

# **City of Torrington, Connecticut**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2016

City of Torrington, Connecticut

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Year Ended June 30, 2016

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## Independent Auditors' Report

**The City Council**  
**City of Torrington, Connecticut**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrington, Connecticut ("City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior Period Adjustments*

As described in Note 2 to the financial statements, these financial statements include corrections of errors to the opening balances. Our opinion is not modified with respect to these matters.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information and pension and other post-employment benefit schedules 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 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.

### *Supplementary and Other Information*

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

The combining fund financial statements and supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 City's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

March 29, 2017

**City of Torrington, Connecticut**

Management's Discussion and Analysis  
June 30, 2016

**City of Torrington, Connecticut  
Management's Discussion and Analysis  
June 30, 2016**

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Our discussion and analysis of the City of Torrington's (the "City's") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements, which begin with Exhibit 1.

**FINANCIAL HIGHLIGHTS**

- The City's total net position decreased by \$4.04 million (10%) during fiscal year 2015/2016. While the net position of governmental activities decreased by \$4.28 million (13%), the net position of business-type activities (WPCA) increased by \$233 thousand (2.5%).
- Governmental activities included an increase of \$2.4 million (2.7%) in tax collections while other program revenues including charges for services, grants, and other general revenues decreased by \$581 thousand. Program expenses increased by \$3.86 million (2.7%) with the largest increases relating to Public Works and Education.
- The General Fund had a budgetary surplus of \$2.7 million. Actual revenues were \$440 thousand more than budgeted and expenses were \$2.3 million less than budgeted.
- No portion of fund balance was appropriated to fiscal year 2015/2016.
- The unassigned balance of the General Fund increased \$1.5 million to \$9.9 million or 7.8% of general fund expenditures.
- The City refunded \$4.8 million in bonded debt for a reduction in debt service payments of \$442 thousand.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the Government.

**Reporting the Government as a Whole**

Our analysis of the City as a whole begins with Exhibit 1. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**City of Torrington, Connecticut  
Management's Discussion and Analysis  
June 30, 2016**

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These two statements report the City's *net position* and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, the City shows the following activity:

- Governmental activities—The City's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.
- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Water Pollution Control Authority's operations are reported here.

### **Reporting the Government's Most Significant Funds**

The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental funds*—The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### **The Government as Trustee**

The City is the trustee, or *fiduciary*, for its employee pension plans, the school activity funds and other assets that can be used only for trust beneficiaries. These funds do not belong to the City. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Exhibits 8 and 9. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



**City of Torrington, Connecticut  
Management's Discussion and Analysis  
June 30, 2016**

**THE GOVERNMENT AS A WHOLE**

The City's *combined* net position decreased by \$4 million from a year ago—*decreasing* from \$42 million to \$38 million. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City.

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 43,791,508	\$ 37,608,291	\$ 3,927,006	\$ 3,848,936	\$ 47,718,514	\$ 41,457,227
Capital assets	106,177,419	108,675,366	6,725,570	7,364,582	112,902,989	116,039,948
Total assets	149,968,927	146,283,657	10,652,576	11,213,518	160,621,503	157,497,175
Deferred outflows of resources	7,583,263	2,225,902	-	-	7,583,263	2,225,902
Long-term debt outstanding	112,708,105	101,849,457	1,020,650	1,058,439	113,728,755	102,907,896
Other liabilities	15,244,369	13,054,142	120,358	204,131	15,364,727	13,258,273
Total liabilities	127,952,474	114,903,599	1,141,008	1,262,570	129,093,482	116,166,169
Deferred inflows of resources	1,350,282	2,504,026	-	-	1,350,282	2,504,026
Net position						
Net investment in capital assets	84,186,257	83,535,428	5,888,374	6,477,106	90,074,631	90,012,534
Restricted						
Expendable	6,754,732	5,374,407	-	-	6,754,732	5,374,407
Nonexpendable	3,500	4,852	-	-	3,500	4,852
Unrestricted	(62,695,055)	(56,389,214)	3,623,194	2,801,632	(59,071,861)	(53,587,582)
Total net position	\$ 28,249,434	\$ 32,525,473	\$ 9,511,568	\$ 9,278,738	\$ 37,761,002	\$ 41,804,211

Overall, the total net position of the City's governmental activities decreased by \$4.28 million. Total assets increased \$3.7 million. There was an increase of \$6.2 million in cash, receivables and other assets along with a decrease of \$3.5 million in capital assets (includes prior period adjustment). There was also a net change of \$6.05 million in deferred inflows and outflows of resources related mainly to pension fund activity and total liabilities increased \$13 million. Unrestricted net position- the portion of net position that can be used to finance day to day operations of government activities is (\$62.7 million). This amount is a deficit because certain long term liabilities are funded when they come due rather than when they are incurred (pension, compensated absences, OPEB). The unrestricted portion of net position for business type activities increased \$822 thousand to \$3.62 million.

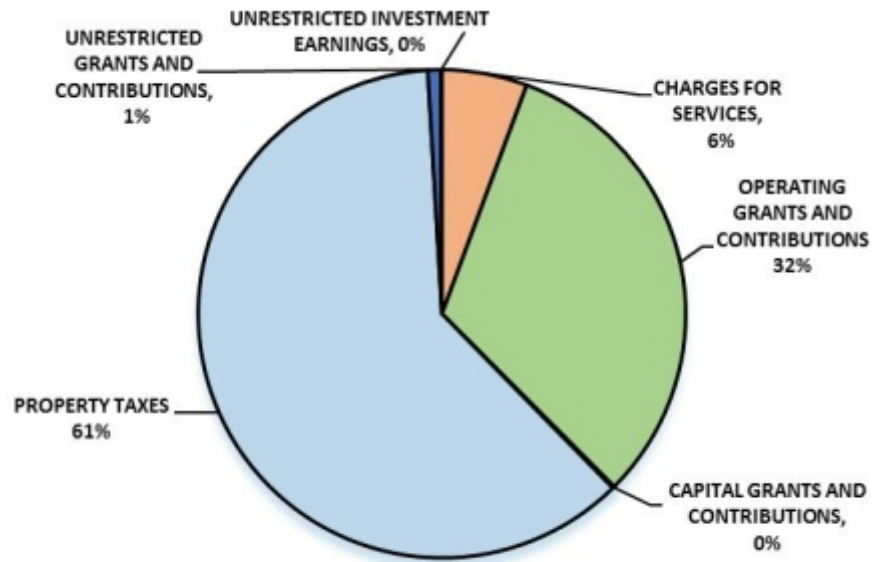
**City of Torrington, Connecticut  
Management's Discussion and Analysis  
June 30, 2016**

**Table 2  
Change in Net Position (on Exhibit 2)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,980,025	\$ 4,020,034	\$ 4,301,525	\$ 4,101,861	\$ 8,281,550	\$ 8,121,895
Operating grants and contributions	46,683,995	44,139,490	-	-	46,683,995	44,139,490
Capital grants and contributions	182,648	2,939,391	-	-	182,648	2,939,391
General revenues:						
Property taxes	90,001,887	87,662,007	-	-	90,001,887	87,662,007
Grants and contributions	1,258,301	1,152,175	-	-	1,258,301	1,152,175
Interest and investment earnings	107,701	85,650	897	364	108,598	86,014
Other general revenues	-	456,441	-	-	-	456,441
Total revenues	142,214,557	140,455,188	4,302,422	4,102,225	146,516,979	144,557,413
<b>Program expenses</b>						
General government	14,874,667	14,543,576	-	-	14,874,667	14,543,576
Public safety	25,442,078	26,337,393	-	-	25,442,078	26,337,393
Public works	10,875,221	8,891,247	-	-	10,875,221	8,891,247
Public health and social services	5,108,467	5,073,702	-	-	5,108,467	5,073,702
Recreation	619,881	458,071	-	-	619,881	458,071
Board of Education	89,000,670	86,644,556	-	-	89,000,670	86,644,556
Debt interest and costs	1,158,417	1,269,103	-	-	1,158,417	1,269,103
Sewer	-	-	3,480,787	3,392,619	3,480,787	3,392,619
Total expenses	147,079,401	143,217,648	3,480,787	3,392,619	150,560,188	146,610,267
Excess (deficiency) before transfers	(4,864,844)	(2,762,460)	821,635	709,606	(4,043,209)	(2,052,854)
Transfers	588,805	585,583	(588,805)	(585,583)	-	-
Increase (decrease) in net position	(4,276,039)	(2,176,877)	232,830	124,023	(4,043,209)	(2,052,854)
Net position, beginning of year	32,525,473	31,101,934	9,278,738	9,950,948	41,804,211	41,052,882
Restatement of net assets	-	1,423,539	-	(672,210)	-	751,329
Net Position, end of year	\$ 28,249,434	\$ 32,525,473	\$ 9,511,568	\$ 9,278,738	\$ 37,761,002	\$ 41,804,211

The City's total revenue increased \$2 million to \$146.5 million. The primary changes were increased property taxes of \$2.4 million and \$200 thousand in sewer user fees along with a \$600 thousand reduction in various grants, contributions and general revenues. The program expenses for all government functions increased \$4 million from \$146.6 million to \$150.5 million. There was an increase in expenses for Public Works of \$2 million and Education of \$2.4 million while Public Safety expenses had a \$900 thousand decrease. All other expenses combined increased \$500 thousand.

