

**TOWN OF SHERMAN, CONNECTICUT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2015**

*Sandra E. Welwood, LLC*  
Certified Public Accountants

**TOWN OF SHERMAN, CONNECTICUT**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Sherman, 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 Sherman, Connecticut (the "Town") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-13 and the required supplementary information on pages 41-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The General Fund budgetary comparison detail schedules, combining and individual nonmajor fund financial statements, Statement of Debt Limitation, and the Report of the Tax Collector are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund budgetary comparison detail schedules, combining and individual nonmajor fund financial statements, Statement of Debt Limitation, and the Report of the Tax Collector 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 General Fund budgetary comparison detail schedules, combining and individual nonmajor fund financial statements, Statement of Debt Limitation, and the Report of the Tax Collector are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Sandra E. Welwood, LLC*

Danbury, Connecticut  
September 4, 2015

## TOWN OF SHERMAN, CONNECTICUT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**JUNE 30, 2015**

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As management of the Town of Sherman, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here along with additional information furnished in the Town's basic financial statements that follow this section.

The Town's discussion and analysis is designed to:

1. Provide an overview of the Town's financial activity.
2. Assist the reader in focusing on significant financial issues.
3. Identify any material deviations from the financial plan (approved budget).
4. Identify changes in the Town's financial position, as well as its ability to address challenges in future years.

#### **FINANCIAL HIGHLIGHTS**

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$16,605,742 (net position). This is an increase of \$2,791,495 or up 20.2% from the prior fiscal year.
- Government-wide revenues were \$17,290,430 (up 14.6%) and expenses were \$14,498,935 (up 0.0% or flat). On a government-wide basis, revenues exceeded expenses by \$2,791,495.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,214,878, an increase of \$1,058,651 or 49.1% from the prior fiscal year. This represents the combined balances in the General, Happy Acres Farm Restricted, Capital and Nonrecurring, Dog Fund, Land Acquisition Fund, and other smaller funds.
- In the General Fund, revenues exceeded expenditures and transfers by \$460,911. The total General Fund balance of \$1,926,219 as of June 30, 2015, compares to a balance of \$1,465,308 in the prior year, an increase of \$460,911 or 31.5%.
- At the end of the current fiscal year, the unassigned General Fund balance was \$1,915,469. This represents 12.8% of total General Fund revenues in the current fiscal year, up 2.9 points from the prior fiscal year.

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

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

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

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector businesses. All of the resources which the Town has at its disposal are shown, including major assets such as buildings and infrastructure. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation, and education.

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. The Town, like other state and local governments, uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town are divided into two categories: governmental and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Happy Acres Restricted, and Capital and Nonrecurring funds. Data from other governmental funds are combined into a single aggregated presentation as Other Funds.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the authorized budget in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Basis.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. All of the Town’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The Town excludes these activities from the Town’s other financial statements because the Town cannot use these funds to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time the change in net position may be a useful indicator of the Town’s financial position. The Town’s combined assets exceeded its combined liabilities by \$16,605,742 at June 30, 2015. This was an increase of \$2,791,495 or 373.6% from the prior year.

	<u>Net Position</u>		
	<u>2015</u>	<u>2014</u>	<u>Total % Change</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 3,302,076	\$ 2,392,440	38.0%
Investments	-	2,773	(100.0)%
Receivables	148,880	142,155	4.7%
Inventory	54,000	-	NA
Prepaid expenses	14,188	131	10,730.5%
Capital assets, not being depreciated	2,851,200	2,851,200	0.0%
Capital assets, net of accumulated depreciation	<u>19,055,955</u>	<u>19,781,396</u>	(3.7)%
Total assets	<u>25,426,299</u>	<u>25,170,095</u>	1.0%
<u>Liabilities</u>			
Accounts payable and other liabilities	181,246	253,163	(28.4)%
Accrued interest payable	97,309	123,562	(21.2)%
Unearned revenue	22,410	27,368	(18.1)%
Non-current liabilities:			
Due within one year	837,400	1,111,922	(24.7)%
Due in more than one year	<u>7,682,192</u>	<u>9,839,833</u>	(21.9)%
Total liabilities	<u>8,820,557</u>	<u>11,355,848</u>	(22.3)%
<u>Net Position</u>			
Net investment in capital assets	13,489,846	11,944,698	12.9%
Restricted for enabling legislation	10,750	10,750	0.0%
Unrestricted	<u>3,105,146</u>	<u>1,858,799</u>	67.1%
Total net position	<u>\$ 16,605,742</u>	<u>\$ 13,814,247</u>	20.2%

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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By far, the largest portion of the Town's net position reflects its net investment in capital assets of \$13,489,846 (81% of the total) for assets such as land, buildings, furniture, fixtures, vehicles, equipment, and infrastructure less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position of \$3,105,146 (19% of the total) may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities increased the Town's net position by \$2,791,495. Key elements of the increase are as follows:

<u>Changes in Net Position</u>			
	<u>2015</u>	<u>2014</u>	<u>Total % Change</u>
<b>Revenues:</b>			
Property taxes	\$ 13,357,096	\$ 12,933,953	3.3%
Charges for services	367,180	400,820	(8.4)%
Operating grants and contributions	1,408,353	1,553,607	(9.3)%
Capital grants and contributions	176,155	69,533	153.3%
Hapanowich Farm bequest	1,750,847	-	NA
Unrestricted grants and contributions	224,456	119,959	87.1%
Investment earnings	<u>6,343</u>	<u>6,746</u>	(6.0)%
<b>Total revenues</b>	<u>17,290,430</u>	<u>15,084,618</u>	14.6%
<b>Expenses:</b>			
General, cultural, and recreation	1,536,644	1,817,102	(15.4)%
Public safety	997,603	755,746	32.0%
Public works	1,213,043	1,337,243	(9.3)%
Health and welfare	134,601	156,796	(14.2)%
Education	10,220,029	10,043,251	1.8%
Other	142,173	43,568	226.3%
Interest on long-term debt	<u>254,842</u>	<u>341,500</u>	(25.4)%
<b>Total expenses</b>	<u>14,498,935</u>	<u>14,495,206</u>	0.0%
<b>Increase in net position</b>	<u>\$ 2,791,495</u>	<u>\$ 589,412</u>	373.6%

Revenues increased by \$2,205,812 (14.6%). Approximately 77% of the Town's revenues came from property taxes, followed by 8% from operating grants and contributions, and 15% from all other revenue sources including the Hapanowich Farm bequest of \$1,750,847 (10%).

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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Major revenue factors included:

- Property tax revenues increased \$423,143 (3.3%) over the prior year and resulted from a decrease in the taxable grand list of \$95,245,104 (down 12.5% following revaluation), an increase in the mil rate from 16.845 to 19.842 mils (up 17.8% after revaluation), a tax collection rate of 99.42%, and supplemental taxes for motor vehicles and new construction.
- Operating grants and contributions for governmental activities decreased by \$145,254 (9.3%) primarily due to a reduction in Teachers' retirement system on-behalf payments from the State.
- Capital grants for governmental activities increased by \$106,622 (153.3%). In the current fiscal year, the Town received capital grants for public works, education, and STEAP project funding.
- Investment earnings decreased by \$403 (6.0%) due to continued low interest rates and reduced cash balances in the Bonded Projects account as the Emergency Services Facility reached completion and the funds were paid out through the year

Expenses increased \$3,729 (0.0% or flat) from the prior fiscal year. Over 70% of the Town's expenses relate to education, followed by 11% for general, cultural and recreation, and 19% for other expenditures.

Major expense factors included:

- Increased spending on Public safety of \$241,857 (up 32.0%), education of \$176,778 (up 1.8%), and other spending of \$98,605 (up 226.3%) from the prior year.
- Decreased spending on general, cultural and recreation of \$280,458 (down 15.4%), public works of \$124,200 (down 9.3%), interest on long-term debt of \$86,658 (down 25.4%), and health and welfare down \$22,195 (down 14.2%) from the prior year.

## **FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS**

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,214,878, an increase of \$1,058,651 (49.1%) from the prior year:

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

<u>Ending Fund Balance as of:</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
General Fund	\$ 1,926,219	\$ 1,465,308	\$ 460,911
Happy Acres Restricted	556,787	-	556,787
Capital and Nonrecurring	607,286	476,106	131,180
Happy Acres operations	18,912	39,413	(20,501)
Land Acquisition	27,391	27,358	33
Revaluation Fund	28,287	6,636	21,651
Bonded Projects	-	89,951	(89,951)
Other Funds	49,996	51,455	(1,459)
<b>Total</b>	<b>\$ 3,214,878</b>	<b>\$ 2,156,227</b>	<b>\$ 1,058,651</b>

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the unassigned General Fund balance was \$1,915,469. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total fund revenues. Unassigned General Fund balance represents 12.8% of total General Fund revenues in the current fiscal year. This is above the Town's target of 10% and is an improvement from the prior year of 2.9%.

