engineering students on projects beneficial, and at no cost, to the Town including the following completed Senior Projects, which provided deliverables of engineering study and plans. Previous years' projects included: boat launch at the former Stove Pipe Shop, water/sewer extension from Riverside Drive to the Industrial Park located on Reardon Rd., new entrance/exit ramps to I-395 from Rt. 193, and the recently completed Community Volunteer Fire Department site/building plans, drainage issues on Fabyan Rd. and at the Bull Hill Recreation Area and site/building plans for a new salt shed at the Public Works garage. Current projects include structural analysis/recommendations for the Town-owned 65 Main St. (former TEEG) property, design of a pocket park at the Town-owned .86 acre parcel on Reardon Rd., streetscape improvements for the Riverside Drive (aka State Rt. 12)/Main Street area of North Grosvenordale and a breach study for the Wilsonville (Langer's Pond) Dam.
- The Town's Economic Development Commission, with the help of NECCOG, has completed a Branding Plan for the Town; it has finalized the Branding Implementation Committee and will be working to implement recommendations of that Plan going forward.

Table 3 presents the cost of each of the Town's five largest programs, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Education	\$ 23,213	\$ 20,892	\$ 11,297	\$ 9,816
Public works	3,940	4,120	2,113	3,025
General government	1,348	1,318	1,013	981
Interest on long-term debt	310	263	310	263
Civic and cultural	1,126	1,138	807	837
All others	1,882	1,708	952	962
<b>Total</b>	<b>\$ 31,819</b>	<b>\$ 29,439</b>	<b>\$ 16,492</b>	<b>\$ 15,884</b>

## TOWN FUNDS FINANCIAL ANALYSIS

### Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$7.3 million, which is a \$2.7 million increase from last year's total. Included in this year's total change in fund balance is an increase of \$887 thousand in the Town's General Fund. The primary reasons for the General Fund's decrease mirror the governmental activities highlighted in Exhibit IV.

In the Capital Projects Fund, the Town funded projects and capital outlays of \$1.4 million, most of which was includes Road, Sewer and Bridge projects funded by sources including USDA and the General Fund.

### General Fund Budgetary Highlights

The original Town Expenditure Budget of \$25.3 million was increased by \$49 thousand during the year.

The Town's General Fund balance of \$3.3 million reported on Exhibit III differs from the General Fund's budgetary fund balance. This is principally because budgetary fund balance does not include \$272 thousand of outstanding encumbrances at year end, which are reported as expenditures for budgetary purposes.

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2017, the Town had \$39.5 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, and infrastructure (roads, bridges, etc.) - Table 4. This amount represents a net decrease (including additions and deductions) of \$0.73 million, or 0.2%, from last year.

**TABLE 4**  
**CAPITAL ASSETS (Net of Depreciation)**  
(In Thousands)

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 2,475	\$ 2,476
Construction in progress	2,039	1,418
Buildings and improvements	30,205	31,251
Machinery and equipment	765	779
Infrastructure	4,027	4,317
Total	<u>\$ 39,511</u>	<u>\$ 40,241</u>

There were no major additions in the fiscal year ended June 30, 2017.

## **Long-Term Debt**

At June 30, 2017, the Town had \$11 million in bonds outstanding versus \$9.59 million last year - an increase of \$1.486 million - as shown in Table 5.

**TABLE 5**  
**OUTSTANDING DEBT, AT YEAR END**  
(In Thousands)

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
General Obligation Bonds (backed by the Town)	\$ <u>11,076</u>	\$ <u>9,590</u>

The Town received a general obligation bond rating of A3 as of November 13, 2007, by a national rating agency. This rating was changed to A1 by the rating agency as of May 2010. The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$98.7 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 9 to the financial statements.

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

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget tax rates. One of those factors is the economy. The Town had employment growth in fiscal year 2017 of .8%. Unemployment in the Town decreased to 5.3%. This compares with the State's unemployment rate of 4.6% and the national rate of 4.1%.

These indicators were taken into account when adopting the General Fund budget for 2017-18. Amounts available for appropriation in the General Fund budget are \$25.7 million, an increase of \$380 thousand over final 2016-17 budget.

The Town has added no major new programs or initiatives to the 2018 budget.

If these estimates are realized, the Town's budgetary General Fund balance is expected to be decreased by \$675 thousand during the fiscal year 2018.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Thompson, 815 Riverside Drive, Thompson, Connecticut 06255.

**TOWN OF THOMPSON, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Governmental Activities</b>
Assets:	
Cash and cash equivalents	\$ 5,455,111
Investments	2,943,861
Receivables, net	1,519,915
Net pension asset	127,833
Other assets	6,143
Capital assets not being depreciated	4,513,796
Capital assets being depreciated, net	34,997,627
Total assets	<u>49,564,286</u>
Deferred Outflows of Resources:	
Deferred amounts on refunding	619,757
Deferred outflows related to pension actuarial experience	177,417
Deferred outflows related to changes in projected investment earnings	258,485
Deferred outflows related to Town pension contributions subsequent to the plan measurement date	113,710
Total deferred outflows of resources	<u>1,169,369</u>
Liabilities:	
Accounts and other payables	449,335
Due to fiduciary funds	15,100
Notes payable	492,568
Unearned revenue	192,344
Noncurrent liabilities:	
Due within one year	1,081,340
Due in more than one year	13,409,835
Total liabilities	<u>15,640,522</u>
Deferred Inflows of Resources:	
Deferred inflows related to changes in pension assumptions	205,905
Deferred inflows related to changes in proportionate share	262,357
Total deferred inflows of resources	<u>468,262</u>
Net Position:	
Net investment in capital assets	28,378,822
Restricted for:	
Trust purposes:	
Nonexpendable	255,901
Expendable	2,991,337
Unrestricted	2,998,811
Total Net Position	<u>\$ 34,624,871</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF THOMPSON, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 1,348,062	\$ 331,553	\$ 4,000	\$	\$ (1,012,509)
Public safety	596,406	11,818	39		(584,549)
Public works	3,939,714	682,324	128,150	1,015,924	(2,113,316)
Human services	1,074,111			905,520	(168,591)
Civic and cultural	1,125,539	302,914	9,289	6,594	(806,742)
Development and planning	212,250	13,072			(199,178)
Education	23,212,506	208,518	11,706,548		(11,297,440)
Interest on long-term debt	309,931				(309,931)
Total	<u>\$ 31,818,519</u>	<u>\$ 1,550,199</u>	<u>\$ 11,848,026</u>	<u>\$ 1,928,038</u>	<u>(16,492,256)</u>
General revenues:					
Property taxes					15,855,114
Grants and contributions not restricted to specific programs					415,094
Unrestricted investment earnings					210,353
Miscellaneous					269,603
Total general revenues					<u>16,750,164</u>
Change in net position					257,908
Net Position at Beginning of Year					<u>34,366,963</u>
Net Position at End of Year					<u>\$ 34,624,871</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF THOMPSON, CONNECTICUT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Tourtellotte Trust Fund</u>	<u>Other Grants</u>	<u>Phosphorous Removal</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,140,533	\$ 111,417	\$ 46,971	\$ 611,096	\$	\$ 273,296	\$ 5,183,313
Investments			2,943,861				2,943,861
Receivables, net	1,214,221	24,771		2,078	15,838	253,922	1,510,830
Due from other funds	774,104	997,550				598,633	2,370,287
Inventories						6,143	6,143
Total Assets	<u>\$ 6,128,858</u>	<u>\$ 1,133,738</u>	<u>\$ 2,990,832</u>	<u>\$ 613,174</u>	<u>\$ 15,838</u>	<u>\$ 1,131,994</u>	<u>\$ 12,014,434</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$ 167,589	\$ 178,618	\$	\$ 10,828	\$ 8,202	\$ 29,941	\$ 395,178
Due to other funds	1,589,262	63,553	61,051	552,273	7,636	111,612	2,385,387
Unearned revenue				38,109		154,235	192,344
Clean water fund loan payable					492,568		492,568
Total liabilities	<u>1,756,851</u>	<u>242,171</u>	<u>61,051</u>	<u>601,210</u>	<u>508,406</u>	<u>295,788</u>	<u>3,465,477</u>
Deferred inflows of resources:							
Unavailable revenue - property taxes	697,472						697,472
Unavailable revenue - accrued interest on delinquent taxes	402,942						402,942
Unavailable revenue - mortgage loans						55,489	55,489
Unavailable revenue - sewer use charges						118,776	118,776
Total deferred inflows of resources	<u>1,100,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,265</u>	<u>1,274,679</u>
Fund balances:							
Nonspendable						262,044	262,044
Restricted	26,490	891,567	2,929,781	11,964		63,643	3,923,445
Committed						433,716	433,716
Assigned	947,189						947,189
Unassigned	2,297,914				(492,568)	(97,462)	1,707,884
Total fund balances	<u>3,271,593</u>	<u>891,567</u>	<u>2,929,781</u>	<u>11,964</u>	<u>(492,568)</u>	<u>661,941</u>	<u>7,274,278</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,128,858</u>	<u>\$ 1,133,738</u>	<u>\$ 2,990,832</u>	<u>\$ 613,174</u>	<u>\$ 15,838</u>	<u>\$ 1,131,994</u>	<u>\$ 12,014,434</u>

(Continued on next page)

**TOWN OF THOMPSON, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2017**

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Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position  
(Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 7,274,278
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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	\$ 72,129,252	
Less accumulated depreciation	<u>(32,617,829)</u>	
Net capital assets		39,511,423