**City of Torrington, Connecticut  
Management's Discussion and Analysis  
June 30, 2016**



**Governmental Activities**

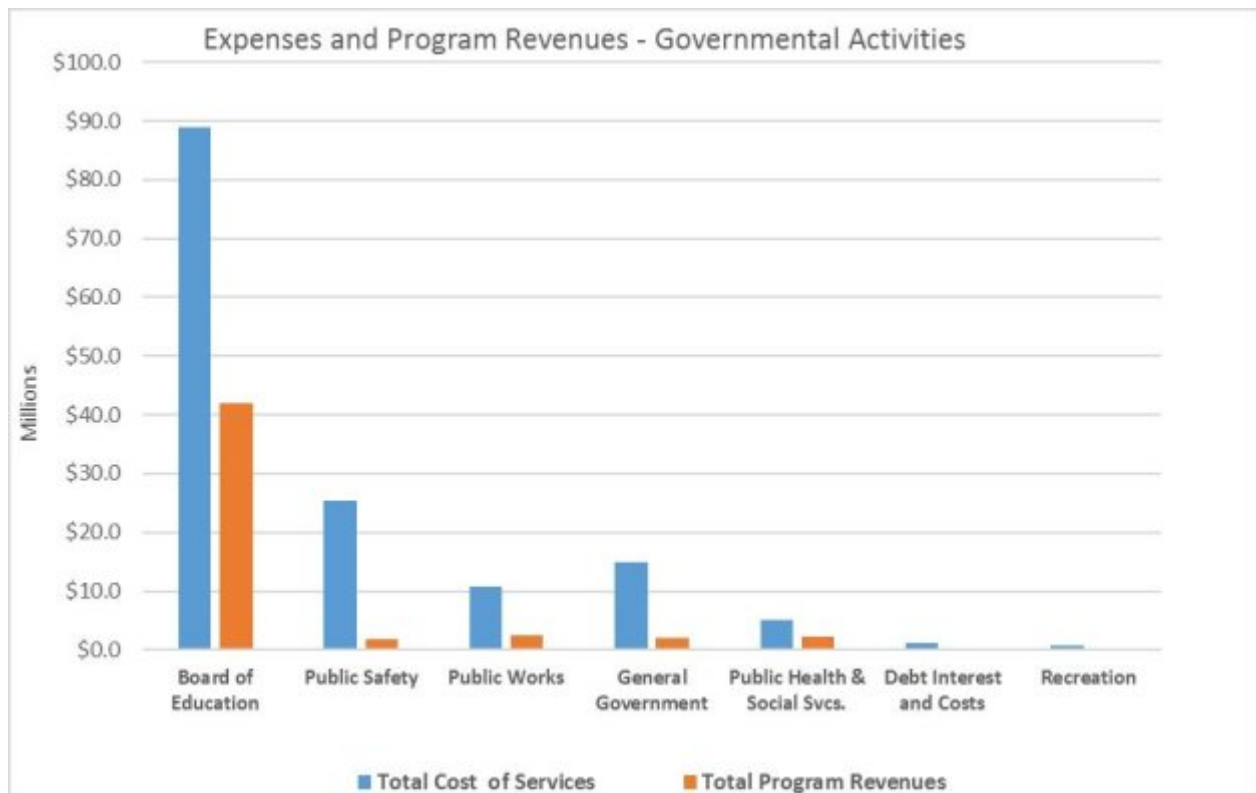
Table 3 presents the cost of each of the City's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**Table 3  
Business-Type Activities**

Governmental Activities	Total Cost of Services		Incr. / Decr.	Net Cost of Services		Incr. / Decr.
	2016	2015		2016	2015	
General government	\$ 14,874,667	\$ 14,543,576	2.28%	\$ 12,910,237	\$ 12,658,522	1.99%
Public safety	25,442,078	26,337,393	-3.40%	23,667,413	25,061,105	-5.56%
Public works	10,875,221	8,891,247	22.31%	8,381,277	3,697,467	126.68%
Public health and social services	5,108,467	5,073,702	0.69%	2,829,161	2,779,542	1.79%
Recreation	619,881	458,071	35.32%	367,203	253,508	44.85%
Board of Education	89,000,670	86,644,556	2.72%	47,101,901	46,588,950	1.10%
Debt interest and costs	1,158,417	1,269,103	-8.72%	975,541	1,079,756	-9.65%
<b>Totals</b>	<b>\$ 147,079,401</b>	<b>\$ 143,217,648</b>	<b>2.70%</b>	<b>\$ 96,232,733</b>	<b>\$ 92,118,850</b>	<b>4.47%</b>

The total cost of governmental services increased \$3.88 million (2.7%) in fiscal year 2015/2016 to \$147 million. The total increase to net cost of services was \$4.11 million (4.5%) million. The increased net cost was the result of the increased expenses along with a reduction of \$252 thousand in various program revenues.

**City of Torrington, Connecticut  
Management's Discussion and Analysis  
June 30, 2016**



**Business-type Activities**

The only business-type activity in Torrington is the Water Pollution Control Authority. Table 4 presents the cost of the City's business-type programs as well as the business-type program's net cost (total cost less revenues generated by the activities).

**Table 4  
Business-Type Activities**

Business-Type Activities	Total Cost of Services		Incr. / Decr.	Net Cost of Services		Incr. / Decr.
	2016	2015		2016	2015	
Sewer	\$ 3,480,787	\$ 3,392,619	2.60%	\$ 820,738	\$ 709,242	15.72%

The total cost of services relating to the City's business type activities increased \$88 thousand (2.6%) to \$3.48 million. The net cost of services increased by \$111 thousand.

Sewer user fees increased from \$202 to \$212 for fiscal year 2015/2016. The residential rate was \$212.00/unit and the commercial rate was \$212.00 per 65,000 gallons of volume of flow.

## **THE GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, uncommitted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Fiscal year 2016 ended with the City's governmental funds reporting a combined ending fund balance of \$23.5 million which was a \$6.13 million increase over the previous year. The unassigned portion of the combined ending fund balance was \$8.5 million. The unassigned balance is available for spending at the government's discretion. The remaining \$15 million fund balance is classified as either nonspendable, restricted, committed or assigned (see pages 23 and 24 of financial statements for clarification) to indicate that it is not available for new spending because it has already been committed to liquidate contracts, purchase orders or other obligations. The increase to fund balance included a \$1.6 increase in the General Fund and a \$4.5 million increase other governmental funds. While the year showed a decrease in net position, it showed an increase in fund balance in the governmental funds as presented in Exhibits 3 and 4. The difference for this is primarily the treatment of long-term debt and capital assets.

In addition, these other changes in fund balances should be noted:

- WPCA Infrastructure Upgrade has been added as a Major Fund – this fund will be used to monitor activities associated with the project approved by referendum on November 4, 2014. Current year activity includes \$2 million in Bond anticipation notes payable and \$1 million in expenses
- Increase of \$2.4 million in Restricted fund balance for loans receivable
- Increase of \$1.3 million Committed fund balance for capital projects

## **General Fund Budgetary Highlights**

Over the course of the year, the City Council along with the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriates increase the total budget. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. Below is a summarized view of the final budget and actual results for the General Fund:

**City of Torrington, Connecticut  
Management's Discussion and Analysis  
June 30, 2016**

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	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
General Government	\$ 95,163,925	\$ 95,556,286	\$ 392,361
Public Safety	1,146,808	1,448,397	301,589
Public Works	190,350	108,709	(81,641)
Recreation - swimming fees	15,000	14,258	(742)
City Real Estate Revenue	19,000	14,467	(4,533)
Board of Education	28,836,741	28,669,303	(167,438)
<b>Total Revenues</b>	<b>125,371,824</b>	<b>125,811,420</b>	<b>439,596</b>
<b>Expenditures</b>			
General Government	5,497,020	5,201,473	295,547
Public Safety	18,023,710	17,200,360	823,350
Public Works	9,206,152	8,829,056	377,096
Health	2,900,556	2,813,818	86,738
Recreation	400,449	400,447	2
Financial	17,312,031	16,691,270	620,761
Board of Education	71,799,398	71,799,127	271
Contingency	232,508	148,157	84,351
<b>Total Expenditures</b>	<b>125,371,824</b>	<b>123,083,708</b>	<b>2,288,116</b>
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ -</b>	<b>\$ 2,727,712</b>	<b>\$2,727,712</b>

The General Fund activity for fiscal year resulted in a \$2.7 million increase in fund balance.

- There was a \$0 fund balance appropriation included in the 2016/2017 budget.
- Expenditure total included \$3 million transferred to other funds for capital projects and purchases.

Significant variances are summarized as follows:

- Public Safety revenue variance of \$182 thousand relates to Outside Duty charges
- General Government revenue variance of \$381 thousand for motor vehicle supplemental collections
- Public Safety expenditure variance \$823 thousand included unexpended funds budgeted for anticipated hiring of police officers and other various line items.
- Public Works expenditure variance included approximately \$150 thousand in unexpended funds for wages, supplies and other miscellaneous costs related to a mild winter.
- Financial expenditures were less than budgeted \$527 thousand primarily due to additions and deletions to taxes owed to the City or tax collector.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of this year, the City had \$112.9 million invested in its capital assets (net of depreciation). This amount represents a net decrease (including additions and deductions) of \$4.76 million from last year. This is primarily due to the acquisition of public safety vehicles, public works heavy equipment and depreciation. More detailed information about the Government's capital assets is presented in Note 7 to the financial statements.

### **Debt**

At year end, the City had \$21.8 million in general obligation bonds and \$2 million in bond anticipation notes outstanding. This is an overall decrease of \$605 thousand from last year. The City also has a Clean Water Fund Loan balance of \$837 thousand. The City was issued an "AA-/Stable" - general obligation bond rating and an SP-1+ short term rating from Standard and Poor's on August 26, 2015. More detailed information about the Government's long-term liabilities is presented in Note 8 to the financial statements.

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

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget and tax rates including the local economy.

The unemployment rate (not seasonally adjusted) for the City of Torrington was 6% which was higher than the state rate of 5.2% (Source: CT DOL 2016)

Population growth: Torrington .7%, State of CT .5% (Source CERC Town Profile 2016)

There was no job growth in our area. (Source State of CT DOL)

All of these factors were considered in preparing the City's budget for the 2016/2017 fiscal year.