The Town's General Fund balance (including unspendable and restricted) increased by \$460,911 (31.5%) during the current fiscal year. The Town had planned for an increase of \$50,000, and these key factors contributed to the increase in fund balance:

- General Fund revenues were better than budget by \$221,747 due to a high tax collection rate and an improving economy. Tax revenues including supplemental tax bills, collections of past due taxes, interest and liens were better than budget by \$125,698. There were also higher than planned revenues in education grants, local capital improvement grants, and other categories, many of which are related to the real estate market.
- General Fund expenditures were better than budget by \$189,164 due to the Board of Education spending being better than budget by \$133,489, and Town spending being better than budget by \$55,675.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the final amended budgets and actual results can be briefly summarized as follows:

Revenues exceeded appropriations by \$221,747:

- Additional tax receipts of \$125,698 including current year and back taxes, interest and fees.
- Lower licenses and permits of \$21,854 due entirely to Building fees (\$23,940).
- Higher fees and service charges were on budget (\$43).
- Parks & Recreation income was balanced with higher beach, parks and recreation \$6,529 offset by lower SPARK revenues of (\$5,471).
- Education grants in the General Fund were higher than budgeted by \$36,795 attributed to increases in preschool tuition receipts and education assistance from the State of Connecticut.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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- Local Capital Improvement grants of \$28,414 were not budgeted. Similarly, a grant for High Speed Rural Road speed enforcement of \$23,384 was not budgeted.
- Other miscellaneous revenues were better than budget by \$27,036 and reflects writing off aged checks as well as a rebate from the Town's insurance consortium (CIRMA).

Expenditures were lower than appropriations by \$189,164:

- General Government was better than budget by \$55,968 driven by Counsel and Court costs of \$20,394, Building department \$9,456, Planning & Zoning \$7,797, Board of Selectmen \$6,466, Registrars \$6,456, and other smaller departmental spending improvements.
- Building and Grounds was \$14,104 worse than budget driven by facility expenses at Mallory Town Hall for boiler repairs and a water filtration system, which was reimbursed by the State of Connecticut though a Local Capital (LoCIP) grant.
- Public Safety was \$23,414 worse than budget due to operating expenses for the new Emergency Services Facility which were largely unknown and under-budgeted by \$9,941, as well as the purchase of equipment reimbursed by a State grant for High Speed Rural Road speed enforcement and Trooper overtime.
- Public Works was \$10,519 worse than budget due to road maintenance of \$21,403, winter maintenance of \$17,844, offset by an improvement in public works salaries of \$13,594 as well as other improvements in gas & oil, contracted services, equipment, and supplies.
- Health and Welfare was \$7,576 better than budget due to sanitarian salaries and social services clerical.
- Insurance was \$33,834 better than budget due to lower liability, auto, property, life and medical insurance, as well as expenses associated with payroll taxes.
- Housing Commission, Senior Center, Parade Committee and other miscellaneous spending was better than budget by \$5,834 on a combined basis.
- Education spending in the General Fund was \$133,489 better than budget due to high school tuition of \$55,625, fiscal services of \$61,347, and operations and maintenance of \$37,416.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

A comparative year to year analysis of the General Fund is shown below:

	General Fund			Total % Change
	2015	2014	Variance	
<b>Revenues:</b>				
Property taxes	\$ 13,371,415	\$ 12,923,314	\$ 448,101	3.5%
Licenses and permits	108,026	119,862	(11,836)	(9.9)%
Intergovernmental	1,251,577	1,382,841	(41,461)	(9.5)%
Charges for services	201,607	229,759	(28,152)	(12.3)%
Investment earnings	5,052	5,636	(584)	(10.4)%
Miscellaneous	40,136	16,333	23,803	145.7%
Total revenues	<u>14,977,813</u>	<u>14,677,745</u>	<u>300,068</u>	2.0%
<b>Expenditures:</b>				
General, cultural, and recreation	1,272,661	1,285,109	(12,448)	(1.0)%
Public safety	610,084	577,853	32,231	5.6%
Public works	1,101,934	1,100,825	1,109	0.1%
Health and welfare	134,601	128,348	6,253	4.9%
Education	9,615,620	9,540,965	247,380	0.8%
Other	77,651	75,571	2,080	2.8%
Debt service – principal	825,000	1,030,000	(205,000)	(19.9)%
Debt service – interest	281,095	305,945	(24,850)	(8.1)%
Total expenditures	<u>13,918,646</u>	<u>14,044,616</u>	<u>(125,970)</u>	(0.9)%
Excess of revenues over expenditures	<u>1,059,167</u>	<u>633,129</u>	<u>426,038</u>	67.3%
Transfers out	<u>(598,256)</u>	<u>(361,065)</u>	<u>(237,191)</u>	65.7%
Net transfers	<u>(598,256)</u>	<u>(361,065)</u>	<u>(237,191)</u>	65.7%
Net change in fund balance	460,911	272,064	188,847	69.4%
Fund balance – beginning	<u>1,465,308</u>	<u>1,193,244</u>	<u>272,064</u>	22.8%
Fund balance – ending	<u>\$ 1,926,219</u>	<u>\$ 1,465,308</u>	<u>\$ 460,911</u>	31.5%

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets as of June 30, 2015, amounted to \$21,907,155 (net of accumulated depreciation) compared to \$22,632,596 in the prior fiscal year. This investment in capital assets includes land, buildings and system improvements, machinery, equipment, park facilities, roads, and bridges and is down \$725,441 (3.2%) from the prior fiscal year and reflects a net increase in capital assets of \$212,788, offset by depreciation of \$938,229.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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The Town made significant investments in capital spending during the year:

- Spending associated with capital projects funded by the Town’s Capital and Nonrecurring fund was \$462,027 (up 94%). The Town made significant investments in a new tanker for the Sherman Volunteer Fire department, roof repairs at the Sherman School, refurbishment of the playhouse bathrooms funded by a STEAP grant, down payment on a new ambulance, dock replacements, a VOIP telephone system at Mallory Town Hall, as well as other smaller projects.
- Capital outlay of \$21,626 funded by the Town’s Bonded Projects fund to complete the expanded Emergency Services Facility.

<u>Capital Assets at Year-End (Net of Accumulated Depreciation)</u>			
	<u>2015</u>	<u>2014</u>	<u>Total % Change</u>
Land	\$ 2,851,200	\$ 2,851,200	0.0%
Buildings and improvements	14,361,398	14,776,929	(2.8)%
Furniture, fixtures, vehicles, and equipment	461,653	612,391	(24.6)%
Infrastructure	<u>4,232,904</u>	<u>4,392,076</u>	(3.6)%
Total (net of accumulated depreciation)	<u>\$ 21,907,155</u>	<u>\$ 22,632,596</u>	(3.2)%

Additional information on the Town’s capital assets may be found in Note 6 – Capital Assets.

**Long-Term Obligations**

At the end of the current fiscal year, the Town had \$8,320,000 in bonds outstanding versus \$9,145,000 last year – a decrease of \$825,000 (9.0%). These are bonds with interest rates ranging from 2% to 5% and varying expiration dates to July 2029.

All debt is backed by the good faith and credit of the Town. The Town was most recently rated “Aa2” by Moody’s Investor Service for general obligation debt. Such ratings reflect only the views of such agencies and could be subject to change.

State statutes limit the amount of general obligation debt a governmental entity may issue. The Town’s current debt limitation for General and School debt is \$81.7 million, which is significantly higher than the Town’s current outstanding general obligation debt.

Other obligations of the Town include compensated absences of \$199,592. A promissory note payable with a balance of \$1,575,000 associated with the purchase of Happy Acres Farm was bequeathed to the Town as part of the Anthony V. Hapanowich Trust. The Town will continue to make annual payments into the Happy Acres Farm Restricted fund until the note is fully paid. However, since the Town now owns this promissory note, the long-term obligation has been eliminated in the financial statements. Additional information on the Town’s long-term liabilities can be found in Note 7.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

Outstanding Obligations at Year-End			
	<u>2015</u>	<u>2014</u>	<u>Total % Change</u>
General obligation bonds	\$ 8,320,000	\$ 9,145,000	(9.0)%
Promissory note payable	-	1,575,000	(100.0)%
Discount on promissory note payable	-	(155,664)	(100.0)%
Net pension obligation	-	238,042	(100.0)%
Employee compensated absences	<u>199,592</u>	<u>149,377</u>	33.6%
	<u>\$ 8,519,592</u>	<u>\$ 10,951,755</u>	(22.2)%

**Pension Plans**

The Town closed its Defined Benefit Pension Plan to new employees and froze participants' monthly pension calculations as of June 30, 2005 (i.e., no additional benefits will accrue under the plan for the subsequent periods). The Town established a Defined Contribution Pension Plan for its employees on July 1, 2005. Under this plan, employees could contribute a portion of their pay to the plan, and the Town matches 100% of the employees' contribution up to 3% of gross pay.