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

Deferred outflows related to Town pension contributions subsequent to the measurement date	113,710
Deferred outflows related to pension actuarial experience	177,417
Deferred outflows related to changes in projected investment earnings	258,485
Net pension asset	127,833
Property tax receivables greater than 60 days	697,472
Interest receivable on property taxes	402,942
Housing loans	55,489
Sewer use charges	118,776

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	276,697
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(11,076,000)
Interest payable on bonds and notes	(49,971)
Compensated absences	(463,092)
Capital lease	(183,790)
Deferred inflows related to pension actuarial experience	(205,905)
Deferred inflows related to changes in projected investment earnings	(262,357)
Deferred charge on refunding	619,757
Net pension liability	(844,009)
Net OPEB obligation	<u>(1,924,284)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 34,624,871</u>
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The accompanying notes are an integral part of the financial statements



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

	General	Capital Projects	Tourtellotte Trust Fund	Other Grants	Phosphorous Removal	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 15,968,224	\$	\$	\$	\$	\$	\$ 15,968,224
Intergovernmental revenue	11,076,048	749,817		1,200,329	128,150	1,042,642	14,196,986
Charges for services	700,217	4,520				850,762	1,555,499
Interest	20,428	289	186,458			3,178	210,353
Other revenues	185,868	33,929				25,200	244,997
Total revenues	<u>27,950,785</u>	<u>788,555</u>	<u>186,458</u>	<u>1,200,329</u>	<u>128,150</u>	<u>1,921,782</u>	<u>32,176,059</u>
Expenditures:							
Current:							
General government	951,288			5,477			956,765
Public safety	574,678					7,443	582,121
Public works	1,427,868			237,340	620,718	389,044	2,674,970
Human services	135,402			937,522			1,072,924
Civic and cultural	573,714			4,748		264,842	843,304
Development and planning	142,529					788	143,317
Sundry	915,374						915,374
Education	20,836,396		27,208			1,187,511	22,051,115
Capital outlay	24,600	1,403,702					1,428,302
Debt service	1,004,563						1,004,563
Total expenditures	<u>26,586,412</u>	<u>1,403,702</u>	<u>27,208</u>	<u>1,185,087</u>	<u>620,718</u>	<u>1,849,628</u>	<u>31,672,755</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,364,373</u>	<u>(615,147)</u>	<u>159,250</u>	<u>15,242</u>	<u>(492,568)</u>	<u>72,154</u>	<u>503,304</u>
Other Financing Sources (Uses):							
Transfers in	123,120	945,121				28,725	1,096,966
Transfers out	(973,846)		(100,000)			(23,120)	(1,096,966)
Bond proceeds	373,000	1,808,000					2,181,000
Total other financing sources (uses)	<u>(477,726)</u>	<u>2,753,121</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>5,605</u>	<u>2,181,000</u>
Net Change in Fund Balances	886,647	2,137,974	59,250	15,242	(492,568)	77,759	2,684,304
Fund Balances at Beginning of Year	<u>2,384,946</u>	<u>(1,246,407)</u>	<u>2,870,531</u>	<u>(3,278)</u>	<u>-</u>	<u>584,182</u>	<u>4,589,974</u>
Fund Balances at End of Year	<u>\$ 3,271,593</u>	<u>\$ 891,567</u>	<u>\$ 2,929,781</u>	<u>\$ 11,964</u>	<u>\$ (492,568)</u>	<u>\$ 661,941</u>	<u>\$ 7,274,278</u>

(Continued on next page)

**TOWN OF THOMPSON, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 2,684,304
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	834,809
Depreciation expense	(1,564,452)

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

Property tax receivable - accrual basis change	(110,932)
Property tax interest and lien revenue - accrual basis change	(2,178)
Sewer use receivable	13,478
Housing loans receivable	2

Change in deferred outflow related to Town pension contributions subsequent to the measurement date	(8,321)
Change in net pension asset	127,833
Change in net pension liability	456,595

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

Bond principal payments	695,000
Capital lease payments	67,683
General obligation bonds issued	(2,181,000)

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

Compensated absences	87,454
Change in deferred inflows related to changes in pension assumptions	(51,185)
Change in deferred inflows related to changes in actuarial experience	(17,569)
Change in deferred inflows related to changes in proportionate share	(262,357)
Change in deferred outflows related to pension actuarial experience	(12,245)
Change in deferred outflows related to changes in projected investment earnings	(256,401)
Accrued interest	(11,710)
Amortization of deferred amounts on refunding	(56,341)
Net OPEB obligation	(200,995)

Internal service funds are used by management to charge costs of medical insurance to individual departments	26,436
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Change in Net Position of Governmental Activities (Exhibit II)	\$ 257,908
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The accompanying notes are an integral part of the financial statements

**TOWN OF THOMPSON, CONNECTICUT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
Assets:	
Cash and cash equivalents	\$ 271,798
Accounts receivable	<u>9,085</u>
Total assets	280,883
Liabilities:	
Claims payable	<u>4,186</u>
Net Position:	
Unrestricted	\$ <u><u>276,697</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF THOMPSON, CONNECTICUT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
Operating Revenues:	
Charges for services	\$ 137,029
Operating Expenses:	
Claims incurred	97,204
Administration	13,389
Total operating expenses	110,593
Operating Income (Loss)	26,436
Net Position at Beginning of Year	250,261
Net Position at End of Year	\$ 276,697

The accompanying notes are an integral part of the financial statements

**TOWN OF THOMPSON, CONNECTICUT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 49,750
Cash received for interfund services used	81,819
Cash paid for benefits	(97,853)
Cash paid for administration	(13,389)
Net cash provided by (used in) operating activities	<u>20,327</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,327
Cash and Cash Equivalents at Beginning of Year	<u>251,471</u>
Cash and Cash Equivalents at End of Year	<u>\$ 271,798</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ 26,436
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
(Increase) decrease in accounts receivable	(5,460)
Increase (decrease) in claims payable	<u>(649)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 20,327</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF THOMPSON, CONNECTICUT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 66,037	\$ 164,345
Investments - mutual funds	6,145,975	
Due from other funds		15,100
Total assets	6,212,012	\$ <u>179,445</u>
<b>Liabilities:</b>		
Deposits and amounts due to student groups and others		\$ <u>179,445</u>
<b>Net Position:</b>		
Restricted for pensions	\$ <u>6,212,012</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF THOMPSON, CONNECTICUT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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Additions:

Contributions:

Plan members	\$ 94,256
Employer	<u>138,070</u>
Total contributions	<u>232,326</u>

Investment income (loss):

Net change in fair value of investments	<u>754,190</u>
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Total additions	<u>986,516</u>
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Deductions:

Benefits	229,261
Administration	<u>5,404</u>
Total deductions	<u>234,665</u>

Change in Net Position	751,851
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Net Position at Beginning of Year	<u>5,460,161</u>
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Net Position at End of Year	<u><u>\$ 6,212,012</u></u>
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The accompanying notes are an integral part of the financial statements

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Thompson, Connecticut (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 policies of the Town are described below.

### **A. Reporting Entity**

The Town operates under the provisions of the General Statutes of the State of Connecticut. The form of government includes an elected Board of Selectmen consisting of a First Selectman and two other members, an elected Board of Education and an elected Board of Finance.

The legislative power of the Town is vested with the Board of Selectmen and the Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The administration of the Town offices and agencies, with the exception of the Board of Education, is the responsibility of the First Selectman.

The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

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

The Town provides the following services: general government, education, public safety, public works, sewer, human services, parks, civic and cultural, and development and planning.

### **B. Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.



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

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

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

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 Town, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the construction or acquisition of major capital facilities and assets. The major sources of revenues for this fund are capital grants, and the proceeds from the issuance of general obligation bonds.

The *Tourtellotte Trust Fund* accounts for donated funds provided for the maintenance and educational efforts of Free Memorial High School. The major sources of revenues for this fund are donations and investment income.

The *Other Grants Fund* accounts for Town grant projects, most significantly the Gladys Green projects. The major sources of revenues for this fund are State and Federal grants.

The *Phosphorous Removal Fund* accounts for a major construction project, which began in 2015. The major source of revenue for the project was from the Clean Water Fund (CWF) through State of Connecticut Department of Energy and Environmental Protection.

Additionally, the Town reports the following fund types:

The *Internal Service Fund* accounts for the self-insurance activities related to health benefits and deductibles on commercial insurance policies.

The *Pension Trust Fund* accounts for the activities of the Board of Education nonteacher retirement system, which accumulates resources for pension benefit payments to qualified Board of Education employees.

**TOWN OF THOMPSON, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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The *Agency Funds* account for the various student activities and contractor deposits.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the 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 property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Internal Service Fund are charges for medical insurance premiums. Operating expenses for the Internal Service Fund include the cost of medical claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town does not have a formal policy in regard to the use of fund balance. In accordance with GASB No. 54, the Town will use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

#### **D. Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

#### **E. 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." All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance of \$10,000 is equal to 1.2% of outstanding taxes as of June 30, 2017. The allowance for uncollectible housing loans is \$591,000 or 91.6% of total loans.

Property taxes are assessed as of October 1 and billed the following July. Payments not received within one month after the due date become delinquent, with interest charged at the rate of 1-1/2% per month. 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 (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue. Liens are filed on real property, which have unpaid property taxes as of June 30.

**TOWN OF THOMPSON, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. 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 government-wide and fund financial statements.

**G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	10-25
Machinery and equipment	3-10
Infrastructure	25-50

**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows related to pension, and a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

**TOWN OF THOMPSON, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources related to pensions. A deferred inflow of resources related to pension results from differences between expected and actual experience and differences between projected and actual investment earnings. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, interest on property taxes, long-term loans and sewer use charges. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

**I. Compensated Absences**

Employees may accumulate a limited amount of vested vacation and unused sick leave. Additionally, the Board of Education offers employees, by contract, certain retirement incentives.