The State imposed motor vehicle tax cap of 37 mills reduced tax collections from motor vehicles by an estimated \$2 million. The State did make the City whole for fiscal year 2017 but the shift of this tax burden to homeowners and businesses continues to be cause for concern in planning for future budgets.

The mill rate remained level @ 45.75.

There was no designation of fund balance applied to the 2016/2017 budget.

Total budget for fiscal year 2016/2017 is \$127,550,444.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Comptroller at City of Torrington, Finance Department, 140 Main Street, Torrington, CT 06790.

**City of Torrington, Connecticut**

Basic Financial Statements  
June 30, 2016



Statement of Net Position  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 26,996,466	\$ 3,926,962	\$ 30,923,428
Investments	8,289,377	-	8,289,377
Receivables			
Accounts	477,697	44	477,741
Loans	3,215,258	-	3,215,258
Intergovernmental	4,441,875	-	4,441,875
Prepaid expenses	338,583	-	338,583
Inventory	32,252	-	32,252
Capital assets			
Nondepreciable	25,002,830	-	25,002,830
Depreciable, net of accumulated depreciation	81,174,589	6,725,570	87,900,159
Total Assets	<u>149,968,927</u>	<u>10,652,576</u>	<u>160,621,503</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charge on refunding bonds	179,957	-	179,957
Difference between expected and actual pension experience	1,483,935	-	1,483,935
Net difference between projected and actual pension earnings	5,919,371	-	5,919,371
Total Deferred Outflows of Resources	<u>7,583,263</u>	<u>-</u>	<u>7,583,263</u>
<b>LIABILITIES</b>			
Accounts payable	3,887,238	56,800	3,944,038
Accrued payroll and related	4,734,884	-	4,734,884
Accrued interest payable	169,256	-	169,256
Bond anticipation notes	2,000,000	-	2,000,000
Unearned revenues	283,522	-	283,522
Non-current liabilities			
Due within one year	4,169,469	63,558	4,233,027
Due in more than one year	112,708,105	1,020,650	113,728,755
Total Liabilities	<u>127,952,474</u>	<u>1,141,008</u>	<u>129,093,482</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Difference between expected and actual pension experience	1,350,282	-	1,350,282
<b>NET POSITION</b>			
Net investment in capital assets	84,186,257	5,888,374	90,074,631
Restricted net position			
Expendable	6,754,732	-	6,754,732
Nonexpendable	3,500	-	3,500
Unrestricted net position	(62,695,055)	3,623,194	(59,071,861)
Total Net Position	<u>\$ 28,249,434</u>	<u>\$ 9,511,568</u>	<u>\$ 37,761,002</u>

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

Statement of Activities  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>Governmental activities</b>						
General government	\$ (14,874,667)	\$ 1,061,117	\$ 903,313	\$ -	\$ (12,910,237)	\$ (12,910,237)
Public safety	(25,442,078)	1,174,379	550,311	49,975	(23,667,413)	(23,667,413)
Public works	(10,875,221)	114,217	2,295,045	84,682	(8,381,277)	(8,381,277)
Public health and social services	(5,108,467)	607,960	1,671,346	-	(2,829,161)	(2,829,161)
Recreation	(619,881)	219,382	33,296	-	(367,203)	(367,203)
Board of Education	(89,000,670)	802,970	41,047,808	47,991	(47,101,901)	(47,101,901)
Debt interest and costs	(1,158,417)	-	182,876	-	(975,541)	(975,541)
Total Governmental Activities	<u>(147,079,401)</u>	<u>3,980,025</u>	<u>46,683,995</u>	<u>182,648</u>	<u>(96,232,733)</u>	<u>(96,232,733)</u>
<b>Business-type activities</b>						
Sewer	<u>(3,480,787)</u>	<u>4,301,525</u>	<u>-</u>	<u>-</u>	<u>820,738</u>	<u>820,738</u>
Total Government	<u>\$ (150,560,188)</u>	<u>\$ 8,281,550</u>	<u>\$ 46,683,995</u>	<u>\$ 182,648</u>	<u>820,738</u>	<u>(95,411,995)</u>
<b>General Revenues</b>						
Property taxes, payments in lieu of taxes, interest and liens					90,001,887	90,001,887
Grants and contributions not restricted to specific programs					1,258,301	1,258,301
Unrestricted interest and investment earnings					107,701	108,598
Transfers in (transfers out)					588,805	(588,805)
Total General Revenues					<u>91,956,694</u>	<u>91,368,786</u>
Change in Net Position					(4,276,039)	(4,043,209)
Net Position - Beginning of Year, as restated					<u>32,525,473</u>	<u>41,804,211</u>
Net Position - End of Year					<u>\$ 28,249,434</u>	<u>\$ 37,761,002</u>

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

Balance Sheet  
 Governmental Funds  
 June 30, 2016

	General	WPCA Infrastructure Upgrade	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 7,517,133	\$ 934,914	\$ 10,933,537	\$ 19,385,584
Investments	8,289,377	-	-	8,289,377
Receivables				
Accounts	356,478	-	72,288	428,766
Loans	-	-	3,215,258	3,215,258
Intergovernmental	3,162,454	-	1,279,421	4,441,875
Advances to other funds	-	-	603,000	603,000
Due from other funds	973,774	-	-	973,774
Inventory	-	-	32,252	32,252
Total Assets	<u>\$20,299,216</u>	<u>\$ 934,914</u>	<u>\$ 16,135,756</u>	<u>\$ 37,369,886</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 1,457,476	\$ 72,101	\$ 1,016,936	\$ 2,546,513
Accrued payroll and related	4,734,884	-	-	4,734,884
Due to other funds	-	-	183,639	183,639
Advances from other funds	603,000	-	-	603,000
Bond anticipation notes payable	-	2,000,000	-	2,000,000
Unearned revenues	-	-	283,522	283,522
Total Liabilities	<u>6,795,360</u>	<u>2,072,101</u>	<u>1,484,097</u>	<u>10,351,558</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Intergovernmental	2,991,992	-	289,340	3,281,332
Other	133,115	-	72,288	205,403
Total Deferred Inflows of Resources	<u>3,125,107</u>	<u>-</u>	<u>361,628</u>	<u>3,486,735</u>
Fund Balances				
Nonspendable	-	-	35,752	35,752
Restricted	-	-	6,754,737	6,754,737
Committed	293,758	-	7,002,993	7,296,751
Assigned	211,387	-	682,171	893,558
Unassigned	9,873,604	(1,137,187)	(185,622)	8,550,795
Total Fund Balances	<u>10,378,749</u>	<u>(1,137,187)</u>	<u>14,290,031</u>	<u>23,531,593</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$20,299,216</u>	<u>\$ 934,914</u>	<u>\$ 16,135,756</u>	<u>\$ 37,369,886</u>

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

Reconciliation of Governmental Funds Balance Sheet  
to the Government Wide Statement of Net Position - Governmental Activities  
June 30, 2016

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Fund Balances - Total Governmental Funds	\$ 23,531,593
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	106,177,419
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	5,867,536
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.	
Deferred outflow on advance refunding	179,957
Bond premium	(322,382)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.	3,486,735
Deferred outflows for difference between expected and actual experience	1,483,935
Deferred outflows for net difference between projected and actual earnings	5,919,371
Deferred inflows for difference between expected and actual experience	(1,350,282)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds payable	(21,820,000)
Accrued interest payable	(169,256)
Capital leases	(171,162)
Pension obligations payable	(46,281,290)
Other post-employment benefits obligations payable	(38,820,700)
Special termination benefits	(5,072,521)
Compensated absences	(4,073,519)
Post closure landfill costs	<u>(316,000)</u>
Net Position of Governmental Activities	<u>\$ 28,249,434</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2016

	General	WPCA Infrastructure Upgrade	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 89,078,644	\$ -	\$ -	\$ 89,078,644
Sewer line fees	-	-	85,519	85,519
Intergovernmental	36,409,678	-	9,051,803	45,461,481
Charges for services	4,901,991	-	-	4,901,991
Investment income	103,374	-	1,042	104,416
Program income	-	-	1,815,789	1,815,789
Other revenues	764,674	-	516,977	1,281,651
Total Revenues	<u>131,258,361</u>	<u>-</u>	<u>11,471,130</u>	<u>142,729,491</u>
<b>EXPENDITURES</b>				
Current Expenditures				
General government	4,982,026	-	279,090	5,261,116
Public safety	16,511,656	-	100,382	16,612,038
Public works	7,228,624	-	1,379,017	8,607,641
Public health and social services	2,813,818	-	2,103,913	4,917,731
Pension and miscellaneous	13,011,850	-	-	13,011,850
Recreation	396,059	-	192,060	588,119
Education	78,294,333	-	6,599,949	84,894,282
Other	104,382	-	-	104,382
Debt Service				
Principal	2,525,000	-	-	2,525,000
Interest	1,154,420	-	-	1,154,420
Bond issuance costs	26,180	16,980	61,995	105,155
Capital Outlay	-	1,152,907	2,328,911	3,481,818
Total Expenditures	<u>127,048,348</u>	<u>1,169,887</u>	<u>13,045,317</u>	<u>141,263,552</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,210,013</u>	<u>(1,169,887)</u>	<u>(1,574,187)</u>	<u>1,465,939</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,400,000	-	3,802,805	5,202,805
Transfers out	(3,056,617)	-	(151,690)	(3,208,307)
Issuance of refunding bonds	4,760,000	-	-	4,760,000
Premium on financing	277,652	32,700	65,357	375,709
Payment to refunded bond escrow agent	(5,011,472)	-	-	(5,011,472)
Total Other Financing Sources (Uses)	<u>(1,630,437)</u>	<u>32,700</u>	<u>3,716,472</u>	<u>2,118,735</u>
Net Change in Fund Balance	2,579,576	(1,137,187)	2,142,285	3,584,674
Fund Balances - Beginning of Year, as restated	<u>7,799,173</u>	<u>-</u>	<u>12,147,746</u>	<u>19,946,919</u>
Fund Balances - End of Year	<u>\$ 10,378,749</u>	<u>\$ (1,137,187)</u>	<u>\$ 14,290,031</u>	<u>\$ 23,531,593</u>