Additional information on the Town's employee retirement plans can be found in Note 10.

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

The Town's elected officials considered many factors when setting the fiscal year 2016 budget and property tax rates. One of those factors is the economy. As of June 2015, unemployment in the Town stood at 4.0% versus 4.6% a year ago. Better year-to-year, this rate also compares favorably with the State's unemployment rate of 5.4%.

With an overwhelming reliance on property taxes, the Town's income stream is relatively stable, even during a recession. However, this lack of diversity represents a long-term problem for Connecticut municipalities as those most vulnerable to a specific tax rebel against its increase.

The Town continues to face increasing economic burdens from municipal expenditures associated with education and repairs to the Town's infrastructure.

All of these factors were considered while preparing the Town's General Fund budget for the 2016 fiscal year. With an increase in the grand list of 1.0% and an increase in the mil rate of 1.0%, property tax revenues are expected to increase 2.0% year-to-year. Including revenue from sources other than property taxes, the Town's budget is balanced and expenditures including education are projected to increase by 2.3% year-to-year.

If the 2015-2016 budget estimates are realized, the Town's budgetary General Fund balance as of June 30, 2016, is expected to be \$1,915,469, or the same amount as of June 30, 2015.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the First Selectman's Office, P.O. Box 39, Sherman, CT 06784.

**TOWN OF SHERMAN, CONNECTICUT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

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**Assets**

Cash and cash equivalents	\$ 3,302,076
Receivables, net of allowances:	
Property taxes	133,446
Other receivables	15,434
Inventory	54,000
Net pension asset	14,188
Noncurrent assets:	
Capital assets, not being depreciated	2,851,200
Capital assets, net of accumulated depreciation	19,055,955
	<hr/>
<b>Total assets</b>	<b>25,426,299</b>

**Liabilities**

Accounts payable	170,051
Accrued interest	97,309
Unearned revenue	22,410
Deposits	11,195
Noncurrent liabilities:	
Due within one year	837,400
Due in more than one year	7,682,192
	<hr/>
<b>Total liabilities</b>	<b>8,820,557</b>

**Net Position**

Net investment in capital assets	13,489,846
Restricted for enabling legislation	10,750
Unrestricted	3,105,146
	<hr/>
<b>Total net position</b>	<b>\$ 16,605,742</b>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General government	\$ (1,057,573)	\$ 201,275	\$ 5,000	\$ -	\$ (851,298)
Public safety	(997,603)	-	-	-	(997,603)
Public works	(1,213,043)	-	219,657	28,414	(964,972)
Health and welfare	(134,601)	-	-	-	(134,601)
Culture and recreation	(479,071)	108,358	-	95,263	(275,450)
Education	(10,220,029)	57,547	1,183,696	52,478	(8,926,308)
Other	(142,173)	-	-	-	(142,173)
Interest on long-term debt	(254,842)	-	-	-	(254,842)
<b>Total governmental activities</b>	<b>\$ (14,498,935)</b>	<b>\$ 367,180</b>	<b>\$ 1,408,353</b>	<b>\$ 176,155</b>	<b>(12,547,247)</b>
<b>General Revenues:</b>					
Property taxes, interest, and lien fees					13,357,096
Grants and contributions not restricted to specific programs					97,931
Proceeds and reduction of debt related to Hapanowich Farm bequest					1,750,847
Miscellaneous					126,525
Unrestricted investment earnings					6,343
<b>Total general revenues</b>					<b>15,338,742</b>
<b>Change in net position</b>					<b>2,791,495</b>
<b>Net position, beginning of year</b>					<b>13,814,247</b>
<b>Net position, end of year</b>					<b>\$ 16,605,742</b>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<u>General Fund</u>	<u>Happy Acres Farm Restricted</u>	<u>Capital and Nonrecurring</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 2,067,489	\$ 502,787	\$ 607,286	\$ 124,514	\$ 3,302,076
Receivables:					
Property taxes	133,446	-	-	-	133,446
Intergovernmental	12,862	-	-	2,572	15,434
Inventory	-	54,000	-	-	54,000
<b>Total assets</b>	<u>\$ 2,213,797</u>	<u>\$ 556,787</u>	<u>\$ 607,286</u>	<u>\$ 127,086</u>	<u>\$ 3,504,956</u>
<b><u>Liabilities:</u></b>					
Accounts payable	\$ 170,051	\$ -	\$ -	\$ -	\$ 170,051
Unearned revenue	22,410	-	-	-	22,410
Other liabilities	-	-	-	2,500	2,500
Deposits	8,695	-	-	-	8,695
<b>Total liabilities</b>	<u>201,156</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>203,656</u>
<b><u>Deferred Inflows of Resources</u></b>					
Unavailable revenue - taxes	86,422	-	-	-	86,422
<b><u>Fund Balances:</u></b>					
Unspendable	-	54,000	-	-	54,000
Restricted	10,750	502,787	-	-	513,537
Assigned	-	-	607,286	124,586	731,872
Unassigned	1,915,469	-	-	-	1,915,469
<b>Total fund balances</b>	<u>1,926,219</u>	<u>556,787</u>	<u>607,286</u>	<u>124,586</u>	<u>3,214,878</u>
<b>Total liabilities, deferred     inflows of resources,     and fund balances</b>	<u>\$ 2,213,797</u>	<u>\$ 556,787</u>	<u>\$ 607,286</u>	<u>\$ 127,086</u>	

**Amounts reported in the Statement of Net Position are different because:**

Capital assets used are not financial resources and, therefore, are not reported in the funds.	21,907,155
Property taxes and other receivables that are not available to pay for current period expenditures are deferred, or not recognized in the funds.	100,610
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,616,901)</u>
<b>Net position</b>	<u>\$ 16,605,742</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Happy Acres Farm Restricted</b>	<b>Capital and Nonrecurring</b>	<b>Other Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Property taxes	\$ 13,371,415	\$ -	\$ -	\$ -	\$ 13,371,415
Licenses and permits	108,026	-	-	-	108,026
Intergovernmental	1,251,577	-	95,263	353,010	1,699,850
Charges for services	201,607	-	-	-	201,607
Investment earnings	5,052	276	800	215	6,343
Miscellaneous	40,136	-	77,752	48,773	166,661
<b>Total revenues</b>	<b>14,977,813</b>	<b>276</b>	<b>173,815</b>	<b>401,998</b>	<b>15,553,902</b>
<b>Expenditures:</b>					
Current:					
General government	864,503	-	-	11,930	876,433
Public safety	610,084	-	-	-	610,084
Public works	1,101,934	-	-	-	1,101,934
Health and welfare	134,601	-	-	-	134,601
Culture and recreation	408,158	-	-	-	408,158
Education	9,615,620	-	-	348,010	9,963,630
Other	77,651	-	-	64,523	142,174
Debt service	1,106,095	-	-	-	1,106,095
Capital outlay	-	-	462,027	21,626	483,653
<b>Total expenditures</b>	<b>13,918,646</b>	<b>-</b>	<b>462,027</b>	<b>446,089</b>	<b>14,826,762</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,059,167</b>	<b>276</b>	<b>(288,212)</b>	<b>(44,091)</b>	<b>727,140</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Hapanowich					
Farm bequest	-	331,511	-	-	331,511
Transfers in	-	225,000	419,392	23,256	667,648
Transfers out	(598,256)	-	-	(69,392)	(667,648)
<b>Net change in fund balances</b>	<b>460,911</b>	<b>556,787</b>	<b>131,180</b>	<b>(90,227)</b>	<b>1,058,651</b>
<b>Fund balances, beginning of year</b>	<b>1,465,308</b>	<b>-</b>	<b>476,106</b>	<b>214,813</b>	<b>2,156,227</b>
<b>Fund balances, end of year</b>	<b>\$ 1,926,219</b>	<b>\$ 556,787</b>	<b>\$ 607,286</b>	<b>\$ 124,586</b>	<b>\$ 3,214,878</b>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT**

**RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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Amounts reported in the Statement of Activities are different because:

**Net change in fund balances - total governmental funds** \$ 1,058,651

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current period as follows:

Depreciation expense	(938,229)
Capital outlay	212,788
	<u>(725,441)</u>

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

Principal repayments of general obligation bonds	825,000
Reduction of debt related to Hapanowich Farm bequest	1,419,336
	<u>2,244,336</u>