Vacation, sick pay and other compensated absences are recorded as a liability in the government-wide financial statements.

**J. OPEB Obligations**

The net OPEB obligation represents the cumulative difference between the annual pension/OPEB cost and the Town's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent assets and/or noncurrent liabilities, accordingly, in the government-wide financial statements.

**K. Net Pension Liability**

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

**L. Long-Term Obligations**

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

**TOWN OF THOMPSON, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

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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.

**M. Equity**

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

**Net Investment in Capital Assets**

This component of net position 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 Position**

Net position is restricted because of 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. The Town currently has assets under restriction for trust purposes.

**Unrestricted Net Position**

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 (Town of Thompson Board of Finance).

**Assigned Fund Balance**

This represents 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.

## **N. 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**

### **Budgetary Information**

#### **General Fund**

The First Selectman compiles preliminary estimates for all departments and agencies, with the exception of the Board of Education, for the annual budget for presentation to the Board of Selectmen. After making such alterations or changes as it deems necessary, the Board of Selectmen presents the compiled budget to the Board of Finance. The Board of Education submits its estimates directly to the Board of Finance.

The Board of Finance may make such revisions to the Selectmen's and Education budget estimates as it deems desirable, holds one or more public hearings and presents a proposed budget to the Annual Town Meeting.

Additional appropriations may be approved by the Board of Finance upon recommendation of the Board of Selectmen. Town Meeting approval may be required as determined by State Statute. There were additional appropriations made during the year of \$48,610 from fund balance. Unexpended appropriations of the General Fund lapse at fiscal year end.

The General Fund budget is prepared on a modified accrual basis of accounting. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. The Town overexpended the final budget for the first selectman department, the data processing department, the tax collector department, the canine control department, the transfer station, the economic and community development department, the capital outlay function, and the transfers out.

## **3. 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 Statute 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."

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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). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and is 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**

### **Deposit Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$4,949,941 of the Town's bank balance of \$5,477,993 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,403,877
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>546,064</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 4,949,941</u></u>

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**Cash Equivalents**

At June 30, 2017, the Town's cash equivalents amounted to \$1,081,405. 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. The pools all have maturities of less than one year.

	<b>Standard &amp; Poor's</b>
State Short-Term Investment Fund (STIF)	AAAm

**Investments**

As of June 30, 2017, the Town had the following investments:

	<b>Credit Rating</b>	<b>Fair Value</b>	<b>Investment Maturities (Years) Less Than 1</b>	<b>1-10</b>	<b>More Than 10</b>
Interest-bearing investments:					
Corporate bonds	AA	\$ 253,187	\$	\$ 253,187	\$
Corporate bonds	A	525,442	51,277	474,165	
Corporate bonds	BBB	236,654	25,228	211,426	
		1,015,283	\$ <u>76,505</u>	\$ <u>938,778</u>	\$ <u>-</u>
Other investments:					
Mutual funds		7,372,056			
Common stock		<u>702,497</u>			
Total Investments Measured at Fair Value		\$ <u>9,089,836</u>			



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The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2017:

	June 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Corporate bonds	\$ 1,015,283	\$ 1,015,283	\$	\$
Common stock	702,497	702,497		
Mutual funds	7,372,056	7,372,056		
Total investments by fair value level	9,089,836	\$ 9,089,836	\$ -	\$ -
Total Investments Measured at Fair Value	\$ 9,089,836			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

**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.

**Credit Risk - Investments**

As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further its investment choices.

**Concentration of Credit Risk**

The Town has no policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments.

**Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2017, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

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**4. RECEIVABLES**

Receivables as of year end for the Town's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Other Grants</u>	<u>Phosphorous Removal</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Interest	\$ 402,942	\$	\$	\$	\$	\$ 402,942
Taxes	820,646					820,646
Accounts and other	633				129,514	130,147
Intergovernmental		24,771	2,078	15,838	79,255	121,942
Housing and development loans					645,238	645,238
Gross receivables	<u>1,224,221</u>	<u>24,771</u>	<u>2,078</u>	<u>15,838</u>	<u>854,007</u>	<u>2,120,915</u>
Less allowance for uncollectibles	<u>(10,000)</u>				<u>(591,000)</u>	<u>(601,000)</u>
Net Total Receivables	<u>\$ 1,214,221</u>	<u>\$ 24,771</u>	<u>\$ 2,078</u>	<u>\$ 15,838</u>	<u>\$ 263,007</u>	<u>\$ 1,519,915</u>

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**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 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	\$ 2,475,200	\$	\$	\$ 2,475,200
Construction in progress	1,417,878	620,718		2,038,596
Total capital assets not being depreciated	<u>3,893,078</u>	<u>620,718</u>	<u>-</u>	<u>4,513,796</u>
Capital assets being depreciated:				
Buildings	53,814,360			53,814,360
Building improvements	58,350			58,350
Machinery and equipment	4,253,419	214,091		4,467,510
Infrastructure	9,275,236			9,275,236
Total capital assets being depreciated	<u>67,401,365</u>	<u>214,091</u>	<u>-</u>	<u>67,615,456</u>
Less accumulated depreciation for:				
Buildings	(22,598,570)	(1,044,359)		(23,642,929)
Building improvements	(23,041)	(1,680)		(24,721)
Machinery and equipment	(3,474,169)	(228,517)		(3,702,686)
Infrastructure	(4,957,597)	(289,896)		(5,247,493)
Total accumulated depreciation	<u>(31,053,377)</u>	<u>(1,564,452)</u>	<u>-</u>	<u>(32,617,829)</u>
Total capital assets being depreciated, net	<u>36,347,988</u>	<u>(1,350,361)</u>	<u>-</u>	<u>34,997,627</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,241,066</u>	<u>\$ (729,643)</u>	<u>\$ -</u>	<u>\$ 39,511,423</u>

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

Governmental activities:	
General government	\$ 5,189
Public works	398,478
Civic and cultural	100,699
Education	<u>1,060,086</u>
Total Depreciation Expense - Governmental Activities	\$ <u>1,564,452</u>

**Construction Commitments**

A summary of capital projects at June 30, 2017 is as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Paving/resurfacing	\$ 3,874,726	\$ 176,013
Marianapolis Sewer	1,709,760	690,240
Other	<u>2,829,027</u>	<u>1,137,364</u>
Total	\$ <u>8,413,513</u>	\$ <u>2,003,617</u>

The commitments are being financed by bonds, state and federal grants and General Fund appropriations.

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2017 is presented below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 774,104	\$ 1,589,262
Capital Projects Fund	997,550	63,553
Tourtellotte Trust Fund		61,051
Other Grants Fund		552,273
Phosphorous Removal Fund		7,636
Nonmajor Governmental Funds	598,633	111,612
Fiduciary Funds - Agency Funds:		
Escrow Account	<u>15,100</u>	
Total	\$ <u>2,385,387</u>	\$ <u>2,385,387</u>

Balances generally reflect recurring reimbursement type transactions to be repaid in the subsequent period.

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**Interfund Transfers**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Transfers Out</u>
Transfers out:				
General	\$	\$ 945,121	28,725	\$ 973,846
Tourtellotte Trust Fund	100,000			100,000
Nonmajor Governmental	<u>23,120</u>			<u>23,120</u>
Total Transfers In	<u>\$ 123,120</u>	<u>\$ 945,121</u>	<u>28,725</u>	<u>\$ 1,096,966</u>

All transfers represent routine transactions moving resources from one fund to another.

**7. CAPITAL LEASE OBLIGATIONS**

The Town has entered into capital lease agreements for trucks. The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments as of June 30, 2017.

	<u>Year Ending June 30,</u>
2018	\$ 76,628
2019	59,853
2020	<u>59,853</u>
Total minimum lease payments	196,334
Less amount representing interest	<u>12,544</u>
Present Value of Net Minimum Lease Payments	<u>\$ 183,790</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 349,100
Less accumulated depreciation	<u>(159,152)</u>
Total	<u>\$ 189,948</u>

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**8. BOND ANTICIPATION NOTES**

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2017:

<b>Project</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Balance July 1, 2016</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance June 30, 2017</b>
Marianapolis Sewer Project	4/21/2016	1/20/2017	1.50	\$ 1,400,000	\$	\$ 1,400,000	\$ -
Oil Leak Remediation	10/22/2015	7/21/2016	1.20	540,000		540,000	-
				<u>\$ 1,940,000</u>	<u>\$ -</u>	<u>\$ 1,940,000</u>	<u>\$ -</u>

The notes are reported in the Capital Projects Fund and will be retired or permanently financed.

**9. LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
General obligation bonds	\$ 9,590,000	\$ 2,181,000	\$ 695,000	\$ 11,076,000	\$ 834,897
Capital leases	251,473		67,683	183,790	70,113
Net pension liability	1,300,604		456,595	844,009	
Net OPEB obligation	1,723,289	200,995		1,924,284	
Compensated absences	550,546		87,454	463,092	176,330
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 13,415,912</u>	<u>\$ 2,381,995</u>	<u>\$ 1,306,732</u>	<u>\$ 14,491,175</u>	<u>\$ 1,081,340</u>

**General Obligation Bonds**

A schedule of bonds outstanding at June 30, 2017 is presented below:

<b>Description</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Amount of Original Issue</b>	<b>Balance Outstanding June 30, 2017</b>
Bonds:					
School bonds - Refunding	2015	2027	2.40	\$ 9,180,000	\$ 8,895,000
Sewers	2016	2057	1.375	1,268,000	1,268,000
Sewers	2016	2027	1.835	913,000	<u>913,000</u>
Total Outstanding					<u>\$ 11,076,000</u>

The Town has debt authorized but unissued of \$1,132,000 and \$800,000 for the Marianapolis Sewer Extension and Phosphorous Removal projects, respectively.