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

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, 2016

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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ 3,584,674
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.	
Capital outlay expenditures	2,793,567
Depreciation expense	(5,291,512)
	<u>(2,497,945)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
School construction grants and other revenues in the general fund	(786,967)
Revenues in the Sanitary Sewer Capital Improvement Program Fund	(13,581)
Revenues in the Other Capital Projects Fund	289,340
	<u>(511,208)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Proceeds from long-term debt - refunding bonds	(4,760,000)
Premium on issuance of long-term debt	(343,009)
Deferred charge on refunding	(11,515)
Amortization of premium on issuance of long-term debt	20,627
Principal payments on long-term debt - bonds	2,525,000
Principal payments on long-term debt - leases	97,171
Payments to refunding bond escrow agent	5,011,472
	<u>2,539,746</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in	
Accrued interest	59,346
Early retirement incentive	163,530
Compensated absences	20,225
Landfill closure and postclosure	40,000
Pension related effects (net pension liability, deferred inflows and outflows of resource	(149,730)
Other post employment benefits liability	(6,987,000)
	<u>(6,853,629)</u>
Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	
	<u>(537,677)</u>
Change in Net Position of Governmental Activities	<u>\$ (4,276,039)</u>

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

Statement of Net Position  
 Proprietary Funds  
 June 30, 2016

	Business-type Activities	Governmental Activities
	WPCA Enterprise Fund	Internal Service Funds
<b>ASSETS</b>		
Current Assets		
Cash and equivalents	\$ 3,926,962	\$ 7,610,882
Due from other funds	-	-
Receivables		
Accounts	44	48,931
Prepaid expense	-	338,583
Total Current Assets	<u>3,927,006</u>	<u>7,998,396</u>
Noncurrent Assets		
Capital assets		
Land improvements	691,500	-
Buildings and improvements	1,104,750	-
Machinery and equipment	11,574,211	-
Infrastructure	7,579,715	-
Total Capital Assets	20,950,176	-
Less - Accumulated depreciation	<u>(14,224,606)</u>	-
Total Capital Assets, net of accumulated depreciation	<u>6,725,570</u>	-
Total Assets	<u>10,652,576</u>	<u>7,998,396</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	56,800	1,340,725
Due to other funds	-	790,135
Current maturities of notes payable	51,293	-
Compensated absences	12,265	-
Total Current Liabilities	<u>120,358</u>	<u>2,130,860</u>
Noncurrent Liabilities		
Notes payable, less current maturities	785,904	-
Compensated absences	234,746	-
Total Noncurrent Liabilities	<u>1,020,650</u>	-
Total Liabilities	<u>1,141,008</u>	<u>2,130,860</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,888,374	-
Unrestricted	<u>3,623,194</u>	<u>5,867,536</u>
Total Net Position	<u>\$ 9,511,568</u>	<u>\$ 5,867,536</u>

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

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2016

	Business-type Activities	Governmental Activities
	WPCA Enterprise Fund	Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,739,226	\$ 19,970,019
Other	<u>562,299</u>	<u>370,104</u>
Total Operating Revenues	<u>4,301,525</u>	<u>20,340,123</u>
<b>OPERATING EXPENSES</b>		
Payroll and employee benefits	1,580,441	794,509
Professional services	54,662	-
Repairs and maintenance	55,950	288,010
Materials and supplies	159,386	26,886
Utilities	334,711	418,744
Other operating expense	549,828	3,436
Insurance and program services	70,565	17,943,890
Depreciation	<u>657,954</u>	<u>-</u>
Total Operating Expenses	<u>3,463,497</u>	<u>19,475,475</u>
Income from Operations	<u>838,028</u>	<u>864,648</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	897	3,368
Interest expense	<u>(17,290)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(16,393)</u>	<u>3,368</u>
Income Before Transfers	821,635	868,016
Transfers out	<u>(588,805)</u>	<u>(1,405,693)</u>
Change in Net Position	232,830	(537,677)
Net Position - Beginning of Year, as restated	<u>9,278,738</u>	<u>6,405,213</u>
Net Position - End of Year	<u>\$ 9,511,568</u>	<u>\$ 5,867,536</u>

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



Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2016

	Business-type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 4,326,224	\$ 20,367,784
Cash payments to employees	(1,564,545)	(794,509)
Cash payments to suppliers	(1,312,283)	(718,048)
Cash payments for benefits and claims	-	(17,848,902)
Net Cash from Operating Activities	<u>1,449,396</u>	<u>1,006,325</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on debt	(50,278)	-
Acquisition and construction of capital assets	(18,943)	-
Interest paid on debt	(17,290)	-
Net Cash from Capital and Related Financing Activities	<u>(86,511)</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Advances to other funds	-	226,350
Advances from other funds	-	(143,097)
Transfers in (out)	(588,805)	(1,405,693)
Net Cash from Non-Capital Financing Activities	<u>(588,805)</u>	<u>(1,322,440)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	897	3,368
Net Increase (Decrease) in Cash and Equivalents	774,977	(312,747)
Cash and Equivalents - Beginning of Year	3,151,985	7,923,629
Cash and Equivalents - End of Year	<u>\$ 3,926,962</u>	<u>\$ 7,610,882</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income from operations	\$ 838,028	\$ 864,648
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	657,954	-
Changes in operating assets and liabilities		
Accounts receivable	24,699	27,661
Prepaid expenses	-	(75,167)
Accounts payable	(87,181)	189,183
Compensated absences	15,896	-
Net Cash from Operating Activities	<u>\$ 1,449,396</u>	<u>\$ 1,006,325</u>

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

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2016

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash	\$ 250,237	\$ 813,775
Investments, at fair value	86,929,395	-
Accrued interest and dividends	<u>35,361</u>	<u>-</u>
Total Assets	<u>87,214,993</u>	<u>813,775</u>
<b>LIABILITIES</b>		
Due to others	-	813,775
Claims payable	<u>26,722</u>	<u>-</u>
Total Liabilities	<u>26,722</u>	<u>\$ 813,775</u>
<b>NET POSITION</b>		
Restricted for pensions	<u>\$ 87,188,271</u>	

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

Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the Year Ended June 30, 2016

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	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 5,316,432
Plan members	<u>1,068,625</u>
Total Contributions	<u>6,385,057</u>
Investment Income	
Net change in fair value of investments	(704,882)
Interest and dividends	<u>613</u>
Total Investment Income	<u>(704,269)</u>
Total Additions	5,680,788
<b>DEDUCTIONS</b>	
Pension benefits	8,129,319
Administrative fees	<u>77,637</u>
Total Deductions	<u>8,206,956</u>
Change in Net Position	<u>(2,526,168)</u>
Net Position - Beginning of Year	<u>89,714,439</u>
Net Position - End of Year	<u>\$ 87,188,271</u>

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

## City of Torrington, Connecticut

Notes to Financial Statements  
June 30, 2016

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### 1. Summary of Significant Accounting Policies

The City of Torrington, Connecticut ("City") was incorporated as a City in 1740 and chartered as a City in 1923. The City covers an area of 40 square miles and is located in Litchfield County. The City is governed under the provision of its charter and the Connecticut General Statutes. The City operates under a Mayor and a City Council that consists of six members. The City provides the following services as authorized by its Charter: public safety (police and fire), public works (streets and highway), health and social services for the elderly, recreation, sewage disposal, wastewater treatment and education encompassing grades K-12.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's more significant accounting policies:

#### A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable; and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

#### B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position in Exhibit 1 and the Statement of Activities in Exhibit 2) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the City at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The City does not allocate indirect expenses to functions in the Statement of Activities.

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Financial Statements**

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The City maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for services. Operating expenses for the enterprise funds and the internal service funds include the cost of services, administrative expenses, depreciation, and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The City's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

**Fund Categories**

- a) Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the City's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.

WPCA Infrastructure Upgrade Fund – The WPCA Infrastructure Upgrade Fund is used to account for and report financial resources that have been committed to expenditures for the upgrade of the water pollution control facility.

## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 1. Summary of Significant Accounting Policies (Continued)

- b) Proprietary Funds - Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The City reports the following major proprietary fund:

The Water Pollution Control Authority ("WPCA") Enterprise Fund is used to account for activities that are funded by charging rates designed to cover the operations of the WPCA, including related capital assets.

Internal service funds are used to account for the City's risk financing activities; specifically the City reports the revenues and expenses for employee health insurance as well as maintenance provided to departments of the City and Board of Education.

- c) Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The City's Fiduciary Funds are used to account for assets held by the City in an agency capacity on behalf of others. These include Pension Trust and Agency funds. The Pension Trust Funds are provided to account for the activities of the City's defined benefit pension plans, which accumulate resources for pension payments to qualified employees upon retirement. Agency Funds account for monies held as a custodian for outside groups and agencies.

### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension trust funds. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting. 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.

**1. Summary of Significant Accounting Policies (Continued)**

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances**

**a) Deposits, Investments and Risk Disclosure**

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). The City's custodial credit risk policy is to allow the City to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio. Deposits may be made in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an out of state bank as defined by the Statutes.

The Short-Term Investment Fund ("STIF") is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the City does not own identifiable securities but invests as a shareholder of the investment pool.