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

Revenues:	
Taxes, interest, and liens	(14,319)
Expenses:	
Accrued interest	26,253
Pension obligation (net pension asset)	252,230
Compensated absences	(50,215)
	<u>213,949</u>

**Change in net position** \$ 2,791,495

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 13,245,717	\$ 13,245,717	\$ 13,371,415	\$ 125,698
Licenses and permits	129,880	129,880	108,026	(21,854)
Intergovernmental	527,686	527,686	619,544	91,858
Charges for services	201,650	201,650	201,607	(43)
Investment earnings	6,000	6,000	5,052	(948)
Miscellaneous	13,100	13,100	40,136	27,036
<b>Total revenues</b>	<u>14,124,033</u>	<u>14,124,033</u>	<u>14,345,780</u>	<u>221,747</u>
<b>Expenditures:</b>				
Current:				
General government	671,846	671,846	615,878	55,968
Buildings and grounds	164,116	164,116	178,220	(14,104)
Public safety	489,051	489,051	512,465	(23,414)
Public works	849,254	849,254	859,773	(10,519)
Health and welfare	111,603	111,603	104,027	7,576
Insurance	645,312	645,312	611,478	33,834
Other	694,180	694,180	688,346	5,834
Education	9,117,076	9,117,076	8,983,587	133,489
Debt service	1,331,595	1,331,595	1,331,095	500
<b>Total expenditures</b>	<u>14,074,033</u>	<u>14,074,033</u>	<u>13,884,869</u>	<u>189,164</u>
<b>Net change in fund balance</b>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	460,911	<u>\$ 410,911</u>
<b>Fund balance, beginning of year</b>			<u>1,465,308</u>	
<b>Fund balance, end of year</b>			<u>\$ 1,926,219</u>	

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2015**

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	<b>Defined Benefit Trust Fund</b>	<b>Defined Contribution Trust Fund</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 10,278	\$ 73,062	\$ 50,456
Investments at fair value	930,514	1,271,308	-
<b>Total assets</b>	<b>940,792</b>	<b>1,344,370</b>	<b>50,456</b>
<b><u>Liabilities</u></b>			
Due to school groups and others	-	-	50,456
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>50,456</b>
<b>Net position held in trust for pension benefits</b>	<b>\$ 940,792</b>	<b>\$ 1,344,370</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Defined Benefit Trust Fund</b>	<b>Defined Contribution Trust Fund</b>
<b>Additions:</b>		
Employee contributions	\$ -	\$ 125,244
Employer contributions	67,000	30,851
	<u>67,000</u>	<u>156,095</u>
Investment income:		
Interest and dividends	46,736	-
Net increase (decrease) in fair value of investments	(26,654)	19,922
Investment fees and expenses	(9,826)	(3,403)
	<u>10,256</u>	<u>16,519</u>
<b>Total additions</b>	<u>77,256</u>	<u>172,614</u>
<b>Deductions:</b>		
Benefits and other deductions	<u>41,976</u>	<u>36,704</u>
<b>Total deductions</b>	<u>41,976</u>	<u>36,704</u>
<b>Change in net position</b>	35,280	135,910
<b>Net position, beginning of year</b>	<u>905,512</u>	<u>1,208,460</u>
<b>Net position, end of year</b>	<u>\$ 940,792</u>	<u>\$ 1,344,370</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies**

**Reporting Entity**

The Town of Sherman, Connecticut (the “Town”) was established in 1802 under the provisions of the Home Rule Law of the State of Connecticut. It operates under a Board of Selectmen form of government.

The Town provides a full range of services including public safety, roads, sanitation, social services, culture, recreation, education, planning, zoning, and general administrative services to its residents.

The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effects of interfund activity have 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 Town has no business-type activities.

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

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

**Governmental Funds**

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

*Special Revenue Funds* - account for revenues derived from specific sources (other than major capital projects) that are restricted, committed, or assigned for specific activities.

*Capital Project Funds* - account for all financial resources used for the acquisition or construction of major capital facilities.

**Fiduciary Funds**

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

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

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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*Agency Funds* – are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**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 and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

The **General Fund** is the general operating fund of the Town government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt, and capital improvement costs of the Town, which were not paid through a special fund.

The **Happy Acres Farm Restricted Fund** is a newly established fund for the preservation and maintenance of the real estate and improvements conveyed to the Town known as Happy Acres Farm.

The **Capital and Nonrecurring Fund** accounts for smaller, short-term capital projects that are funded through capital grants or General Fund transfers.

Additionally, the Town reports the following funds:

The **Pension Trust Funds** account for activities of the Town's defined benefit plan and defined contribution plan, which accumulate resources for pension benefit payments to qualified employees.

The **Agency Funds** account for monies held as a custodian for outside groups and agencies.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Cash and Cash Equivalents**

The Town considers cash on hand, deposits, and short-term investments with an original maturity of three months or less to be cash and cash equivalents.

**Receivables and Payables**

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (current portion of interfund loans) or “advances to/from other funds” (noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade account allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts. No allowance for uncollectible accounts was considered necessary at June 30, 2015.

**Inventory**

Inventory represents the livestock received from the Hapanowich Farm bequest and is reported at the estimated market value at the date the bequest was received.

**Net Pension Asset**

Net pension asset represents the cumulative difference between annual pension cost and the Town's contributions to the Defined Benefit Pension Plan and is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 68. The net pension asset is recorded as an asset in the government-wide financial statements.

**Capital Assets**

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the net assets or materially extend assets lives are not capitalized.

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15 - 40
Furniture, fixtures, vehicles, and equipment	10 - 40
Infrastructure	40

### **Compensated Absences**

Under the terms of employment, Town and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation and sick days to subsequent years based on the terms of an employment or union contract. In the event of termination, employees are reimbursed for accumulated sick days. The Town recognizes a liability for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental funds financial statements in the current year to the extent they have matured (i.e., due to retirement).

### **Unearned Revenue**

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

### **Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **Long-Term Obligations**

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

In the governmental funds financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the 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.

### **Fund Equity and Net Position**

In the government-wide financial statements, net position is classified in the following categories:

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

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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

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

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

Nonspendable – fund balance amounts associated with inventories, prepaids, and long-term receivables and payables.

Restricted – fund balance amounts that can be spent only for the specific purposes stipulated by external source providers or enabling legislation.

Committed – fund balance amounts that can be used only for specific purposes determined by a formal action of the Town’s highest level of decision-making authority.

Assigned – fund balance amounts intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed fund balances.

Unassigned – fund balance amounts remaining for the General Fund that are spendable.

Generally, the Town’s committed fund balance reporting is required when funds have been committed at a Town Meeting and the Town’s assigned fund balance reporting is required when funds have been assigned by the Town’s Board of Selectmen. The Town’s policy is to apply expenditures against the applicable fund balances in the following order: nonspendable, restricted, committed, assigned, and unassigned.

**Interfund Activities**

Interfund transfers

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

Interfund reimbursements

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

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows/outflows, including disclosures of contingent liabilities and reported revenues, expenses, and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Note 2 – Budgets and Budgetary Accounting**

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- a. In January, all departments are asked to submit their budget requests to the First Selectman.
- b. During January and February, the First Selectman compiles these budget requests into a draft budget.
- c. In March, the Board of Selectmen, acting as the Board of Finance, holds hearings at which entities formally present their budget requests and rationale for same. Following the hearings, the Board of Selectmen meet in a workshop to finalize the budget.
- d. At the March Board of Selectmen’s meeting, the Board of Selectmen, acting as the Board of Finance, approves the budget and schedules a Town Meeting at which the budget will be presented (usually in early May). The Town Meeting is held then adjourned to a referendum vote on the budgets (Town and Education budgets are voted on separately).
- e. By recommendation from the First Selectman, and certification of the Treasurer, the Board of Selectmen may transfer appropriations from one department to another. Within any one department, appropriation may be transferred without the Board of Selectmen’s approval. Other than capital and nonrecurring items, unencumbered appropriations lapse at year end.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund. Only the General Fund is required to be budgeted.
- g. The legal level of control is at the department level.
- h. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

**General Fund**

A reconciliation of General Fund amounts presented on a budgetary basis to amounts presented in accordance with accounting principles generally accepted in the United States of America (GAAP basis) is as follows:

	<u>Fund balance</u> <u>beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing</u> <u>sources (uses)</u>	<u>Fund balance</u> <u>ending</u>
GAAP basis	\$ 1,465,308	\$ 14,977,813	\$ (13,918,646)	\$ (598,256)	\$ 1,926,219
Reclassifications	-	-	(598,256)	598,256	-
Teachers’ retirement system on behalf payments not recognized in budgetary basis	-	(632,033)	632,033	-	-
Budgetary basis	<u>\$ 1,465,308</u>	<u>\$ 14,345,780</u>	<u>\$ (13,884,869)</u>	<u>\$ -</u>	<u>\$ 1,926,219</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Special Revenue Funds**

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various Special Revenue Funds, which are utilized to account for specific grant programs, are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants.