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The following is a schedule of bond maturities as of June 30, 2017:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 834,897	\$ 238,199	\$ 1,073,096
2019	854,361	221,369	1,075,730
2020	869,696	201,670	1,071,366
2021	885,035	180,695	1,065,730
2022	900,380	159,779	1,060,159
2023-2027	4,812,230	468,828	5,281,058
2028-2032	1,051,574	76,658	1,128,232
2033-2037	151,578	55,552	207,130
2038-2042	162,290	44,840	207,130
2043-2047	173,758	33,372	207,130
2048-2052	186,037	21,093	207,130
2053-2057	194,164	7,947	202,111
Total	<u>\$ 11,076,000</u>	<u>\$ 1,710,002</u>	<u>\$ 12,786,002</u>

**Refundings**

In the prior years, the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Town's financial statements. The outstanding balance of the defeased bonds as of June 30, 2017 is \$8,380,000, and \$8,481,381 was held by the escrow agent as of June 30, 2017.

**Clean Water Fund Loan**

The Town's Phosphorous Removal Fund is funded by the State of Connecticut Clean Water Fund 2% Loan and Grant program. As of June 30, 2017, the Town had received interim funding on the Clean Water Fund loans of \$492,568, which is recorded as clean water fund loan payable in the Phosphorous Removal Fund in the balance sheet - governmental funds.

The Town's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule (in thousands):

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General purpose	\$ 35,771	\$ 913	\$ 34,858
Schools	71,541	8,895	62,646
Sewers	59,618	3,200	56,418
Urban Renewal	51,669	-	51,669
Pension deficit	47,694	-	47,694

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$111.3 million. The indebtedness reflected above includes long-term debt outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes or bonds are issued.

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**10. FUND BALANCES**

**A. Components**

The components of fund balance for the governmental funds at June 30, 2017 are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Tourtellotte Trust Fund</u>	<u>Other Grants Fund</u>	<u>Phosphorous Removal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:							
Nonspendable:							
Inventory	\$	\$	\$	\$	\$	6,143	\$ 6,143
Permanent fund principal						255,901	255,901
Restricted for:							
Civic and cultural						61,556	61,556
Capital projects		891,567					891,567
Other grants				11,964			11,964
Education			2,929,781			2,087	2,931,868
Debt service	26,490						26,490
Committed to:							
General government						97,902	97,902
Public safety						54,595	54,595
Sewer operating						245,503	245,503
Civic and cultural						35,716	35,716
Assigned to:							
Future year's budget	675,000						675,000
Purchases on order	272,189						272,189
Unassigned	<u>2,297,914</u>				<u>(492,568)</u>	<u>(97,462)</u>	<u>1,707,884</u>
Total Fund Balances	\$ <u>3,271,593</u>	\$ <u>891,567</u>	\$ <u>2,929,781</u>	\$ <u>11,964</u>	\$ <u>(492,568)</u>	\$ <u>661,941</u>	\$ <u>7,274,278</u>

Encumbrances of \$272,189, \$3,690 and \$2,087 at June 30, 2017 are contained in the above table in the assigned category of the General Fund, the restricted category of the Capital Projects Fund, and the restricted category of the Nonmajor Governmental Funds, respectively.

**B. Fund Deficit**

The following funds had a fund deficit as of June 30, 2017:

Major Governmental Funds:	
Phosphorous Removal	\$ 492,568
Nonmajor Governmental Funds:	
Youth Center	6,041
Educational Grants	16,629
School Cafeteria	62,995

The Town plans to fund the deficits through future bonds, grants, permanent financing of clean water fund bonds, transfers and charges and fees.



## **11. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

### **A. Municipal Employees' Retirement System**

#### **Plan Description**

All Town full-time employees, except teachers who are eligible to participate in the State of Connecticut Teachers' Retirement System and other Board of Education employees who participate in the Board's Pension Trust Fund, participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes MERS benefits, member contribution rates and other plan provisions. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at [www.ct.gov](http://www.ct.gov).

#### **Benefit Provisions**

The plan provides retirement, disability and death benefits and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 55 with 5 years of continuous active service, or 15 years of active noncontinuous aggregate service. In addition, compulsory retirement is at age 65 for police and fire members. Employees under the age of 55 are eligible to retire with 25 years of service under certain conditions.

#### **Normal Retirement**

For members not covered by social security, retirement benefits are calculated as 2% of the average of the three highest paid years of service times the years of service. For members covered by social security, retirement benefits are calculated as 1½% of the average of the three highest paid years of service not in excess of the year's breakpoint plus 2% of average of the three highest paid years of service in excess of the year's breakpoint, times years of service. The year's breakpoint is defined as \$10,700 increased by 6.0% each year after 1982, rounded to the nearest multiple of \$100. Maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually.

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

#### **Early Retirement**

Members must have 5 years of continuous or 15 years of active aggregate service. Benefits are calculated as a service retirement allowance on the basis of the average of the three highest paid years of service to the date of termination. Benefits are deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

#### **Disability Retirement - Service Connected**

This applies to employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50% of compensation at the time of disability.

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**Disability Retirement - Nonservice Connected**

This applies to employees who have ten years of service and are totally and permanently disabled. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability.

**Death Benefit**

This applies to employees who are eligible for service, disability or early retirement and married for at least 12 months preceding death. Benefits are calculated based on the average of the three highest paid years of service and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and reduced 50% joint and survivor allowance.

**Contributions**

*Member*

Contributions for members not covered by social security are 5% of compensation; for members covered by social security, 2¼% of compensation up to the social security taxable wage base plus 5%, if any, in excess of such base.

*Employer*

Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the Town reports a liability of \$844,009 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at June 30, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2017, the Town's proportion was 0.25%. The proportion decreased by 0.24% from the proportion at June 30, 2016.

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For the year ended June 30, 2017, the Town recognized pension expense of \$202,463. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 18,189	\$
Net difference between projected and actual earnings on pension plan investments	245,309	
Changes in proportionate share of liability		262,357
Town contributions subsequent to the measurement date	<u>113,710</u>	
Total	\$ <u>377,208</u>	\$ <u>262,357</u>

The Town's contribution subsequent to the measurement date of \$113,710 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30**

2018	\$ (9,713)
2019	(9,713)
2020	25,695
2021	<u>(5,128)</u>
Total	\$ <u>1,141</u>

**Actuarial Assumptions**

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

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

Mortality rates were based on the RP-2000 Mortality Table for annuitants and nonannuitants (set forward one year for males and set back one year for females).

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 - June 30, 2012.

Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	.4%
Total	100.0%	

**Discount Rate**

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

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

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

	<b>1% Decrease (7.00%)</b>	<b>Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
Town's proportionate share of the net pension liability	\$ 1,331,662	\$ 844,009	\$ 430,495

## **B. Teachers Retirement**

### **Plan Description**

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

### **Benefit Provisions**

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

#### **Normal Retirement**

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

#### **Early Retirement**

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

#### **Disability Retirement**

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

### **Contributions**

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

#### *Employer (School Districts)*

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

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

#### *Employees*

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

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

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>25,136,424</u>
Total	\$ <u>25,136,424</u>

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

For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$2,741,217 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**Actuarial Assumptions**

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

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

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

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

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For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	0.4%
Total	100.0%	

**Discount Rate**

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

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

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

**TOWN OF THOMPSON, CONNECTICUT  
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**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**Other Information**

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

**C. Pension Trust Fund**

**Plan Description and Benefits Provided**

The Board of Education Retirement System (BERS) is a single-employer retirement system established and administered by the Board to provide pension benefits to substantially all full-time employees, except certified personnel covered under the State Teachers' Retirement System. The BERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund.

Management of the plans rests with the Board of Education, which consists of nine elected members.

The BERS provides retirement and death benefits to plan members and their beneficiaries. Plan members vest in accrued service benefits after 5 years of eligible service, are eligible for normal retirement at age 65 and early retirement at age 55, and are eligible for benefit payments of a maximum of 50% of average monthly earning (final 5 years), reduced by the percentage of credited service under the maximum service period of 20 years.

The membership of the plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Retired	18
Terminated plan members entitled to benefits but not yet receiving them	6
Current plan members	<u>51</u>
Total	<u>75</u>

**Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

BERS financial statements are prepared using the accrual basis of accounting for the three defined benefit pension plans. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the BERS.

**Method Used to Value Investments**

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.



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**Funding Policy**

The contribution requirements of plan members are established and may be amended by the Board of Education, subject to union contract negotiation. Plan members are required to contribute a variable rate equal to one-half of the ratio of normal cost to covered payroll, with no contributions required after 20 years of service. Plan members' contributions are 8.36% of annual covered payroll. The Board is required to contribute at an actuarially determined rate; the current rate is 11.45% of annual covered payroll.