## 1. Summary of Significant Accounting Policies (Continued)

**Investments** - The investment policies of the City conform to the policies as set forth by the State of Connecticut. The City's policy is to only allow prequalified financial institution broker/dealers and advisors. The City policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

The City follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quote prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

**Interest Rate Risk** - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The City minimizes interest rate risk by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, avoiding the need to sell securities on the open market prior to maturity. Generally, the City does not invest in any long-term investment obligations.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously and pre-qualifying institutions with which the City may do business.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The City's policy for credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously and pre-qualifying institutions with which the City may do business.



## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 1. Summary of Significant Accounting Policies (Continued)

**Concentration of Credit Risk** – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The City follows the limitations specified in the Connecticut General Statutes. Generally, the City's deposits cannot be 75% or more of the total capital of any one depository.

- b) **Taxes Receivable** - Property taxes are assessed on property values as of October 1<sup>st</sup>. The tax levy is divided into two billings; the following July 1<sup>st</sup> and January 1<sup>st</sup>. This is used to finance the fiscal year from the first billing (July 1<sup>st</sup>) to June 30<sup>th</sup> of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1<sup>st</sup> and February 1<sup>st</sup>), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed. The City has entered into an agreement with an outside vendor to collect its property taxes and sewer fees. The City receives 100% of its tax collections by the end of the year. The outside vendor receives the right to the interest on the delinquent property taxes and sewer fees.
- c) **Loans Receivable** – Loans receivable, which are related primarily to Small Cities grants, are stated at their unpaid principal balance. Allowances are recorded when appropriate.
- d) **Other Receivables** - Other receivables include amounts due from other governments and individuals for services provided by the City. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.
- e) **Prepaid Expenses/Expenditures** - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.
- f) **Inventories** - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The City uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balances in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.
- g) **Due From/To Other Funds** - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2016

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**1. Summary of Significant Accounting Policies (Continued)**

- h) Advances From/To Other Funds** - Advances from/to other funds represent loans to other funds, which are not expected to be repaid within the subsequent annual operating cycle. The advances are offset by restricted fund balance in the fund financial statements. They are not “available” for appropriation and are not expendable available financial resources.
- i) Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Intangible assets lack physical substance, are nonfinancial in nature and their useful lives extend beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized. Intangible assets with legal, contractual, regulatory, technological or other factors limiting their useful life are amortized over their useful lives.

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

Land is considered inexhaustible and, therefore, not depreciated. Construction in progress has not been put into service yet and, therefore, is not depreciated. Property, plant, and equipment of the City are depreciated or amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ 1,000
Construction in progress	N/A	1,000
Land improvements	20	1,000
Buildings and systems	25-50	1,000
Infrastructure	10-65	1,000
Machinery and equipment	5-20	1,000

- j) Unearned Revenues** - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.
- k) Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**1. Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred outflows and inflows related to pensions in the government-wide statement of net position. A deferred outflow or inflow of resources related to pension results from differences between expected and actual experience, the net difference between projected and actual earnings, and changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

- l) Long-Term Liabilities** - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceed received, are reported as expenditures.

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

- m) Compensated Absences** - City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Vested sick leave and accumulated vacation leave of the City's proprietary fund is recorded as an expense and liability within the fund, as the benefits accrue to employees.

## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 1. Summary of Significant Accounting Policies (Continued)

- n) **Net Pension Liability** - The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.
- o) **Net OPEB Obligations** - The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the City's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities, accordingly, in the government-wide financial statements.
- p) **Net Position** - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been completely depleted before unrestricted net position is applied.

The components of net position are detailed below:

- *Net Investment in Capital Assets* - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.
- *Restricted Net Position - Nonexpendable* - the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent.
- *Restricted Net Position – Expendable* - the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds.
- *Unrestricted* - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

1. **Summary of Significant Accounting Policies (Continued)**

q) **Fund Balance** - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund). However, if the use of the proceeds from amounts not in spendable form is restricted, committed, or assigned, then they are included in the appropriate fund balance classification (restricted, committed, or assigned), rather than nonspendable fund balance.
- Fund balances are to be reported as restricted when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balances are those that can only be used for specific purposes pursuant to formal action of the City's highest level of decision making authority. The City Council is the highest level of decision making authority for the City that can, by the adoption of a resolution prior to the end of the fiscal year, commit a fund balance. Once committed, these funds may only be used for the purpose specified unless the City removes or changes the purpose by taking the same action that was used to establish the commitment.
- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of a governing board or a body or official that has been delegated authority to assign amounts by the City Charter. It is used for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balances in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balances would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

**1. Summary of Significant Accounting Policies (Continued)**

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: committed, assigned, and unassigned.

**F. Encumbrances**

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

**G. Use of Estimates**

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

**2. Stewardship, Compliance and Accountability**

**A. Budget Basis**

A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** - The City does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut under a special funding situation in its budget. U.S. GAAP requires that the employer government recognize payments for salaries and fringe benefits paid under a special funding situation for its employees.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Transfers** - certain internal transfers, not recognized as expenditures on the GAAP basis, are treated as expenditures in the budget.

## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 2. Stewardship, Compliance and Accountability (Continued)

- **Excess Cost Grant** - The State reimburses the City for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as revenue.
- **Accrued Education Payroll** – When teachers elect to be paid in 26 biweekly installments, the four payments made after June 30<sup>th</sup> are not accrued and included in the current year's expenditures on a budgetary basis. The payments are recorded against the subsequent period's budget when they are paid.

#### B. General Budget Policies

The City adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. On or before February 15 of each year, every department, board or commission of the City shall furnish to the City Council an estimate of the amount of money required for its business for the ensuing year. On or before March 20 of each year, the Board of Finance reviews the budgets submitted by the City Council. The Board of Education shall submit its proposed budget to the Board of Finance on or before the 15th day of April.

The Board of Finance/City Council holds public hearings on the budget in May to obtain taxpayer comments. In mid-May, a joint meeting of the City Council and Board of Finance is held to make final recommendations on the budget. Prior to June 1, the Board of Finance votes final approval of the proposed budget and adopts the budget ordinance.

- Upon request by the City Council, the Board of Finance may authorize the transfer of any unencumbered appropriation from one department to another during the year. The Board of Finance may approve additional appropriations up to \$100,000. Additional appropriations of over \$100,000 must be approved by voter referendum whenever there is no offsetting revenue source to the appropriation so that it falls below this threshold.
- Formal budgetary integration is employed as a management control device for the General Fund during the year. Formal budgetary integration is not employed in Capital Projects and Special Revenue Funds because budgetary control is alternatively achieved by constraints imposed by the project authorization or grant awards related to those funds.
- The Board of Education, which is not a separate legal entity but a function of the City, is authorized under State law to make any transfers required within its budget at its discretion. Any additional appropriations must have Board of Education and Board of Finance approval.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**2. Stewardship, Compliance and Accountability (Continued)**

**C. Fund Deficits**

The following funds had deficit unassigned fund balances at fiscal yearend:

	Deficit	Expected Coverage	
		Other Fund	Future Bonding
Capital Project Funds			
WPCA Infrastructure Upgrade	\$ 1,137,187	\$ -	\$ 1,137,187
City Hall Renovations Fund	185,622	185,622	-
Internal Service Funds			
Maintenance Fund	316,086	316,086	-
Total	<u>\$ 1,638,895</u>	<u>\$ 501,708</u>	<u>\$ 1,137,187</u>

**D. Application of Accounting Standards**

For the year ended June 30, 2016, the City implemented new accounting standards which resulted in additional disclosures:

- GASB Statement 72 – *Fair Value Measurement and Application* – This Statement, addresses accounting and financial reporting issues related to fair value measurements.
- GASB Statement 76 – *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* – This statement identifies the current hierarchy of GAAP.
- Certain provisions of GASB Statement 79 – *Certain External Investment Pools and Pool Participants* for pool participants - This statement provides criteria for when an external investment pool may use amortized cost instead of Fair Value.

**E. Prior Period Adjustments**

During the 2016 fiscal year, the City made a number of corrections of errors in beginning balances. These were treated as prior period adjustments in that the beginning balances of equity were corrected to reflect the changes summarized as follows:

	Fund Balance		Net Position	
	Increase	Decrease	Increase	Decrease
General Fund				
Defer revenue on school construction grants	\$ -	\$ (343,017)	\$ -	\$ -
Record advance from other special revenue fund	-	(670,000)	-	-
Proprietary Funds				
Agree beginning capital assets to schedule	-	-	-	(672,208)
Other Governmental Funds				
Record Small Cities rehabilitation loans	2,378,715	-	2,378,715	-
Record Arts Leadership loans	63,292	-	-	-
Remove deferred revenue on loans made	448,632	-	-	-
Record advance to General Fund	670,000	-	-	-
Governmental Activities Capital Assets				
Agree beginning capital assets to schedule	-	-	-	(955,188)
	<u>\$ 3,560,639</u>	<u>\$ (1,013,017)</u>	<u>\$ 2,378,715</u>	<u>\$ (1,627,396)</u>



**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

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**3. Cash, Cash Equivalents and Investments**

Cash and investments of the City consist of the following at year-end:

Statement of Net Position	
Cash and equivalents	\$ 30,923,428
Investments	8,289,377
	<u>39,212,805</u>
Fiduciary Funds	
Cash and equivalents	1,064,012
Investments	86,929,395
	<u>87,993,407</u>
Total Cash and Investments	<u>\$ 127,206,212</u>

**Cash and Cash Equivalents** - The carrying amount of the City's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 31,931,924
Plus external investment pools	55,516
	<u>\$ 31,987,440</u>

The bank balance of the deposits was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,430,020
Uninsured and uncollateralized	39,974,297
	<u>\$ 41,404,317</u>

**Investments** – Investments are summarized as follows at yearend:

	General Fund	Pension	Total Investments
Certificates of deposit	\$ 8,289,377	\$ -	\$ 8,289,377
U.S. government agencies	-	239	239
Mutual funds - equity	-	56,964,350	56,964,350
Mutual funds - bonds	-	29,964,806	29,964,806
	<u>\$ 8,289,377</u>	<u>\$ 86,929,395</u>	<u>\$ 95,218,772</u>