**Capital Project Funds**

Legal authorization for expenditures of the Capital Project Funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

**Note 3 - Reconciliation of Government-Wide and Fund Financial Statements**

**Explanation of certain differences between the governmental funds Balance Sheet and the government-wide Statement of Net Position**

The governmental funds Balance Sheet includes a reconciliation between fund balance - total governmental funds and net position. One element of that reconciliation explains that “long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Accrued interest	\$ 97,309
General obligation bonds payable	8,320,000
Compensated absences	<u>199,592</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position	<u>\$ 8,616,901</u>

**Note 4 - Deposits and Investments**

A reconciliation of the Town's cash and cash equivalents as of June 30, 2015, is as follows:

Government-wide Statement of Net Position:	
Cash and cash equivalents	<u>\$ 3,302,076</u>
Statement of Fiduciary Net Position:	
Cash and cash equivalents – Agency Funds	50,456
Cash and cash equivalents – Pension Trust Funds	<u>83,340</u>
	<u>133,796</u>
	<u>\$ 3,435,872</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$3,333,385 of the Town's bank balance of \$3,722,187 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,922,379
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>411,006</u>
	<u>\$ 3,333,385</u>

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

As of June 30, 2015, the Pension Trust Funds' investments consisted of the following:

<u>Pension Trust Funds</u>	
Mutual Funds:	
Defined Benefit Trust Fund	<u>\$ 930,514</u>
Defined Contribution Trust Fund	<u>\$ 1,271,308</u>

**Interest Rate Risk**

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

**Credit Risk**

State law limits investments to the obligations of the United States of America, including the joint and several obligations of the Federal Home Mortgage Corporation, Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all federal land banks, all the federal intermediate credit banks, the Central Bank of Cooperatives, the Tennessee Valley Authority, or any other Agency of the United States Government.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

**Note 5 – Interfund Transfers**

A summary of interfund transfers is presented below:

	Transfers from:	
	<u>General Fund</u>	<u>Bonded Projects</u>
Transfers to:		
Capital and Nonrecurring	\$ 350,000	\$ 69,392
Revaluation	23,256	-
Happy Acres Farm Restricted	<u>225,000</u>	<u>-</u>
Total interfund transfers	<u>\$ 598,256</u>	<u>\$ 69,392</u>

The transfers from the General Fund were to fund capital projects.

**Note 6 - Capital Assets**

	Balance at <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 2,851,200	\$ -	\$ -	\$ 2,851,200
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,851,200</u>	<u>-</u>	<u>-</u>	<u>2,851,200</u>
Capital assets being depreciated:				
Buildings and improvements	22,332,111	230,450	-	22,562,561
Furniture, fixtures, vehicles, and equipment	2,947,404	18,898	(36,560)	2,929,742
Infrastructure	<u>9,377,165</u>	<u>-</u>	<u>-</u>	<u>9,377,165</u>
Total capital assets being depreciated	<u>34,656,680</u>	<u>249,348</u>	<u>(36,560)</u>	<u>34,869,468</u>
Less accumulated depreciation:				
Buildings and improvements	7,555,182	645,981	-	8,201,163
Furniture, fixtures, vehicles, and equipment	2,335,013	133,076	-	2,468,089
Infrastructure	<u>4,985,089</u>	<u>159,172</u>	<u>-</u>	<u>5,144,261</u>
Total accumulated depreciation	<u>14,875,284</u>	<u>938,229</u>	<u>-</u>	<u>15,813,513</u>
Capital assets being depreciated, net of depreciation	<u>19,781,396</u>	<u>(688,881)</u>	<u>(36,560)</u>	<u>19,055,955</u>
Total governmental activities	<u>\$ 22,632,596</u>	<u>\$ (688,881)</u>	<u>\$ (36,560)</u>	<u>\$ 21,907,155</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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

General governmental	\$ 250,614
Education	239,661
Public safety	177,892
Public works	199,150
Culture and recreation	<u>70,912</u>
Total depreciation expense	<u>\$ 938,229</u>

**Note 7 - Long-Term Obligations**

Long-term obligation activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt:					
General obligation bonds	\$ 9,145,000	\$ -	\$ 825,000	\$ 8,320,000	\$ 820,000
Promissory note payable	1,575,000	-	1,575,000	-	-
Discount on promissory note	(155,664)	-	(155,664)	-	-
Other long-term obligations:					
Net pension obligation (Note 11)	238,042	-	238,042	-	-
Compensated absences	<u>149,377</u>	<u>57,153</u>	<u>6,938</u>	<u>199,592</u>	<u>17,400</u>
Total long-term obligations	<u>\$ 10,951,755</u>	<u>\$ 57,153</u>	<u>\$ 2,489,316</u>	<u>\$ 8,519,592</u>	<u>\$ 837,400</u>

**General Obligation Bonds**

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

General obligation bonds are direct obligations and pledge the good faith and credit of the government. These bonds generally are issued as 15 year or 20 year serial bonds with equal amounts of principal maturing each year.

As of June 30, 2015, the outstanding general obligation bonded indebtedness of the Town was as follows:

Refunding serial school bonds with interest rates ranging from 3% to 5% and varying expiration dates ranging from March 2004 to July 2020.	\$ 1,970,000
Refunding of Bond Anticipation Note with an interest rate ranging from 2.0% to 3.5% due serially from August 2011 through 2029.	5,550,000
Library renovations with 2% interest rate due serially from March 2014 through 2023.	<u>800,000</u>
	<u>\$ 8,320,000</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Debt Service Requirement**

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 820,000	\$ 254,720
2017	820,000	226,470
2018	820,000	196,595
2019	820,000	168,103
2020	815,000	142,043
2021-2029	<u>4,225,000</u>	<u>656,863</u>
Total	<u>\$ 8,320,000</u>	<u>\$ 1,644,794</u>

**Statutory Debt Limitation**

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2015.

**Unissued Bond Authorization**

Authorizations of general obligation bonds that remained unissued as of June 30, 2015, are summarized below:

	<u>Date Authorized</u>	<u>Authorized and Unissued July 1, 2015</u>
Open space acquisition	06/09/07	<u>\$ 250,000</u>
Total bond authorizations, unissued		<u>\$ 250,000</u>

**Note 8 – Restricted Fund Balance**

**Enabling Legislation**

The Board of Selectmen reserved \$10,750 of the General Fund surplus to be used for payments on the long-term compensated absences.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Note 9 – Governmental Fund Balances**

As of June 30, 2015, governmental fund balances are composed of the following:

	<u>General Fund</u>	<u>Happy Acres Farm Restricted</u>	<u>Capital and Nonrecurring</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Inventory	\$ -	\$ 54,000	\$ -	\$ -	\$ 54,000
	<u>-</u>	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Restricted:					
Happy Acres Farm	-	502,787	-	-	502,787
General government	10,750	-	-	-	10,750
	<u>10,750</u>	<u>502,787</u>	<u>-</u>	<u>-</u>	<u>513,537</u>
Assigned:					
Capital projects	-	-	607,286	27,391	634,677
Happy Acres Farm	-	-	-	18,912	18,912
General government	-	-	-	78,283	78,283
	<u>-</u>	<u>-</u>	<u>607,286</u>	<u>124,586</u>	<u>731,872</u>
Unassigned	<u>1,915,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,915,469</u>
	<u>\$ 1,926,219</u>	<u>\$ 556,787</u>	<u>\$ 607,286</u>	<u>\$ 124,586</u>	<u>\$ 3,214,878</u>

**Note 10 – Commitments and Contingencies**

**Litigation Liabilities**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**Note 11 – Employee Retirement Plans**

**Town Employees Defined Benefit Plan**

Actuarial reports for the Town's Pension Plan (the "Plan") are required to be prepared annually. The latest actuarial report for the Plan was prepared as of July 1, 2015. The following information is based on the latest available report, which is as of July 1, 2015.

Plan Description

The Town contributes to the Plan. The Plan is considered to be part of the Town's financial reporting entity and is included in the financial report as the Defined Benefit Trust Fund and does not issue a stand-alone financial statement. Plan benefit and contribution requirements are established by the Plan, which may be amended by the Town.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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Effective June 30, 2005, the Plan was closed to new employees and participant's monthly pensions were frozen (i.e. no additional benefits will accrue under the Plan for the subsequent periods).