**Investments**

**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<b>Asset Class</b>	<b>Target Allocation</b>
U.S. Large Cap	37.00%
U.S. Mid/Small Cap	8.00%
Developed International Equities	10.00%
Emerging Market Equities	4.00%
Intermediate Corporate	31.00%
Intermediate Government	4.00%
High-Yield Bonds	4.00%
Money Market/Short Term Bonds	1.00%
Commodities	1.00%
Total	<u>100.00%</u>

**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**Net Pension Liability**

The components of the net pension liability (asset) of the Town at June 30, 2017 were as follows:

Total pension liability	\$ 6,084,179
Plan fiduciary net position	<u>6,212,012</u>
Net Pension Liability (Asset)	\$ <u>(127,833)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.10%

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	4.6% at age 20, graded down to 2.6% at age 60, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 adjusted Total Dataset Mortality Table projected to the valuation date with Scale MP-2016.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	4.65%
U.S. Mid/Small Cap	5.50%
Developed International Equities	5.50%
Emerging Market Equities	6.50%
Intermediate Corporate	2.25%
Intermediate Government	1.65%
High-Yield Bonds	3.25%
Money Market/Short Term Bonds	0.00%
Commodities	5.25%

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**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension (Asset) Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
Balances as of June 30, 2016	\$ 5,815,150	\$ 5,460,161	\$ 354,989
Changes for the year:			
Service cost	201,901		201,901
Interest on total pension liability	398,540		398,540
Differences between expected and actual experience	(20,314)		(20,314)
Changes in assumptions	(81,837)		(81,837)
Employer contributions		138,070	(138,070)
Member contributions		94,256	(94,256)
Net investment income (loss)		754,190	(754,190)
Benefit payments, including refund to employee contributions	(229,261)	(229,261)	-
Administrative expenses		(5,404)	5,404
Net changes	269,029	751,851	(482,822)
Balances as of June 30, 2017	\$ 6,084,179	\$ 6,212,012	\$ (127,833)

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Net Pension Liability (Asset)	\$ 597,428	\$ (127,833)	\$ (745,529)

**TOWN OF THOMPSON, CONNECTICUT**  
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**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the Town recognized pension expense of \$184,377. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 159,228	\$ 17,569
Changes of assumptions		188,336
Net difference between projected and actual earnings on pension plan investments	<u>13,176</u>	<u>                    </u>
Total	<u>\$ 172,404</u>	<u>\$ 205,905</u>

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

**Year Ending June 30,**

2018	\$ 41,272
2019	41,270
2020	(1,113)
2021	(80,105)
2022	(2,960)
Thereafter	(31,865)

**12. OTHER POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses. The Post-Retirement Medical Program (RMP) covers Town and Board of Education employees. Retired program members and beneficiaries currently receiving benefits are required to contribute active employee premiums if under 65 years of age and premiums for Medicare supplement if over 65 years of age. The percentage contribution of the employees and retirees for these benefits vary and are detailed within the Town's various bargaining agreements. The Town does not issue a separate stand-alone financial statement for this program.

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At January 1, 2016, plan membership consisted of the following:

	<b>Post- Retirement Medical Program</b>
Retired participants and spouses	10
Active plan members	191
Total Participants	201

**B. Funding Policy**

The Town funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. The Town's funding strategy for postemployment obligations is based upon characteristics of benefits on ten distinct groups of employees established within their respective collective bargaining units and/or contracts and includes the following:

- Full-time employees of the Town or the Board of Education who retire from the Town are eligible if they meet the following criteria by bargaining group:
  - Town Employees and Secretaries: Age 55 with 10 years of service
  - Business Manager, Technicians and Teachers: Age 55 with 20 years of service or Age 60 with 10 years
  - Paraprofessional, Cafeteria, Nurses and Media: 25 years of service
  - Facilities Manager: 10 years of service
- Retirees who are under 65 years of age pay the active employee premium.
- Retirees who are over 65 pay the premium for a Medicare Supplement.
- Life insurance is only available to active employees. Upon retirement, no life insurance is available.
- Spouses of retirees are eligible for postretirement medical coverage and contribute the full premium for medical benefits.
- Dental insurance is available to both employee and spouse and contribute the full cost of the dental insurance.

**TOWN OF THOMPSON, CONNECTICUT**  
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**C. Annual OPEB Cost and Net OPEB Obligations**

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

		<b>Post- Retirement Medical Program</b>
Annual required contribution (ARC)	\$	302,000
Interest on net OPEB obligation		64,623
Adjustment to annual required contribution		(93,151)
Annual OPEB cost		<u>273,472</u>
Contributions made		<u>72,477</u>
Increase in net OPEB obligation		200,995
Net OPEB obligation, beginning of year		<u>1,723,289</u>
Net OPEB Obligation, End of Year	\$	<u><u>1,924,284</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2017, 2016 and 2015, is presented below.

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
6/30/15	\$ 249,040	\$ 107,804	43.29%	\$ 1,585,765
6/30/16	249,535	112,011	44.89%	1,723,289
6/30/17	273,472	72,477	26.50%	1,924,284

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**TOWN OF THOMPSON, CONNECTICUT**  
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**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2012	\$ 4,423,800	\$ 4,423,800	0.00%	\$ 9,723,292	45.50%
January 1, 2014	3,492,600	3,492,600	0.00%	10,758,187	32.46%
January 1, 2016	4,165,000	4,165,000	0.00%	10,989,100	37.90%

**Schedule of Employer Contributions**

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2015	\$ 271,600	\$ 107,804	40%
6/30/2016	274,300	112,011	41%
6/30/2017	302,000	72,477	24%

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.75% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized on a level-dollar basis with a remaining amortization period at January 1, 2016 of 30 years.

**13. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Town purchases commercial insurance for all risks of loss. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

**Dental Insurance Internal Service Fund**

The Town's dental self-insurance fund is used to account for dental insurance coverage for Town employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2016 and 2017, is presented below:

	<u>Claims Payable July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2015-2016	\$ 5,000	\$ 107,149	\$ 107,314	\$ 4,835
2016-2017	4,835	97,204	97,853	4,186

**14. CONTINGENT LIABILITIES**

The Town is a defendant in various lawsuits. It is the opinion of Town officials that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town that would materially adversely affect its financial position.



**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Current taxes levies	\$ 15,152,444	\$ 15,152,444	\$ 15,055,167	\$ (97,277)
Prior year's levies	270,000	270,000	416,882	146,882
Interest and liens	155,000	155,000	268,507	113,507
Motor vehicle supplement	150,000	150,000	227,668	77,668
Total property taxes	<u>15,727,444</u>	<u>15,727,444</u>	<u>15,968,224</u>	<u>240,780</u>
Intergovernmental revenues:				
General government:				
State of Connecticut:				
Elderly Homeowner	95,597	95,597	82,391	(13,206)
Disability exemption	2,400	2,400	2,243	(157)
Grant in lieu of taxes	41	41		(41)
In lieu of taxes - Federal			4,698	4,698
Boating	1,000	1,000		(1,000)
Veterans	19,894	19,894	20,426	532
Pequot Indian Grant	63,716	63,716	63,550	(166)
State revenue sharing	114,582	114,582	114,582	-
Miscellaneous	10,000	10,000	4,645	(5,355)
Total general government	<u>307,230</u>	<u>307,230</u>	<u>292,535</u>	<u>(14,695)</u>
Education:				
State of Connecticut and Federal government:				
Education Cost Sharing	7,580,192	7,580,192	7,616,953	36,761
Special education	450,000	450,000	411,059	(38,941)
Nonpublic transportation	7,500	7,500		(7,500)
Magnet School Transportation	7,200	7,200	8,737	1,537
Total education	<u>8,044,892</u>	<u>8,044,892</u>	<u>8,024,674</u>	<u>(20,218)</u>
Total intergovernmental revenues	<u>8,352,122</u>	<u>8,352,122</u>	<u>8,317,209</u>	<u>(34,913)</u>

(Continued on next page)

**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Local revenues:				
Finance:				
Telephone Access Line	\$ 19,000	\$ 19,000	\$ 17,622	\$ (1,378)
Investment income	6,200	6,200	20,428	14,228
Cell Tower Rent	24,500	24,500	27,617	3,117
Miscellaneous	30,000	30,000	158,251	128,251
Fuel Reimbursement Income	65,000	65,000	55,966	(9,034)
Housing Authority	8,000	8,000	9,246	1,246
Three Rows PILOT	30,000	30,000	43,566	13,566
PILOT - Justice Institute	45,000	45,000	52,125	7,125
Total finance	<u>227,700</u>	<u>227,700</u>	<u>384,821</u>	<u>157,121</u>
Town Clerk and Treasurer:				
Licenses and permits	18,400	18,400	14,664	(3,736)
Conveyance tax	77,000	77,000	87,258	10,258
Town Clerk fees	56,000	56,000	59,850	3,850
Driveways	1,000	1,000	500	(500)
Total Town Clerk and Treasurer	<u>152,400</u>	<u>152,400</u>	<u>162,272</u>	<u>9,872</u>
Education:				
Tuition payments	<u>25,000</u>	<u>25,000</u>	<u>28,365</u>	<u>3,365</u>
Library:				
Fines and lost books	1,000	1,000	975	(25)
Copier	700	700	1,003	303
Total library	<u>1,700</u>	<u>1,700</u>	<u>1,978</u>	<u>278</u>
Development and planning:				
Planning hearings	11,000	11,000	12,032	1,032
Conservation	2,000	2,000	1,040	(960)
Building fees	130,000	130,000	113,315	(16,685)
Total development and planning	<u>143,000</u>	<u>143,000</u>	<u>126,387</u>	<u>(16,613)</u>
Recycling	<u>15,000</u>	<u>15,000</u>	<u>33,910</u>	<u>18,910</u>
Tipping fees	<u>35,000</u>	<u>35,000</u>	<u>38,372</u>	<u>3,372</u>

(Continued on next page)