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**3. Cash, Cash Equivalents and Investments (Continued)**

Below is a summary of the interest rate risk and credit risk on the investments at yearend:

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Certificates of deposit	*	\$ 8,289,377	\$ 8,289,377	\$ -	\$ -
U.S. government agencies	Aaa	239	-	-	239
Mutual funds - equity	NA	56,964,350	56,964,350	-	-
Mutual funds - bonds	AA	29,964,806	8,370,838	1,111,143	20,482,825
Total		<u>\$ 95,218,772</u>	<u>\$ 73,624,565</u>	<u>\$ 1,111,143</u>	<u>\$ 20,483,064</u>

\* Subject to Federal Depository insurance and collateralization  
NA Not applicable

The following are major categories of investments measured at fair value on a recurring basis, grouped by the fair value hierarchy:

Type of Investment	Investments not Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of deposit	\$ 8,289,377	\$ -	\$ -	\$ -	\$ 8,289,377
U.S. government agencies	-	239	-	-	239
Mutual funds - equity	-	56,964,350	-	-	56,964,350
Mutual funds - bonds	-	29,964,806	-	-	29,964,806
Total	<u>\$ 8,289,377</u>	<u>\$ 86,929,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,218,772</u>

**4. Receivables, Unavailable Revenue and Unearned Revenue**

**Receivables** - Of the intergovernmental receivables, \$2,847,370 in reimbursements for education bonds from the State is a long-term receivable and not expected to be collected within one year.

**Unavailable Revenue** – Governmental funds report unavailable revenue on the modified accrual basis (Exhibit 3) in connection with certain receivables that are not available within 60 days to liquidate liabilities of the current period. The following amounts of receivables were reported as *unavailable revenue*, instead of revenue, because they were not received within 60 days of the year end:

	General Fund	Other Governmental Funds
Intergovernmental revenue	\$ 2,991,992	\$ 289,340
Other	133,115	72,288
	<u>\$ 3,125,107</u>	<u>\$ 361,628</u>

**Unearned Revenue** – Both Government Wide Activities and Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. The City reported \$283,522 in advances on grants as *unearned revenue* at fiscal yearend.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2016

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**5. Interfund Transactions**

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2016 these were summarized as follows

	Due from		Total
	Other Governmental Funds	Internal Service Funds	
Due to General Fund	\$ 183,639	\$ 790,135	\$ 973,774

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2016 were as follows:

	General Fund	Other Governmental Funds	Total
Transfers out of General Fund	\$ -	\$ 3,042,263	\$ 3,042,263
Other governmental funds	-	151,690	151,690
WPCA Enterprise Fund	-	588,805	588,805
Internal Service Funds	1,400,000	5,693	1,405,693
	<u>\$ 1,400,000</u>	<u>\$ 3,788,451</u>	<u>\$ 5,188,451</u>

**6. Advances To/From Funds**

The Other Special Revenue Fund has advanced the General Fund a loan in the amount of \$670,000. The City used \$670,000 of revolving loan proceeds in 2014-15 to remediate a City property. The City will repay \$67,000 per year for 10 years to the Other Special Revenue Fund. The balance at June 30, 2016 was \$603,000.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**7. Capital Assets**

Changes in the City's capital assets used in the governmental activities are as follows:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 3,797,034	\$ -	\$ -	\$ 3,797,034
Construction in progress	21,016,495	2,026,554	(1,837,253)	21,205,796
	<u>24,813,529</u>	<u>2,026,554</u>	<u>(1,837,253)</u>	<u>25,002,830</u>
Capital assets being depreciated				
Land improvements	5,251,943	661,428	-	5,913,371
Buildings and systems	87,033,334	908,354	-	87,941,688
Machinery and equipment	29,929,653	1,034,483	(1,192,209)	29,771,927
Infrastructure	72,928,874	-	-	72,928,874
	<u>195,143,804</u>	<u>2,604,265</u>	<u>(1,192,209)</u>	<u>196,555,860</u>
Less accumulated depreciation				
Land improvements	(4,703,815)	(41,321)	-	(4,745,136)
Buildings and systems	(28,675,858)	(1,941,107)	-	(30,616,965)
Machinery and equipment	(22,035,124)	(2,220,324)	1,192,209	(23,063,239)
Infrastructure	(55,867,170)	(1,088,760)	-	(56,955,930)
	<u>(111,281,967)</u>	<u>(5,291,512)</u>	<u>1,192,209</u>	<u>(115,381,270)</u>
	<u>83,861,837</u>	<u>(2,687,247)</u>	<u>-</u>	<u>81,174,590</u>
	<u>\$ 108,675,366</u>	<u>\$ (660,693)</u>	<u>\$ (1,837,253)</u>	<u>\$ 106,177,420</u>

Included in construction in progress are City Hall renovations, high school stadium improvements, sewer rehabilitation, and other projects.

Depreciation and amortization expense was charged to the governmental activities as follows:

General government	\$ 225,456
Public safety	1,127,087
Public works	1,553,045
Public health & social services	44,863
Recreation	3,107
Board of Education	2,337,954
	<u>\$ 5,291,512</u>

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**7. Capital Assets (Continued)**

Changes in the City's capital assets used in the business-type activities are as follows

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Land improvements	\$ 691,500	\$ -	\$ -	\$ 691,500
Buildings and systems	1,104,750	-	-	1,104,750
Machinery and equipment	11,555,268	18,943	-	11,574,211
Infrastructure	7,579,715	-	-	7,579,715
	<u>20,931,233</u>	<u>18,943</u>	<u>-</u>	<u>20,950,176</u>
Less accumulated depreciation				
Land improvements	(683,918)	(1,286)	-	(685,204)
Buildings and systems	(445,221)	(22,472)	-	(467,693)
Machinery and equipment	(9,863,441)	(321,432)	-	(10,184,873)
Infrastructure	(2,574,071)	(312,764)	-	(2,886,835)
	<u>(13,566,651)</u>	<u>(657,954)</u>	<u>-</u>	<u>(14,224,605)</u>
	<u>\$ 7,364,582</u>	<u>\$ (639,011)</u>	<u>\$ -</u>	<u>\$ 6,725,571</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities totaled \$657,954 charged to the sewer program.

**8. Long-Term Liabilities – Governmental Funds**

The changes in the City's governmental long-term indebtedness for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 24,405,000	\$ 4,760,000	\$ (7,345,000)	\$ 21,820,000	\$ 2,530,000
Premiums on bonds	-	375,709	(53,324)	322,385	45,959
Capital leases	268,333	-	(97,171)	171,162	55,889
Pension obligations	39,800,412	14,610,197	(8,129,319)	46,281,290	-
OPEB obligations	31,833,700	10,270,900	(3,283,900)	38,820,700	-
Special termination benefits	5,236,051	970,525	(1,134,054)	5,072,522	1,068,272
Compensated absences	4,093,744	327,333	(347,558)	4,073,519	429,349
Post closure landfill costs	356,000	-	(40,000)	316,000	40,000
	<u>\$ 105,993,240</u>	<u>\$ 31,314,664</u>	<u>\$ (20,430,326)</u>	<u>\$ 116,877,578</u>	<u>\$ 4,169,469</u>

Each governmental funds liability is liquidated by the respective fund to which it relates, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**8. Long-Term Liabilities – Governmental Funds (Continued)**

**A. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of fiscal year end consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Refunding 1999 Schools	2006	\$ 13,915,000	2020	3.75-5.0%	\$ 5,795,000
General purpose	2006	7,855,000	2027	3.75-5.0%	240,000
School	2010	2,150,000	2031	3.0-4.5%	1,650,000
Build America Bonds	2010	11,855,000	2031	2.6-6.9%	9,375,000
Refunding 2006 Schools	2016	4,760,000	2031	3.0-4.0%	4,760,000
					<u>\$ 21,820,000</u>

Payments to maturity on the general obligation bonds are as follows:

Year End	Principal	Interest	Year End	Principal	Interest
2017	\$ 2,530,000	\$ 1,007,386	2025	\$ 1,255,000	\$ 337,067
2018	2,560,000	889,355	2026	1,265,000	278,793
2019	2,575,000	771,792	2027	1,285,000	218,593
2020	2,575,000	652,199	2028	735,000	164,955
2021	1,185,000	565,961	2029	735,000	118,690
2022	1,200,000	513,149	2030	735,000	71,731
2023	1,215,000	456,548	2031	735,000	24,038
2024	1,235,000	396,299		<u>\$ 21,820,000</u>	<u>\$ 6,466,556</u>

The City has \$52,034,872 of debt authorized but unissued as follows:

Project	Amount of Total Debt Authorized	Bonds Issued	Paydowns/ Grants	Authorized But Unissued Debt
Infrastructure Improvements	\$ 1,800,000	\$ (1,475,000)	\$ (179,666)	\$ 145,334
Torrington Elementary School	25,750,000	(9,020,000)	(16,134,059)	595,941
City Hall / City Barn	14,982,597	(12,840,000)	(849,000)	1,293,597
Sewer Improvements	52,000,000	(2,000,000)	-	50,000,000
	<u>\$ 94,532,597</u>	<u>\$ (25,335,000)</u>	<u>\$ (17,162,725)</u>	<u>\$ 52,034,872</u>

In addition, the City had a bond anticipation note in the amount of \$2,000,000. This was paid off after yearend as discussed in Note 19 - Subsequent Events.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**8. Long-Term Liabilities – Governmental Funds (Continued)**

**B. Advance Refunding**

During the year, the City issued serial bonds to advance refund existing serial bonds. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the bonds. As a result, the 2006 serial bonds are considered partially defeased and the liability for those serial bonds has been removed from the Statement of Net Position.