Based on the actuarial valuation report dated July 1, 2015, membership consisted of:

Active participants	13
Terminated vested participants	8
Retired	<u>11</u>
Total	<u>32</u>

Benefit Provisions

The Plan is contributory and covers substantially all regular employed permanent employees of the Town employed as of June 30, 2005. Prior to June 30, 2005, employees contributed 3% of earnings. Beginning July 1, 2005, employees are not required to contribute to the Plan. The only elected or appointed officials covered are those paid a salary by the Town, working more than 5 months a year and 20 hours per week. In order to be eligible for the Plan, the employee must complete one full year of service and attain a minimum age of 22. Employees covered by the State Teacher's Retirement System are excluded from this Plan.

Normal retirement date is 62 with 20 years of credited service or 65. The annual benefit is 1.6% of 1986-87 earnings for years of service through June 30, 1987, plus 1.6% of earnings for each year of participation since July 1, 1987, for a maximum of 40 years. The Plan contains a provision for early retirement at age 55 and after 10 years of credited service at reduced benefits. The Plan also contains provisions for disability retirement and spouse's benefits. There is no provision for increases in benefits after retirement.

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Contributions are recorded as paid by the employer, and the benefits are recorded as payments are due.

Investments

The Town has no set policy in regard to the allocation of invested assets, which is established by the plan's investment advisors. Administrative costs of the plan are financed through investment earnings.

For the year ended June 30, 2015, the annual money-weighted rate of return on plan investments, net of pension plan investment expenses, was 1.12%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

Investments are valued at fair market value using quoted market prices.

Contributions

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate the assets needed to pay benefits when due. Certain costs for administering the Plan are paid by the earnings in the Pension Trust Fund. The actual contribution was \$67,000 for the year ended June 30, 2015.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Town at June 30, 2015, were as follows:

Total pension liability	\$	926,604
Plan fiduciary net position		<u>940,792</u>
Net pension liability (asset)	\$	<u>(14,188)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015. The following actuarial assumptions were applied to all periods included in the measurement:

Salary increases – n/a

Discount rate – valuation date – 6%

Investment rate of return – 6%

Mortality rates were based on the RP-2000 Unisex mortality tables.

The long-term expected rate of return on plan investments as determined using IRC 430(h) Funding Segment Rates as of the month of the valuation date are as follows:

Years 0-5	Segment rate 1	1.14%
Years 6-20	Segment rate 2	4.04%
Years over 20	Segment rate 3	5.11%

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2015, was 6%. The discount rate is based on the long-term rate of return on investments.

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

The following presents the net pension liability (asset) of the plan, calculated using the discount rate of 6%, as well as what the Town's net pension liability (asset) for the plan would be if it were calculated using a discount rate that is 1-percentage-point lower (5%) or 1-percentage-point higher (7%) than the current rate:

	1% Decrease <u>(5%)</u>	Current Discount Rate <u>(6%)</u>	1% Increase <u>(7%)</u>
Net pension liability (asset)	\$ <u>91,360</u>	\$ <u>(14,188)</u>	\$ <u>(103,424)</u>

Change in Assumptions

Effective with the July 1, 2015, valuation, the assumption regarding the discount rate was increased from 4% to 6%.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Town Employees' Defined Contribution Plan**

Beginning July 1, 2005, the Town offered a defined contribution plan to employees with over 1,000 employment hours. Under the plan, employees may contribute a portion of their pay to the plan and the Town has agreed to match 100%, up to 3% of the gross pay, of the employee's contribution. In the fiscal year ended June 30, 2015, the Town paid \$30,851 into the plan. The plan is included in the Town's financial statements as the Defined Contribution Trust Fund. At June 30, 2015, the net position, which is available for benefits, was \$1,344,370. At June 30, 2015, there were 28 participants entitled to benefits covered under the plan.

**Connecticut State Teachers' Retirement System**

Description of System

Teachers within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing multiple employer defined benefit pension system with a special funding situation.

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Summary of Significant Accounting Policies

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The benefits provided to participants by the System are as follows:

Normal Benefit: A member 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 is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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Prorated Benefit: A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Contribution Requirements

The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Participants are required to contribute 7.25% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2014/2015 school year, \$227,910 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$3,143,586. The Town had 40 active participants in the System at June 30, 2015.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following key actuarial assumptions:

Inflation	3.00 Percent
Salary increases, including inflation	3.75-7.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.50 Percent

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries. The Scale AA projection to 2019 of the RP-2000 mortality rates with two-year setbacks continues to provide a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience. The post-retirement mortality rates are multiplied by 75% for death in active service. The post-retirement mortality rates are set forward ten years for the period after disability retirement.

The long-term expected rate of return on pension 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 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 asset class are summarized in the following table:

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual Equity	25.0%	7.3%
Developed Markets ISF	20.0%	7.5%
Emerging Markets ISF	9.0%	8.6%
Core Fixed Income	13.0%	1.7%
Emerging Market Debt	4.0%	4.8%
High Yield	2.0%	3.7%
Inflation Linked Bonds	6.0%	6.0%
Liquidity Fund	6.0%	0.7%
Real Estate	5.0%	5.9%
Private Investments	10.0%	10.9%

Discount Rate

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

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

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

	<u>1% Decrease (7.50%)</u>	<u>Current Discount Rate (8.50%)</u>	<u>1% Increase (9.50%)</u>
Sensitivity of the proportionate Share of the net pension liability	\$ 10,739,172	\$ 8,412,987	\$ 6,435,661

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$8,412,987 and 100% of the collective net pension liability is allocated to the State.

June 30, 2014 is the actuarial valuation date upon which the total pension liability is based. There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2015, the Town recognized \$632,033 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

**Note 12 – Risk Management**

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

**Note 13 – Happy Acres Farm**

The Town purchased Happy Acres Farm from Anthony Hapanowich in 2011 and gave Mr. Hapanowich a life estate to the property. Mr. Hapanowich passed away on August 28, 2013, and the Town took over operations of the farm in February 2014 from the estate's trustee. The activity related to the farm operations is reported in the Happy Acres Operations special revenue fund. Cell tower revenues, and revenues and expenses from farm activities, are reflected in this special revenue fund.

To facilitate the running of the farm, in December 2014, the Town entered into a five-year lease agreement with a farm management company. The company will operate the farm, maintain the buildings, equipment, and land in addition to caring for the livestock. Rental revenue received by the Town will be \$15,936 per year. The lease terms are such that the Town or the lessee may terminate the lease within the first two years with a six-month written notice. In addition, the lessee may extend the lease terms for two additional five-year terms.

Mr. Hapanowich bequeathed a portion of his estate to the Town to be used as a restricted endowment fund. The purpose of this fund shall be the preservation and maintenance of the real estate and improvements of Happy Acres Farm.

During the year ended June 30, 2015, the Hapanowich estate trustee distributed the funds to the Town. In connection with this distribution, the annual payments of \$225,000 due through 2021 related to the debt owed to Mr. Hapanowich expired as debt and became a required annual contribution to the newly formed Happy Acres Farm Restricted Fund. This restricted fund is for the preservation and maintenance of Happy Acres Farm. A total of \$1,750,847 of cash, equipment, livestock, and reduction of debt obligations was received from this bequest.

**Note 14 - Recently Issued Accounting Standards**

The Governmental Accounting Standards Board has issued new accounting standards that will become effective in future years. The Town has not yet determined what effect, if any, these new accounting standards will have on its financial statements.

GASB Statement No. 72, Fair Value Measurement and Application, This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB 74 addresses reporting by OPEB plans that administer benefits on behalf of governments. This Statement requires more extensive note disclosures and Required Supplemental Information (RSI) (similar to GASB 67) related to the measurement of the OPEB liabilities for accumulated assets in addition to note disclosures. GASB 74 will be effective for fiscal years beginning after December 15, 2016.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB 75 addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement will require more extensive note disclosures and Required Supplementary Information (RSI) about their OPEB liabilities (similar to GASB 68). GASB 75 will be effective for fiscal years beginning after December 15, 2017.

**Note 15 – Adoption of Accounting Standards**

The Town adopted GASB Statement No. 67, Financial Reporting for Pension Plans, and GASB Statement No. 68, Accounting and Financial Reporting for Pensions during the current fiscal year for the Connecticut State Teachers' Retirement System. The adoption of these statements had no effect on the recording of amounts in the Town's financial statements. However, the statements did require significant additional footnote disclosures regarding the System.