**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfer station permits	\$ 147,000	\$ 147,000	\$ 148,030	\$ 1,030
Prior year encumbrances cancelled			16,458	16,458
Total local revenues	746,800	746,800	940,593	193,793
Total budgeted revenues	24,826,366	24,826,366	25,226,026	399,660
Other financing sources:				
Loan proceeds	373,000	373,000	373,000	-
Transfers from other funds:				
Dog License Fund	2,000	2,000	2,000	-
Tourtellotte Trust Fund	100,000	100,000	100,000	-
Sewer Operating Fund	21,120	21,120	21,120	-
Total other financing sources	496,120	496,120	496,120	-
Total	\$ 25,322,486	\$ 25,322,486	25,722,146	\$ 399,660
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			2,741,217	
Cancellation of prior year encumbrances are recognized as budgetary revenue			(16,458)	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 28,446,905	

**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budgeted Amounts</b>		<b>Total Budgetary Expenditures</b>	<b>Variance Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
General government:				
Board of Finance	\$ 25,961	\$ 25,961	\$ 24,117	\$ 1,844
Board of Selectmen	24,061	24,061	23,268	793
First Selectman	112,915	124,815	136,052	(11,237)
Data processing	55,990	55,990	56,128	(138)
Finance and Treasurer	130,503	130,504	130,294	210
Tax Collector	152,827	152,827	154,039	(1,212)
Assessors	111,606	111,606	93,323	18,283
Board of Tax Review	5,153	5,153	4,317	836
Elections and registrations	53,371	53,371	48,493	4,878
Town Clerk	123,922	123,922	123,123	799
Town Counsel	55,000	55,000	45,160	9,840
Probate Court	10,895	10,895	10,895	-
Maintenance of municipal buildings	118,865	118,866	105,226	13,640
Total	<u>981,069</u>	<u>992,971</u>	<u>954,435</u>	<u>38,536</u>
Public safety:				
Fire Marshal	13,325	13,325	12,853	472
Fire Departments	525,024	583,474	547,695	35,779
Civil Defense	2,020	2,020	1,899	121
Canine Control	29,119	29,119	29,566	(447)
Total	<u>569,488</u>	<u>627,938</u>	<u>592,013</u>	<u>35,925</u>
Public works:				
Public works	851,666	851,666	801,055	50,611
Grounds	18,675	18,675	6,466	12,209
Transfer station	294,558	294,558	314,744	(20,186)
Cemeteries	500	500	270	230
Snow removal	234,218	234,218	212,327	21,891
Building official	89,184	89,184	88,193	991
Building board of appeals	10	10	-	10
Town Garage	29,500	29,500	29,309	191
Total	<u>1,518,311</u>	<u>1,518,311</u>	<u>1,452,364</u>	<u>65,947</u>

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**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budgeted Amounts</b>		<b>Total Budgetary Expenditures</b>	<b>Variance Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Human services:				
General assistance	\$ 88,981	\$ 91,682	\$ 90,496	\$ 1,186
Veterans service	4,500	4,500	3,858	642
Public Health Nursing	41,048	41,048	41,048	-
Total	<u>134,529</u>	<u>137,230</u>	<u>135,402</u>	<u>1,828</u>
Civic and cultural:				
Library administration	353,240	353,740	353,255	485
Celebrations	2,365	2,365	2,365	-
Recreation Commission	86,964	86,964	85,180	1,784
Community Center Building	120,920	120,920	119,572	1,348
Total	<u>563,489</u>	<u>563,989</u>	<u>560,372</u>	<u>3,617</u>
Development and planning:				
Zoning and Wetlands				
Enforcement officer	30,731	30,731	28,660	2,071
Zoning Board of Appeals	3,544	3,544	3,337	207
Conservation Commission	18,818	18,819	17,094	1,725
Historical society	1,975	1,975	1,975	-
Economic and community development	65,184	65,184	65,312	(128)
Inland Wetland Commission	25,201	25,201	24,326	875
Economic development	52,751	52,751	2,751	50,000
Total	<u>198,204</u>	<u>198,205</u>	<u>143,455</u>	<u>54,750</u>
Sundry:				
Fringe benefits	1,006,000	1,006,000	847,653	158,347
Municipal insurance	76,500	76,500	69,580	6,920
Contingency	135,946	111,002	-	111,002
Total	<u>1,218,446</u>	<u>1,193,502</u>	<u>917,233</u>	<u>276,269</u>
Board of Education	<u>18,176,776</u>	<u>18,176,776</u>	<u>18,175,941</u>	<u>835</u>

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**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Total Budgetary Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	\$ 31,900	\$ 31,900	\$ 43,710	\$ (11,810)
Debt Service	985,153	985,153	964,563	20,590
Total expenditures	24,377,365	24,425,975	23,939,488	486,487
Other financing uses:				
Capital Projects Fund	945,121	945,121	973,846	(28,725)
Total	\$ 25,322,486	\$ 25,371,096	24,913,334	\$ 457,762
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			2,741,217	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial statement reporting purposes			(272,348)	
Encumbrances for purchases and commitments ordered in the previous year that were received and liquidated in the current year are reported for financial statement reporting purposes			138,055	
Debt service fund expenditures			<u>40,000</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ <u>27,560,258</u>	

**TOWN OF THOMPSON, CONNECTICUT**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**BOARD OF EDUCATION RETIREMENT SYSTEM (BERS) PLAN**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 201,901	\$ 195,715	\$ 190,015	\$ 178,768
Interest	398,540	381,251	346,650	328,620
Differences between expected and actual experience	(20,314)	56,468	187,003	
Changes of assumptions	(81,837)	(156,744)		
Benefit payments, including refunds of member contributions	<u>(229,261)</u>	<u>(224,313)</u>	<u>(212,878)</u>	<u>(285,512)</u>
Net change in total pension liability	269,029	252,377	510,790	221,876
Total pension liability - beginning	<u>5,815,150</u>	<u>5,562,773</u>	<u>5,051,983</u>	<u>4,830,107</u>
Total pension liability - ending	<u>6,084,179</u>	<u>5,815,150</u>	<u>5,562,773</u>	<u>5,051,983</u>
Plan fiduciary net position:				
Contributions - employer	138,070	138,070	120,797	144,788
Contributions - member	94,256	87,893	81,842	92,031
Net investment income (loss)	754,190	(24,482)	149,521	768,770
Benefit payments, including refunds of member contributions	<u>(229,261)</u>	<u>(224,313)</u>	<u>(212,878)</u>	<u>(285,512)</u>
Administrative expense	<u>(5,404)</u>	<u>(8,975)</u>	<u>(14,627)</u>	<u>(5,731)</u>
Net change in plan fiduciary net position	751,851	(31,807)	124,655	714,346
Plan fiduciary net position - beginning	<u>5,460,161</u>	<u>5,491,968</u>	<u>5,367,313</u>	<u>4,652,967</u>
Plan fiduciary net position - ending	<u>6,212,012</u>	<u>5,460,161</u>	<u>5,491,968</u>	<u>5,367,313</u>
Total Net Pension Liability (Asset) - Ending	<u>\$ (127,833)</u>	<u>\$ 354,989</u>	<u>\$ 70,805</u>	<u>\$ (315,330)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.10%	93.90%	98.73%	106.24%
Covered-employee payroll	\$ 1,854,289	\$ 1,717,557	\$ 1,583,805	\$ 1,554,058
Net pension liability as a percentage of covered-employee payroll	-6.89%	20.67%	4.47%	-20.29%

**TOWN OF THOMPSON, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
BOARD OF EDUCATION RETIREMENT SYSTEM (BERS) PLAN  
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 185,736	\$ 195,065	\$ 217,089	\$ 206,774	\$ 156,172	\$ 170,931	\$ 144,788	\$ 120,797	\$ 138,070	\$ 138,070
Contributions in relation to the actuarially determined contribution	185,736	195,065	217,089	206,774	156,172	170,931	144,788	120,797	138,070	138,070
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,224,076	\$ 1,336,086	\$ 1,473,941	\$ 1,469,290	\$ 1,363,421	\$ 1,435,768	\$ 1,554,058	\$ 1,583,805	\$ 1,717,557	\$ 1,854,289
Contributions as a percentage of covered-employee payroll	15.17%	14.60%	14.73%	14.07%	11.45%	11.91%	9.32%	7.63%	8.04%	7.45%

**Notes to Schedule**

Valuation date: July 1, 2015

Measurement date: June 30, 2017

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry Age Normal

Amortization method

Level percentage of salary, closed

Asset valuation method

Market value

Inflation

2.60% (prior 3.00%)

Salary increases

Current: Graded scale from 4.6% at age 20 down to 2.6% at age 60 and beyond, subject to IRC Sec. 401(a)17 limitation

Prior: Graded scale from 5% at age 20 decreasing to 3% at age 60, including inflation

Investment rate of return

6.75%, net of pension plan investment expense, including inflation.

Retirement age

Age 65 or immediately, if age 65 or older.

Mortality

Current: RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016.

Prior: RP-2000 Mortality Table with separate male and female rates, with no collar adjustments, combined tables for nonannuitants and annuitants, projected to the valuation date with Scale AA.