	New Debt	Old Debt
Purpose	Refunding	2006 Various
Range of Interest Rates	3.75-5.0%	3.0%-4.0%
Face Value of Debt	\$ 4,760,000	\$ 4,820,000
Net Original Issue Premium, Amortizing (1)	343,009	NA
Underwriting Fees	(91,537)	NA
Net Proceeds	<u>\$ 5,011,472</u>	NA
Deferred Charge on Refunding, Amortizing (2)		191,472
Deposit to Escrow Deposit Fund		<u>\$ 5,011,472</u>
Savings on Refunding		
Reduction in Debt Service Payments	\$ 442,318	
Net Present Value of Economic Gain	\$ 400,243	

**C. Capital Leases Payable**

The City has entered into a lease agreement to finance the acquisition of various types of equipment. The equipment is included in the capital assets with a cost of \$708,738 and accumulated depreciation of \$428,626. These leases qualify as capital leases for accounting purposes. The City's capital lease obligation at yearend is as follows:

Total payments on capital lease(s) for year ending		
2017	\$	59,432
2018		59,432
2019		59,432
		<u>178,296</u>
Less the amount representing interest		(7,134)
Present value of future minimum lease payments	\$	<u>171,162</u>

**D. Defeasance of Debt**

The City defeased the above bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2016, \$4,820,000 of bonds outstanding are considered defeased.

**E. Special Termination Benefits**

This amount represents scheduled payouts, as well as eligible payouts, to the Board of Education retirees who have taken, and are expected to take, advantage of the City's retirement program. The amount is based on percentages applied to salaries after an employee meets certain age and years of service requirements.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**8. Long-Term Liabilities – Governmental Funds (Continued)**

**F. Post Closure Landfill Costs**

The City has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in the long-term debt. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year the actual costs amounted to \$36,316.

**G. Heart and Hypertension Claims**

The City has claims outstanding for various heart and hypertension cases. No loss accrual has been made for these claims because the loss cannot be reasonably estimated. These claims are being paid on a pay as you go basis. The total paid on these claims this year was \$423,529.

**H. Legal Debt Limit**

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the City and other governmental agencies within the City. The limitations for the City of Torrington, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year	\$ 89,295,918
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	2,000
Debt limitation base	<u>\$ 89,297,918</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 200,920,316	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	401,840,631	-	-	-
3 3/4 times base	-	-	334,867,193	-	-
3 1/4 times base	-	-	-	290,218,234	-
3 times base	-	-	-	-	267,893,754
Total debt limitation	<u>200,920,316</u>	<u>401,840,631</u>	<u>334,867,193</u>	<u>290,218,234</u>	<u>267,893,754</u>
Indebtedness					
Bonds payable	10,365,000	11,455,000	-	-	-
Bond anticipation notes	-	-	2,000,000	-	-
Clean water fund	-	-	837,197	-	-
Amount to be provided by CT	-	(2,847,370)	-	-	-
Total indebtedness	<u>10,365,000</u>	<u>8,607,630</u>	<u>2,837,197</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 190,555,316</u>	<u>\$ 393,233,001</u>	<u>\$ 332,029,996</u>	<u>\$ 290,218,234</u>	<u>\$ 267,893,754</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 625,085,426



**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**9. Long-Term Liabilities – Enterprise Funds**

The following table summarizes changes in the City's long-term indebtedness in the enterprise funds for the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Clean Water Loans	\$ 887,474	\$ -	\$ (50,277)	\$ 837,197	\$ 51,293
Compensated Absences	231,115	25,768	(9,872)	247,011	12,265
	<u>\$ 1,118,589</u>	<u>\$ 25,768</u>	<u>\$ (60,149)</u>	<u>\$ 1,084,208</u>	<u>\$ 63,558</u>

Payments to maturity on the enterprise portion of the clean water loans are as follows:

Year End	Principal	Interest	Year End	Principal	Interest
2017	\$ 51,293	\$ 16,275	2025	\$ 60,185	\$ 7,384
2018	52,328	15,240	2026	61,399	6,169
2019	53,384	14,184	2027	62,639	4,929
2020	54,462	13,107	2028	63,903	3,665
2021	55,561	12,007	2029	65,193	2,375
2022	56,683	10,886	2030	66,509	1,059
2023	57,830	9,742	2031	16,836	56
2024	58,994	8,574		<u>\$ 837,199</u>	<u>\$ 125,652</u>

**10. Net Position**

The City had \$3,500 in nonexpendable net position restricted for trust fund principal. The components of restricted, but expendable, net position are summarized below:

General Government	\$ 122,261
Public Safety	93,531
Public Works	1,449,001
Public Health/Social Services	173,472
Culture and Recreation	412,377
Education	388,063
Housing rehab program	3,406,522
Brownfields Revitalization	670,000
Other Purposes	39,510
	<u>\$ 6,754,737</u>

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2016

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**11. Fund Balances**

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Other Governmental Funds	Total Governmental Funds
Inventories	\$ -	\$ 32,252	\$ 32,252
Trust principal	-	3,500	3,500
	<u>\$ -</u>	<u>\$ 35,752</u>	<u>\$ 35,752</u>
Restricted			
General Government	\$ -	\$ 122,261	\$ 122,261
Public Safety	-	93,531	93,531
Public Works	-	1,449,001	1,449,001
Public Health/Social Services	-	173,472	173,472
Culture and Recreation	-	412,377	412,377
Education	-	388,063	388,063
Housing rehab program	-	3,406,522	3,406,522
Brownfields Revitalization	-	670,000	670,000
Other Purposes	-	39,510	39,510
	<u>\$ -</u>	<u>\$ 6,754,737</u>	<u>\$ 6,754,737</u>
Committed			
Revaluation	\$ 293,758	\$ -	\$ 293,758
Capital Projects	-	7,002,993	7,002,993
	<u>\$ 293,758</u>	<u>\$ 7,002,993</u>	<u>\$ 7,296,751</u>
Assigned			
General Government	\$ 211,387	\$ 227	\$ 211,614
Public Health/Social Services	-	220,204	220,204
Education	-	461,740	461,740
	<u>\$ 211,387</u>	<u>\$ 682,171</u>	<u>\$ 893,558</u>

**12. City Pension Plans – Municipal Plan and Police and Fire Plan**

- A. Plan Description** - The City is the administrator of two single-employer, contributory, defined benefit pension plans. Plan provisions are established and amended by the plans' Boards of Trustees. The plans cover substantially all full-time employees except professional personnel at the Board of Education. The pension plans are part of the City's financial reporting entity and are accounted for in the pension trust funds as the Police & Fire Retirement, and the City Employees' Pension. Separate financial statements are not issued.

Management of the plans rests with the Board of Trustees. The Police and Firemen's Retirement Plan Board of Trustees consists of the mayor, city treasurer, the four members of the board of public safety, one member of the regular fire department to be chosen biennially by the members of the regular fire department and one member of the police department to be chosen biennially by the members of the regular police department. The Municipal Employees' Retirement Plan Board of Trustees is made up of ten members consisting of the mayor, city treasurer, the six members of the board of councilmen, one street department employee and one city hall employee, which are chosen biennially by the employees participating in the benefits.

**B. Plan Benefits**

**Police and Firemen's Retirement**

The Plan provides normal retirement, death, and disability benefits through a single-employer contributory defined benefit plan. All regular employees of the Police Department and regular employees of the Fire Department hired before June 8, 2009 are participants of the Plan.

The retirement benefit is calculated at 2% of the member's highest 1-year compensation during the final 5 years of employment multiplied by years of service with the following changes:

- Effective September 8, 2000, all police members who have not yet reached the 25th anniversary of date of hire shall have years of service (including any buyback service) maximized at 27 years.
- Effective September 8, 2005, the benefit for police members shall be based on a salary that is the average annual compensation during the 3-year period immediately preceding separation from service.
- Effective September 8, 2000, police members may buy back City service, for benefit accrual purposes only, during the year following September 8, 2000 or during the first year of employment for police hired after that date subject to the restrictions in the Plan.

Normal Retirement Age is 55 with 10 years of service or following the completion of 25 years of continuous service. Participants are 100% vested in their accrued benefit after 10 years of service. Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increase. Effective May 5, 2008, participants are required to contribute 8% of their gross pay and the yearly credit was raised to 2.5% up to a maximum of 27 years of credited service.

**12. Employee Retirement Systems and Pension Plans (Continued)**

Participants are assumed to retire upon reaching 25 years of credited service, but not before age 51 (Police) or 53 (Fire). All active and terminated vested participants are assumed to retire by age 57. The July 1, 2008 valuation no longer assumed that final pay for firemen would be increased by 10% and 4% for police due to inclusion of accrued vacation time, since accrued vacation is now excluded from pension calculations.

Effective May 5, 2008 for police members, the percentage for the yearly credit is 2.5% as shown above; however, the service is maximized at 27 years, a 10-years of service requirement was added to the disability benefit, and they must contribute 8% of compensation for a maximum of 27 years. For the period May 5, 2008 through May 4, 2011, no more than 5 police members may retire annually under this provision.

**Municipal Employees' Retirement**

The Plan provides normal retirement, early retirement, termination and death benefits through a single employer contributory defined benefit plan. All members of Public Works Employees', City Hall, School Maintenance, and Custodial Employees' Local #1579 and their supervisory employees, hired prior to September 2, 2008 are members of the Plan.

New employees are no longer eligible for this plan. The retirement benefit for all aforementioned employees other than supervisory employees is calculated at 2% of the participant's average monthly earnings during the final 3 years of employment multiplied by years of service with a minimum annual benefit of \$240 per year of service, maximum 35 years. Benefits for supervisory employees are based the highest of the last 3 years of annual gross earnings.