**REQUIRED SUPPLEMENTARY  
INFORMATION  
(UNAUDITED)**

**TOWN OF SHERMAN, CONNECTICUT**

**DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service Cost	\$ -	\$ 79,142
Interest	53,279	3,395
Change in assumptions	(232,836)	-
Difference between expected and actual results	4,583	(5,838)
Benefit payments	(41,976)	(41,977)
Net change in total pension liability	(216,950)	34,722
Total pension liability - beginning	1,143,554	1,108,832
Total pension liability - ending	\$ 926,604	\$ 1,143,554
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 67,000	\$ 58,130
Net investment income	20,082	118,795
Benefit payments	(41,976)	(41,977)
Administrative expenses	(9,826)	(8,988)
Net change in plan fiduciary net position	35,280	125,960
Plan fiduciary net position - beginning	905,512	779,552
Plan fiduciary net position - ending	\$ 940,792	\$ 905,512
Net pension liability (asset) - ending	\$ (14,188)	\$ 238,042
 Plan fiduciary net position as a percent of the total pension liability (asset)	101.53%	79.18%

Change in Assumptions

Effective with the July 1, 2015 valuation, the assumption regarding the discount rate was increased from 4% to 6%.

See accompanying Independent Auditors' Report.

**TOWN OF SHERMAN, CONNECTICUT**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULE OF CONTRIBUTIONS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 7,876	\$ 59,783	\$ 47,535	\$ 42,357	\$ 43,249	\$ 42,548	\$ 18,613	\$ 29,256	\$ 29,256	\$ 19,872
Contribution in relation to the actuarially determined contribution	<u>67,000</u>	<u>58,130</u>	<u>49,038</u>	<u>35,062</u>	<u>27,500</u>	<u>22,500</u>	<u>25,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (59,124)</u>	<u>\$ 1,653</u>	<u>\$ (1,503)</u>	<u>\$ 7,295</u>	<u>\$ 15,749</u>	<u>\$ 20,048</u>	<u>\$ (6,387)</u>	<u>\$ 9,256</u>	<u>\$ 29,256</u>	<u>\$ 19,872</u>

**Notes to schedule**

Valuation Date	7/1/2015	7/1/2014
Actuarial Cost Method	Unit Credit	Unit Credit
Amortization Period	NA	NA
Remaining Amortization Period	NA	NA
Asset Valuation Method	FMV	FMV
Actuarial Assumptions:		
Investment Rate of Return	6%	4%
Projected Salary Increases	0%	0%

**TOWN OF SHERMAN, CONNECTICUT**

**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

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	<b>2015</b>
Town's proportion of the net pension liability	0.083064%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	8,412,987
Total	\$ 8,412,987
Town's covered-employee payroll	\$ 3,143,586
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%
System fiduciary net position as a percentage of the total pension liability	100.00%

**Notes to Connecticut State Teachers' Retirement System**

Changes of Assumptions

In 2011, rates of withdrawal, retirement 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, 2010.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	22.4 years
Asset valuation method	4-year smoothed market
Inflation	3.00 percent
Salary increase	3.75-7.00 percent, including inflation
Investment rate of return	8.50 percent, net of investment related expense

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL  
STATEMENTS AND SCHEDULES**

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF REVENUES  
(BUDGET AND ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes - current year	\$ 13,137,717	\$ 13,137,717	\$ 13,265,328	\$ 127,611
Property taxes - prior years	80,000	80,000	74,580	(5,420)
Interest and lien fees	28,000	28,000	31,507	3,507
	<u>13,245,717</u>	<u>13,245,717</u>	<u>13,371,415</u>	<u>125,698</u>
Investment earnings:				
Interest and dividends	6,000	6,000	5,052	(948)
Licenses and permits:				
Building fees	95,000	95,000	71,060	(23,940)
Planning and zoning	13,300	13,300	13,621	321
Health department permits	10,800	10,800	10,200	(600)
Inland wetlands	7,000	7,000	8,995	1,995
Other	3,780	3,780	4,150	370
	<u>129,880</u>	<u>129,880</u>	<u>108,026</u>	<u>(21,854)</u>
Fees and service charges:				
Conveyance taxes	60,000	60,000	65,014	5,014
Town clerk recording fees	24,500	24,500	19,316	(5,184)
Copy machine, regulations, and dog fund	7,350	7,350	7,287	(63)
Town clerk LOCIP	2,500	2,500	1,632	(868)
Beach, parks and recreation	84,600	84,600	91,129	6,529
Parks & recreation - SPARK	22,700	22,700	17,229	(5,471)
	<u>201,650</u>	<u>201,650</u>	<u>201,607</u>	<u>(43)</u>
Education grants:				
Education assistance	244,584	244,584	252,458	7,874
Education transportation	3,299	3,299	3,673	374
Tuition (preschool only)	29,000	29,000	57,547	28,547
	<u>276,883</u>	<u>276,883</u>	<u>313,678</u>	<u>36,795</u>
Intergovernmental:				
State PILOT program	14	14	-	(14)
Elderly and vet tax relief	20,540	20,540	20,948	408
LOCIP	-	-	28,414	28,414
Town aid roads	204,656	204,656	204,907	251
Federal land	720	720	702	(18)
Mashantucket Pequot	8,623	8,623	10,408	1,785
ConnDOT grant	14,750	14,750	14,750	-
Other	1,500	1,500	25,737	24,237
	<u>250,803</u>	<u>250,803</u>	<u>305,866</u>	<u>55,063</u>
Miscellaneous:				
CL&P, telephone, and other	13,100	13,100	40,136	27,036
<b>Total revenues</b>	<u>\$ 14,124,033</u>	<u>\$ 14,124,033</u>	<u>\$ 14,345,780</u>	<u>\$ 221,747</u>

See accompanying Independent Auditors' Report.

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES  
(BUDGET AND ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>General Government:</b>				
Board of Selectmen	\$ 140,402	\$ 140,402	\$ 133,936	\$ 6,466
Treasurer	14,239	14,239	14,239	-
Tax Collector	47,248	47,248	44,677	2,571
Town Clerk	99,870	99,870	98,813	1,057
Assessors	92,977	92,977	92,406	571
Assessment appeals	505	505	463	42
Building department	89,357	89,357	79,901	9,456
Planning and zoning	92,840	92,840	85,043	7,797
Zoning Board of Appeals	1,970	1,970	1,021	949
Inland wetlands commission	12,470	12,470	12,127	343
Counsel and court costs	37,000	37,000	16,606	20,394
Registrars	26,366	26,366	19,910	6,456
H.V.C.E.O.	4,164	4,164	4,164	-
Consultants	1,200	1,200	1,200	-
Other general government	11,238	11,238	11,372	(134)
	<u>671,846</u>	<u>671,846</u>	<u>615,878</u>	<u>55,968</u>
<b>Building &amp; Grounds:</b>				
Mallory town hall	61,332	61,332	60,142	1,190
Facilities	102,784	102,784	118,078	(15,294)
	<u>164,116</u>	<u>164,116</u>	<u>178,220</u>	<u>(14,104)</u>
<b>Public Safety:</b>				
Public safety	209,517	209,517	227,847	(18,330)
Fire protection	116,740	116,740	114,652	2,088
ESF operating	59,414	59,414	69,355	(9,941)
Candlewood Lake Authority	63,800	63,800	61,646	2,154
Animal control	16,070	16,070	16,070	-
Collections and recycling	23,510	23,510	22,895	615
	<u>489,051</u>	<u>489,051</u>	<u>512,465</u>	<u>(23,414)</u>
<b>Public Works</b>	<u>849,254</u>	<u>849,254</u>	<u>859,773</u>	<u>(10,519)</u>
<b>Health and Welfare:</b>				
Health department	54,837	54,837	48,558	6,279
Health and welfare	56,766	56,766	55,469	1,297
	<u>111,603</u>	<u>111,603</u>	<u>104,027</u>	<u>7,576</u>
<b>Insurance:</b>				
Post-employment defined benefit	70,000	70,000	69,400	600
Workers' compensation	65,750	65,750	69,271	(3,521)
Payroll taxes	85,250	85,250	80,778	4,472
Post-employment defined contribution	24,000	24,000	21,541	2,459
Life and medical	299,289	299,289	291,385	7,904
Liability, auto, and property	94,537	94,537	73,685	20,852
Other compensated absences	6,486	6,486	5,418	1,068
	<u>645,312</u>	<u>645,312</u>	<u>611,478</u>	<u>33,834</u>

See accompanying Independent Auditors' Report.