**TOWN OF THOMPSON, CONNECTICUT  
SCHEDULE OF INVESTMENT RETURNS  
BOARD OF EDUCATION RETIREMENT SYSTEM (BERS) PLAN  
LAST FOUR FISCAL YEARS**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	13.89%	-0.45%	2.80%	16.76%

**TOWN OF THOMPSON, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>25,136,424</u>	<u>19,618,342</u>	<u>18,133,226</u>
Total	<u>\$ 25,136,424</u>	<u>\$ 19,618,342</u>	<u>\$ 18,133,226</u>
Town's covered-employee payroll	\$ 6,790,223	\$ 6,878,417	\$ 6,461,151
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

**Notes to Schedule**

Changes in benefit terms	None
Changes of assumptions	<p>During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.</p> <p>During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.</p>
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	20.4 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.50%, net of investment related expense

**TOWN OF THOMPSON, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.254%	0.491%	0.298%
Town's proportionate share of the net pension liability	\$ 844,009	\$ 945,615	\$ 670,375
Town's covered-employee payroll	\$ 1,023,619	\$ 1,532,658	\$ 1,298,730
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	82.45%	61.70%	51.62%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	92.72%	90.48%

**Notes to Schedule**

Changes in benefit terms	None
Changes of assumptions	During 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2012.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market

**TOWN OF THOMPSON, CONNECTICUT**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 110,730	\$ 128,430	\$ 137,859	\$ 170,212	\$ 203,003	\$ 206,680	\$ 183,612	\$ 155,588	\$ 122,031	\$ 113,710
Contributions in relation to the actuarially determined contribution	<u>110,730</u>	<u>128,430</u>	<u>137,859</u>	<u>170,212</u>	<u>203,003</u>	<u>206,680</u>	<u>183,612</u>	<u>155,588</u>	<u>122,031</u>	<u>113,710</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 1,584,532	\$ 1,603,047	\$ 1,625,180	\$ 1,615,319	\$ 1,613,009	\$ 1,599,796	\$ 1,532,658	\$ 1,298,730	\$ 1,532,658	\$ 1,023,619
Contributions as a percentage of covered-employee payroll	6.99%	8.01%	8.48%	10.54%	12.59%	12.92%	11.98%	11.98%	7.96%	11.11%

**Notes to Schedule**

Valuation date: June 30, 2016  
Measurement date: June 30, 2016  
Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method      Entry Age  
Amortization method      Level dollar, closed  
Single equivalent amortization period      25 years  
Asset valuation method      5-years smoothed market (20% write up)  
Inflation      3.25%  
Salary increases      4.25% - 11%, including inflation  
Investment rate of return      8%, net of investment related expense  
Changes in assumptions:      In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.

**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,140,533	\$ 3,765,252
Property taxes receivable, net of allowance of \$10,000 for 2017 and 2016	810,646	851,575
Grants and other receivables	403,575	405,120
Due from other funds	<u>774,104</u>	<u>432,103</u>
Total Assets	<u>\$ 6,128,858</u>	<u>\$ 5,454,050</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 167,589	\$ 342,081
Due to other funds	<u>1,589,262</u>	<u>1,513,499</u>
Total liabilities	<u>1,756,851</u>	<u>1,855,580</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	697,472	808,404
Unavailable revenue - accrued interest on delinquent taxes	<u>402,942</u>	<u>405,120</u>
Total deferred inflows of resources	<u>1,100,414</u>	<u>1,213,524</u>
Fund balance:		
Restricted	26,490	66,490
Assigned	947,189	165,826
Unassigned	<u>2,297,914</u>	<u>2,152,630</u>
Total fund balance	<u>3,271,593</u>	<u>2,384,946</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,128,858</u>	<u>\$ 5,454,050</u>

**TOWN OF THOMPSON, CONNECTICUT  
GENERAL FUND  
REPORT OF TAX COLLECTOR  
FOR THE YEAR ENDED JUNE 30, 2017**

Grand List	Uncollected Taxes July 1, 2016	Current Year Levy	Assessor's Changes	Net Amount Collectible	Suspended Accounts	Collections			Uncollected Taxes June 30, 2017
						Taxes	Interest, Liens and Other Fees	Total	
2015	\$	\$ 15,751,964	\$ (138,876)	\$ 15,613,088	\$ 57,614	\$ 15,278,869	\$ 77,478	\$ 15,356,347	\$ 276,605
2014	260,853			260,853	20,886	98,808	30,284	129,092	141,159
2013	174,652			174,652	623	66,796	33,382	100,178	107,233
2012	130,024			130,024	240	47,232	30,098	77,330	82,552
2011	97,132			97,132		27,473	20,019	47,492	69,659
2010	71,349			71,349		17,410	16,541	33,951	53,939
2009	34,836			34,836		16,899	14,663	31,562	17,937
2008	25,116			25,116		9,660	7,476	17,136	15,456
2007	18,513			18,513		3,562	5,616	9,178	14,951
2006	17,146			17,146		2,729	1,954	4,683	14,417
2005	13,191			13,191		376	2,046	2,422	12,815
2004	8,125			8,125		1,011	990	2,001	7,114
2003	7,636			7,636		2,005	6,905	8,910	5,631
2002	1,704			1,704		1,089	941	2,030	615
2001 and prior	1,298		(417)	881		318	956	1,274	563
Total	\$ 861,575	\$ 15,751,964	\$ (139,293)	\$ 16,474,246	\$ 79,363	15,574,237	249,349	15,823,586	\$ 820,646
Suspense collections: 2000-2014						54,841	19,244	74,085	
Total						\$ 15,629,078	\$ 268,593	15,897,671	
Property taxes receivable considered available:									
June 30, 2016								(43,171)	
June 30, 2017								113,174	
Total Taxes								\$ 15,967,674	

**TOWN OF THOMPSON, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	Special Revenue Funds						
	Sewer Operating	Dog License	School Cafeteria	Educational Grants	Open Space	Youth Center	Recreation
<b>ASSETS</b>							
Cash and cash equivalents	\$ 271,983	\$	\$ 62	\$	\$		\$
Accounts receivable	120,429						
Due from other governments			52,995	26,260			
Inventory			6,143				
Due from other funds		62,038		26,460	97,902		98,343
Total Assets	<u>\$ 392,412</u>	<u>\$ 62,038</u>	<u>\$ 59,200</u>	<u>\$ 52,720</u>	<u>\$ 97,902</u>	<u>\$ -</u>	<u>\$ 98,343</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 22,158	\$ 7,443	\$	\$	\$	\$	\$ 340
Due to other funds	5,975		99,596			6,041	
Unearned revenue			22,599	69,349			62,287
Total liabilities	<u>28,133</u>	<u>7,443</u>	<u>122,195</u>	<u>69,349</u>	<u>-</u>	<u>6,041</u>	<u>62,627</u>
Deferred Inflows of Resources:							
Unavailable revenue - mortgage loans							
Unavailable revenue - sewer use charges	118,776						
Total deferred inflows of resources	<u>118,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Nonspendable			6,143				
Restricted				2,087			
Committed	245,503	54,595			97,902		35,716
Unassigned			(69,138)	(18,716)		(6,041)	
Total fund balances	<u>245,503</u>	<u>54,595</u>	<u>(62,995)</u>	<u>(16,629)</u>	<u>97,902</u>	<u>(6,041)</u>	<u>35,716</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 392,412</u>	<u>\$ 62,038</u>	<u>\$ 59,200</u>	<u>\$ 52,720</u>	<u>\$ 97,902</u>	<u>\$ -</u>	<u>\$ 98,343</u>

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**TOWN OF THOMPSON, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2017**

	<b>Special Revenue Funds</b>		<b>Permanent Funds</b>				<b>Total Nonmajor Funds</b>
	<b>Small Cities</b>	<b>Total</b>	<b>Library Trust</b>	<b>Cemetery Trust</b>	<b>Scholarship</b>	<b>Total</b>	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,251	\$ 273,296	\$	\$	\$	\$ -	\$ 273,296
Accounts receivable	54,238	174,667				-	174,667
Due from other governments		79,255				-	79,255
Inventory		6,143				-	6,143
Due from other funds		284,743	95,475	10,323	208,092	313,890	598,633
<b>Total Assets</b>	<b>\$ 55,489</b>	<b>\$ 818,104</b>	<b>\$ 95,475</b>	<b>\$ 10,323</b>	<b>\$ 208,092</b>	<b>\$ 313,890</b>	<b>\$ 1,131,994</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$	\$ 29,941	\$	\$	\$	\$ -	\$ 29,941
Due to other funds		111,612				-	111,612
Unearned revenue		154,235				-	154,235
Total liabilities	-	295,788	-	-	-	-	295,788
Deferred Inflows of Resources:							
Unavailable revenue - mortgage loans	55,489	55,489				-	55,489
Unavailable revenue - sewer use charges		118,776				-	118,776
Total deferred inflows of resources	55,489	174,265	-	-	-	-	174,265
Fund Balances:							
Nonspendable		6,143	33,919	10,323	211,659	255,901	262,044
Restricted		2,087	61,556			61,556	63,643
Committed		433,716				-	433,716
Unassigned		(93,895)			(3,567)	(3,567)	(97,462)
Total fund balances	-	348,051	95,475	10,323	208,092	313,890	661,941
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 55,489</b>	<b>\$ 818,104</b>	<b>\$ 95,475</b>	<b>\$ 10,323</b>	<b>\$ 208,092</b>	<b>\$ 313,890</b>	<b>\$ 1,131,994</b>



**TOWN OF THOMPSON, CONNECTICUT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Special Revenue Funds</b>						
	<b>Sewer Operating</b>	<b>Dog License</b>	<b>School Cafeteria</b>	<b>Educational Grants</b>	<b>Open Space</b>	<b>Youth Center</b>	<b>Recreation</b>
Revenues:							
Intergovernmental	\$ 104,685	\$	\$ 228,751	\$ 709,206	\$	\$	\$
Charges for services	416,397	11,857	168,448				254,060
Income on investments	855		18		528		77
Miscellaneous			969	13,436	6,667		
Total revenues	<u>521,937</u>	<u>11,857</u>	<u>398,186</u>	<u>722,642</u>	<u>7,195</u>	<u>-</u>	<u>254,137</u>
Expenditures:							
Current:							
Public safety		7,443					
Public works	389,044						
Civic and cultural							262,097
Development and planning							
Education			421,857	765,054			
Total expenditures	<u>389,044</u>	<u>7,443</u>	<u>421,857</u>	<u>765,054</u>	<u>-</u>	<u>-</u>	<u>262,097</u>
Excess (Deficiency) of Revenues over Expenditures	132,893	4,414	(23,671)	(42,412)	7,195		(7,960)
Other Financing Sources (Uses):							
Transfers in				28,725			
Transfers out	<u>(21,120)</u>	<u>(2,000)</u>					
Net Change in Fund Balance	111,773	2,414	(23,671)	(13,687)	7,195	-	(7,960)
Fund Balances - Beginning of Year	<u>133,730</u>	<u>52,181</u>	<u>(39,324)</u>	<u>(2,942)</u>	<u>90,707</u>	<u>(6,041)</u>	<u>43,676</u>
Fund Balances - End of Year	<u>\$ 245,503</u>	<u>\$ 54,595</u>	<u>\$ (62,995)</u>	<u>\$ (16,629)</u>	<u>\$ 97,902</u>	<u>\$ (6,041)</u>	<u>\$ 35,716</u>

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**TOWN OF THOMPSON, CONNECTICUT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Small Cities</u>	<u>Total</u>	<u>Library Trust</u>	<u>Cemetery Trust</u>	<u>Scholarship</u>	<u>Total</u>	
Revenues:							
Intergovernmental	\$	\$ 1,042,642	\$	\$	\$	\$ -	\$ 1,042,642
Charges for services		850,762				-	850,762
Income on investments		1,478	481	56	1,163	1,700	3,178
Miscellaneous		21,072	4,128			4,128	25,200
Total revenues	-	1,915,954	4,609	56	1,163	5,828	1,921,782
Expenditures:							
Current:							
Public safety		7,443				-	7,443
Public works		389,044				-	389,044
Civic and cultural		262,097	2,745			2,745	264,842
Development and planning	788	788				-	788
Education		1,186,911			600	600	1,187,511
Total expenditures	788	1,846,283	2,745	-	600	3,345	1,849,628
Excess (Deficiency) of Revenues over Expenditures	(788)	69,671	1,864	56	563	2,483	72,154
Other Financing Sources (Uses):							
Transfers in		28,725				-	28,725
Transfers out		(23,120)				-	(23,120)
Net Change in Fund Balance	(788)	75,276	1,864	56	563	2,483	77,759
Fund Balances - Beginning of Year	788	272,775	93,611	10,267	207,529	311,407	584,182
Fund Balances - End of Year	\$ -	\$ 348,051	\$ 95,475	\$ 10,323	\$ 208,092	\$ 313,890	\$ 661,941

**TOWN OF THOMPSON, CONNECTICUT**  
**CAPITAL PROJECTS FUNDS**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Appropriations			Expenditures			Uncommitted Balance
	Balance July 1, 2016	Current Year	Balance June 30, 2017	Balance July 1, 2016	Current Year	Balance June 30, 2017	
Capital Projects Funds:							
Paving mat/resurfacing	\$ 3,371,022	\$ 679,717	\$ 4,050,739	\$ 3,191,605	\$ 683,121	\$ 3,874,726	\$ 176,013
Revaluation - prior years	473,650	46,121	519,771	497,439	30,748	528,187	(8,416)
Little League Complex	76,900	3,000	79,900	57,950		57,950	21,950
Skateboard park renovations	6,000		6,000	1,142		1,142	4,858
Soccer fields	12,000		12,000			-	12,000
Trails expense	39,149	4,860	44,009	26,731	4,974	31,705	12,304
Town Hall Review	23,500		23,500	22,643		22,643	857
Marianapolis Preparatory School	18,424		18,424	18,124		18,124	300
Salt shed	20,000		20,000	4,950		4,950	15,050
Tourtellotte Building Fund	320,000	100,000	420,000	333,543	49,927	383,470	36,530
Tourtellotte Windows Fund			-	7,549	9,490	17,039	(17,039)
Library repairs	207,000	26,734	233,734	66,084	3,420	69,504	164,230
Library roof repairs	50,000	25,000	75,000			-	75,000
Rolling stock	275,000	23,000	298,000	242,393	22,005	264,398	33,602
Fuel tank replacement	270,000		270,000	348,294		348,294	(78,294)
School oil spill remediation bond	540,000		540,000	686,592	80,099	766,691	(226,691)
School oil spill remediation not funded by bond			-	7,232	(7,232)	-	-
Phone system	10,000		10,000	7,940		7,940	2,060
Marianapolis sewer project	2,400,000		2,400,000	1,417,878	291,882	1,709,760	690,240
Quaddick road bridge	178,000	69,247	247,247	44,312	202,936	247,248	(1)
Eversource mower system	53,471	27,335	80,806	26,415	25,728	52,143	28,663
Sand Dam Road project			-		6,613	6,613	(6,613)
Other			-	995	(9)	986	(986)
Loan proceeds	155,000	913,000	1,068,000			-	1,068,000
Total	\$ 8,499,116	\$ 1,918,014	\$ 10,417,130	\$ 7,009,811	\$ 1,403,702	\$ 8,413,513	\$ 2,003,617

**TOWN OF THOMPSON, CONNECTICUT**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>TOURTELLOTTE MEMORIAL HIGH SCHOOL</b>				
Assets:				
Cash and cash equivalents	\$ <u>62,461</u>	\$ <u>52,699</u>	\$ <u>57,737</u>	\$ <u>57,423</u>
Liabilities:				
Due to student groups	\$ <u>62,461</u>	\$ <u>52,699</u>	\$ <u>57,737</u>	\$ <u>57,423</u>
<b>THOMPSON MIDDLE SCHOOL</b>				
Assets:				
Cash and cash equivalents	\$ <u>13,804</u>	\$ <u>75,825</u>	\$ <u>79,456</u>	\$ <u>10,173</u>
Liabilities:				
Due to student groups	\$ <u>13,804</u>	\$ <u>75,825</u>	\$ <u>79,456</u>	\$ <u>10,173</u>
<b>MARY R FISHER ELEMENTARY SCHOOL</b>				
Assets:				
Cash and cash equivalents	\$ <u>10,505</u>	\$ <u>25,661</u>	\$ <u>25,277</u>	\$ <u>10,889</u>
Liabilities:				
Due to student groups	\$ <u>10,505</u>	\$ <u>25,661</u>	\$ <u>25,277</u>	\$ <u>10,889</u>
<b>ATHLETIC</b>				
Assets:				
Cash and cash equivalents	\$ <u>17,146</u>	\$ <u>8,483</u>	\$ <u>16,869</u>	\$ <u>8,760</u>
Liabilities:				
Due to student groups	\$ <u>17,146</u>	\$ <u>8,483</u>	\$ <u>16,869</u>	\$ <u>8,760</u>

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**TOWN OF THOMPSON, CONNECTICUT**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>ESCROW</b>				
Assets:				
Cash and cash equivalents	\$ 77,001	\$ 2,099	\$ 2,000	\$ 77,100
Due from other funds	<u>14,100</u>	<u>1,000</u>		<u>15,100</u>
Total Assets	<u>\$ 91,101</u>	<u>\$ 3,099</u>	<u>\$ 2,000</u>	<u>\$ 92,200</u>
Liabilities:				
Due to others	<u>\$ 91,101</u>	<u>\$ 3,099</u>	<u>\$ 2,000</u>	<u>\$ 92,200</u>
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and cash equivalents	\$ 180,917	\$ 164,767	\$ 181,339	\$ 164,345
Due from other funds	<u>14,100</u>	<u>1,000</u>		<u>15,100</u>
Total Assets	<u>\$ 195,017</u>	<u>\$ 165,767</u>	<u>\$ 181,339</u>	<u>\$ 179,445</u>
Liabilities:				
Due to student groups	\$ 103,916	\$ 162,668	\$ 179,339	\$ 87,245
Due to others	<u>91,101</u>	<u>3,099</u>	<u>2,000</u>	<u>92,200</u>
Total Liabilities	<u>\$ 195,017</u>	<u>\$ 165,767</u>	<u>\$ 181,339</u>	<u>\$ 179,445</u>

**TOWN OF THOMPSON, CONNECTICUT**  
**STATEMENT OF DEBT LIMITATION**  
**JUNE 30, 2017**  
(In Thousands)

Total tax collections (including interest and lien fees) received by Treasurer  
for the year ended June 30, 2017 \$ 15,898

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 35,771	\$	\$	\$	\$
4-1/2 times base		71,541			
3-3/4 times base			59,618		
3-1/4 times base				51,669	
3 times base					47,694
Total debt limitation	<u>35,771</u>	<u>71,541</u>	<u>59,618</u>	<u>51,669</u>	<u>47,694</u>
Indebtedness:					
Bonds payable	913	8,895	1,268		
Bonds authorized - unissued			1,932		
Total indebtedness	<u>913</u>	<u>8,895</u>	<u>3,200</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Indebtedness	\$ <u>34,858</u>	\$ <u>62,646</u>	\$ <u>56,418</u>	\$ <u>51,669</u>	\$ <u>47,694</u>

Note: In no case shall total indebtedness exceed seven times annual  
receipts from taxation (\$111.3 million).