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
(BUDGET AND ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Other:</b>				
Capital reserve	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Land trust	620	620	-	620
Library	125,000	125,000	125,000	-
Parks and recreation	134,958	134,958	135,695	(737)
Parade committee	2,485	2,485	1,175	1,310
Probate court	1,500	1,500	2,185	(685)
Senior center	63,177	63,177	61,631	1,546
Historic district	700	700	430	270
Cemetery flags	100	100	30	70
Tree warden	7,890	7,890	7,890	-
Conservation commission	1,250	1,250	1,544	(294)
Housing commission	2,500	2,500	301	2,199
Miscellaneous	4,000	4,000	2,465	1,535
	<u>694,180</u>	<u>694,180</u>	<u>688,346</u>	<u>5,834</u>
<b>Education:</b>				
Regular education	59,557	69,032	67,730	1,302
Primary	1,017,785	1,021,100	1,035,518	(14,418)
Art	112,259	115,672	116,622	(950)
Music	104,921	104,681	113,733	(9,052)
Physical education	91,095	91,125	91,095	30
Science	97,890	97,089	97,132	(43)
Math	179,239	182,915	182,915	-
Social studies	72,841	15,555	15,555	-
Language arts	250,458	230,392	230,392	-
Other regular programs	450,563	419,655	412,858	6,797
Exceptional/special education	1,289,768	1,219,753	1,225,409	(5,656)
Adult education	3,700	3,561	3,561	-
Medical services	46,352	46,717	46,683	34
Improvements of instructions	109,971	127,368	124,545	2,823
Educational media services	184,882	195,746	194,892	854
Board of Education	39,950	66,840	79,724	(12,884)
Administrative services	54,850	54,627	54,687	(60)
Office of the Principal	253,257	257,565	259,006	(1,441)
Fiscal services	1,066,953	1,008,146	946,799	61,347
Operations and maintenance	596,090	692,042	654,626	37,416
Pupil transportation	229,477	201,211	189,052	12,159
Health education	29,687	32,350	32,350	-
Student activities	39,469	39,237	39,631	(394)
Tuition out of district	133,618	102,701	102,701	-
High school tuition	2,602,444	2,721,996	2,666,371	55,625
	<u>9,117,076</u>	<u>9,117,076</u>	<u>8,983,587</u>	<u>133,489</u>

See accompanying Independent Auditors' Report.

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
(BUDGET AND ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Debt Service:</b>				
Principal	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ -
Interest	281,095	281,095	281,095	-
Continuing disclosure	500	500	-	500
	<u>1,331,595</u>	<u>1,331,595</u>	<u>1,331,095</u>	<u>500</u>
 <b>Total expenditures</b>	 <u>\$ 14,074,033</u>	 <u>\$ 14,074,033</u>	 <u>\$ 13,884,869</u>	 <u>\$ 189,164</u>

See accompanying Independent Auditors' Report.

**TOWN OF SHERMAN, CONNECTICUT**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2015**

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>			<b>Total Other Funds</b>
	Dog Fund	Education Grants	Document Preservation	Happy Acres Operations	Revaluation Reserve Fund	Bonded Projects	Land Acquisition	
<b><u>Assets</u></b>								
Cash and cash equivalents	\$ 48,921	\$ -	\$ 1,075	\$ 18,840	\$ 28,287	\$ -	\$ 27,391	\$ 124,514
Other receivables	-	-	-	2,572	-	-	-	2,572
<b>Total assets</b>	<b>\$ 48,921</b>	<b>\$ -</b>	<b>\$ 1,075</b>	<b>\$ 21,412</b>	<b>\$ 28,287</b>	<b>\$ -</b>	<b>\$ 27,391</b>	<b>\$ 127,086</b>
<b><u>Fund Balances</u></b>								
<b>Liabilities:</b>								
Other payables	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500</b>
<b>Fund Balances:</b>								
Assigned	48,921	-	1,075	18,912	28,287	-	27,391	124,586
<b>Total fund balances</b>	<b>48,921</b>	<b>-</b>	<b>1,075</b>	<b>18,912</b>	<b>28,287</b>	<b>-</b>	<b>27,391</b>	<b>124,586</b>
<b>Total fund balances</b>	<b>\$ 48,921</b>	<b>\$ -</b>	<b>\$ 1,075</b>	<b>\$ 21,412</b>	<b>\$ 28,287</b>	<b>\$ -</b>	<b>\$ 27,391</b>	<b>\$ 127,086</b>

See accompanying Independent Auditors' Report.

TOWN OF SHERMAN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				Capital Project Funds			Total Other Funds
	Dog Fund	Education Grants	Document Preservation	Happy Acres Operations	Revaluation Reserve Fund	Bonded Projects	Land Acquisition	
<b>Revenues:</b>								
Intergovernmental	\$ -	\$ 348,010	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 353,010
Investment earnings	67	-	-	27	18	70	33	215
Miscellaneous	3,235	-	546	43,995	-	997	-	48,773
<b>Total revenues</b>	<u>3,302</u>	<u>348,010</u>	<u>5,546</u>	<u>44,022</u>	<u>18</u>	<u>1,067</u>	<u>33</u>	<u>401,998</u>
<b>Expenditures:</b>								
Current:								
General government	2,377	-	7,930	-	1,623	-	-	11,930
Education	-	348,010	-	-	-	-	-	348,010
Other	-	-	-	64,523	-	-	-	64,523
Capital outlay	-	-	-	-	-	21,626	-	21,626
<b>Total expenditures</b>	<u>2,377</u>	<u>348,010</u>	<u>7,930</u>	<u>64,523</u>	<u>1,623</u>	<u>21,626</u>	<u>-</u>	<u>446,089</u>
<b>Excess of revenues over (under) expenditures</b>	925	-	(2,384)	(20,501)	(1,605)	(20,559)	33	(44,091)
<b>Other Financing Sources:</b>								
Transfers in (out)	-	-	-	-	23,256	(69,392)	-	(46,136)
<b>Net change in fund balances</b>	925	-	(2,384)	(20,501)	21,651	(89,951)	33	(90,227)
<b>Fund balances, beginning of year</b>	<u>47,996</u>	<u>-</u>	<u>3,459</u>	<u>39,413</u>	<u>6,636</u>	<u>89,951</u>	<u>27,358</u>	<u>214,813</u>
<b>Fund balances, end of year</b>	<u>\$ 48,921</u>	<u>\$ -</u>	<u>\$ 1,075</u>	<u>\$ 18,912</u>	<u>\$ 28,287</u>	<u>\$ -</u>	<u>\$ 27,391</u>	<u>\$ 124,586</u>

See accompanying Independent Auditors' Report.

**TOWN OF SHERMAN, CONNECTICUT**  
**STATEMENT OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES SECTION 7.374(B)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Total tax collection including interest and  
 lien fees for the year ended June 30, 2015 \$ 13,355,906

Reimbursement for revenue loss on:  
 Tax relief for elderly (CGS 12-129d) 19,453

Base \$ 13,375,359

	<u>General</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
<b>Debt Limitation:</b>					
2 1/4 times base	\$ 30,094,558	\$	\$	\$	\$
4 1/2 times base		60,189,116			
3 3/4 times base			50,157,596		
3 1/4 times base				43,469,917	
3 times base					40,126,077
<b>Total debt limitation</b>	<u>30,094,558</u>	<u>60,189,116</u>	<u>50,157,596</u>	<u>43,469,917</u>	<u>40,126,077</u>
<b>Indebtedness:</b>					
Bonds payable	6,350,000	1,970,000			
Bonds authorized and unissued	<u>250,000</u>				
<b>Total indebtedness</b>	<u>6,600,000</u>	<u>1,970,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt limitation in excess of outstanding and authorized debt</b>	<u><u>\$ 23,494,558</u></u>	<u><u>\$ 58,219,116</u></u>	<u><u>\$ 50,157,596</u></u>	<u><u>\$ 43,469,917</u></u>	<u><u>\$ 40,126,077</u></u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation.

**TOWN OF SHERMAN, CONNECTICUT**

**REPORT OF THE TAX COLLECTOR  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Grand List October 1,</b>	<b>Taxes Receivable July 1, 2014</b>	<b>Lawful Corrections</b>		<b>Suspense Transfers</b>	<b>Adjusted Taxes Receivable</b>	<b>Collections</b>			<b>Taxes Receivable June 30, 2015</b>
		<b>Additions</b>	<b>Deductions</b>			<b>Taxes</b>	<b>Interest and Lien Fees</b>	<b>Total</b>	
2013	\$ 13,277,825	\$ 70,605	\$ 36,274	\$ (3,034)	\$ 13,309,122	\$ 13,234,566	\$ 32,558	\$ 13,267,124	\$ 74,556
2012	90,102	88	1,490	(1,397)	87,303	56,900	10,190	67,090	30,403
2011	28,681	5	8	(754)	27,924	13,840	4,565	18,405	14,084
2010	12,752	45	-	(504)	12,293	1,027	1,828	2,855	11,266
2009	4,109	-	430	(341)	3,338	201	-	201	3,137
2008	231	-	-	-	231	231	-	231	-
	<u>\$ 13,413,700</u>	<u>\$ 70,743</u>	<u>\$ 38,202</u>	<u>\$ (6,030)</u>	<u>\$ 13,440,211</u>	<u>\$ 13,306,765</u>	<u>\$ 49,141</u>	<u>\$ 13,355,906</u>	<u>\$ 133,446</u>

See accompanying Independent Auditors' Report.