Normal Retirement Age is age 65 or following age 60 with 25 years of service. Participants are 100% vested in their accrued benefit after 5 years of continuous service as long as their employee contributions remain in the fund upon termination. Member's contributions are returnable on termination or death while active or retired (less any benefits paid) provided in each case that no death benefits are otherwise payable.

Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increases.

**C. Funding Policy**

**Police and Firemen's Retirement**

Member contributions of 8% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

**Municipal Employees' Retirement**

Member contributions of 5% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

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**12. Employee Retirement Systems and Pension Plans (Continued)**

**D. Plan Membership** – As of the date of the latest actuarial valuation (July 1, 2014), membership consisted of the following:

	Municipal	Police & Fire
Active participants	136	103
Participants receiving a benefit	121	175
Terminated vested participants	8	3
	265	281

**E. Investments**

**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

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

Asset Class	Target Allocation		Long-term Expected
	Municipal	Police & Fire	Real Rate of Return
Fixed Income	35.00%	35.00%	3.50%
Domestic Equities	42.50%	42.50%	7.80%
International Equities	17.50%	17.50%	8.25%
Global REIT	5.00%	5.00%	6.75%

**Rate of Return**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the year, was -0.72% for the Municipal Employees' Plan and -0.92% for the Police and Firemen's Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**12. Employee Retirement Systems and Pension Plans (Continued)**

**F. Net Pension Liability**

The components of the net pension liabilities at yearend were as follows:

	<u>Municipal</u>	<u>Police &amp; Fire</u>
Municipal pension liability	\$ 46,336,750	\$ 87,109,682
Plan fiduciary net position	<u>(35,257,198)</u>	<u>(51,907,944)</u>
Net pension liability (asset)	<u>\$ 11,079,552</u>	<u>\$ 35,201,738</u>
Plan fiduciary net position as a percent of total pension liability	76.09%	59.59%

The changes in the net pension liability during the year were as follows:

	<u>Municipal</u>	<u>Police &amp; Fire</u>
<b>Total Pension Liability</b>		
Service cost	\$ 832,714	\$ 1,629,262
Interest on total pension liability	3,319,339	6,279,584
Benefit payments	<u>(2,436,843)</u>	<u>(5,692,476)</u>
Net change in total pension liability	1,715,210	2,216,370
Total pension liability, beginning	<u>44,621,540</u>	<u>84,893,312</u>
Total pension liability, ending	<u>46,336,750</u>	<u>87,109,682</u>
<b>Fiduciary Net Position</b>		
Employer contributions	1,521,271	3,795,161
Member contributions	353,195	715,430
Investment income net of investment expenses	(256,752)	(485,726)
Benefit payments	(2,436,843)	(5,692,476)
Administrative expenses	<u>(25,797)</u>	<u>(36,760)</u>
Net change in plan fiduciary net position	(844,926)	(1,704,371)
Fiduciary net position, beginning	<u>36,102,124</u>	<u>53,612,315</u>
Fiduciary net position, ending	<u>35,257,198</u>	<u>51,907,944</u>
Change in net pension liability	2,560,136	3,920,741
Net pension liability, beginning	<u>8,519,416</u>	<u>31,280,997</u>
Net pension liability, ending	<u>\$ 11,079,552</u>	<u>\$ 35,201,738</u>

**Sensitivity Analysis** – The following presents the net pension liability, calculated using the current discount rate, as well as what the net pension would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**12. Employee Retirement Systems and Pension Plans (Continued)**

		1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Municipal	Net Pension Liability	<u>\$ 16,016,668</u>	<u>\$ 11,079,552</u>	<u>\$ 6,847,759</u>
Police & Fire	Net Pension Liability	<u>\$ 44,861,741</u>	<u>\$ 35,201,738</u>	<u>\$ 27,049,503</u>

**G. Actuarial Methods and Significant Assumptions**

The following actuarial methods and assumptions were used in the July 1, 2014 valuation and projected forward to a measurement date of June 30, 2016:

<b>Valuation timing</b>	Actuarially determined contribution rates are calculated as of July 1, twelve months prior to the beginning of the fiscal year in which the contributions are reported.
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	
Level percent or level dollar	Level percent of pay
Closed, open or layered	Closed period
Amortization period at 1/1/14	28 years as of July 1, 2014
<b>Asset valuation method</b>	
Smoothing period	4 year
Recognition method	25% per year
<b>Inflation</b>	3.00%
<b>Discount Rate</b>	7.50%
<b>Salary increases</b>	3% (due to inflation) plus merit component based on age
<b>Turnover</b>	Based on the participants age and gender
<b>Post-retirement mortality</b>	1994 Uninsured Pensioners (UP) tables for males and females

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2014.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate until fiscal year end 2080 (municipal plan) and 2084 (police and fire) when only a portion of the projected benefit payments can be made from the projected fiduciary net position.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2016

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**12. Employee Retirement Systems and Pension Plans (Continued)**

After that the payments are discounted at the municipal bond rate of 2.85% (the June 30, 2016 Bond Buyer 20-Bond GO Index) to the extent that fiduciary net position is not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the total pension liability as of yearend is 7.5%.

**Changes in the Plan and the Plan Assumptions** – There were no changes in the plan or plan assumptions from last year.

**H. Pension Expense** – The total pension expense recognized for the year ended June 30, 2016 for the municipal plan was \$891,242 and \$4,574,920 for the police and fire plan. Pension expense for the next 4 years will be affected by the following deferred outflows and inflows of resources:

Increase (Decrease) in Pension Expense from the Recognition of the Effects of deferred inflows and outflows:

	To Be Recognized in				
	2017	2018	2019	2020	Total
Municipal	\$ (247,411)	\$ (247,411)	\$ 973,981	\$ 588,550	\$ 1,067,709
Police & Fire	1,320,795	1,320,798	1,451,365	892,357	4,985,315

**I. Defined Contribution Plan** – For employees not on the defined pension plan discussed above, the City has established the City of Torrington Money Purchase Plan. Normal retirement age under this plan is 60 years old. The employee is vested after 5 years of completed service. The City contributes between 6-8% of employee earnings based on their specific bargaining unit. The total contributed for the year was \$242,999 on \$3,966,851 of covered payroll.

**13. Teachers’ Retirement System**

**Plan Description** – Teachers and certain other certified personnel in the City are eligible to participate in the Connecticut State Teachers’ Retirement System (“TRS”), a cost-sharing multiple employer public employee retirement system described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The Teachers’ Retirement System is administered by the Teachers’ Retirement Board. The plan does not issue a separate financial statement.

**Plan Membership** – All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

**Plan Benefits** – Plan provisions are set by statute of, and remain the obligation of, the State of Connecticut. The Teachers’ Retirement System provides retirement benefits, as well as death and disability benefits. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.



**13. Teachers' Retirement System (Continued)**

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary. A minimum monthly benefit of \$1,200 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty-five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

**Funding Policy** – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contribution. Contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Members are required to contribute six percent of their annual salary for the pension benefit.

The City is not required to make contributions to the plan. The City's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

**Actuarial Methods and Significant Assumptions** – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2016 financial statements (Reporting Date):

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

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**13. Teachers' Retirement System (Continued)**

<b>Experience study dates</b>	July 1, 2005 - June 30, 2010
<b>Inflation</b>	3.00%
<b>Salary increases</b>	3.75-7.00%, including inflation
<b>Investment rate of return</b>	8.50%, net of investment related expense, including inflation
<b>Discount rate</b>	8.50%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
<b>Cost of living adjustment</b>	Annually compounded increases vary based on member age and date of retirement and range from 2.00% to 6.00%
<b>Post-retirement mortality</b>	RP-2000 Combined Mortality Table projected 19 years

There were no changes in assumptions, benefits, or discount rate that affected the measurement of the total pension liability since the prior measurement date.

**Target Asset Allocation and Rates of Return** – The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Core Fixed Income	7.00%	1.30%
Inflation Linked Bond Fund	3.00%	1.00%
Emerging Market Bond	5.00%	3.70%
High Yield Bonds	5.00%	3.90%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Liquidity Fund	6.00%	0.40%

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**13. Teachers' Retirement System (Continued)**

**City's Proportionate Share of the Collective Net Pension Liability** – Connecticut school teachers participate in the TRS pursuant to Section 10-183b et seq. of the Connecticut General Statutes (the "Teachers' Retirement Act"). The Teachers' Retirement Act governs the pension benefits and eligibility of the active and retired teachers of the Torrington Public Schools. The Teachers' Retirement Act requires the Connecticut General Assembly, not any city, town or local school district, to appropriate the funds necessary to pay the pension benefits due to retirees under the System, including retired teachers of the Torrington Public Schools. Section 10-183c of the Connecticut General Statutes provides that the retirement benefits of teachers who have vested under the TRS are contractual in nature and may not be diminished by act of the General Assembly. Accordingly, funding the pension benefits of retired teachers of the Torrington Public Schools is a statutory and contractual obligation of the State government, not an obligation of the City of Torrington.

City of Torrington Net Pension Liability	\$	-
State of Connecticut's Net Pension Liability for the City of Torrington		80,724,853
Net Pension Liability	<u>\$</u>	<u>80,724,853</u>
Net Pension Liability percentage of the total		0.735732%
Deferred outflows of resources		
Contributions subsequent to the Measurement Date	\$	-
Deferred inflows of resources		
Net difference projected and actual earnings on investments	\$	580,397
Pension expense	\$	6,468,095
Proportion Basis		Employee contributions
Change in proportion since prior measurement date		None

**Sensitivity Analysis** – The following presents Connecticut's net pension liability with respect to the City of Torrington, Connecticut's employee group, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 7.5%	Current Discount Rate 8.5%	1% Increase 9.5%
Net Pension Liability (Asset)	<u>\$ 101,800,551</u>	<u>\$ 80,724,853</u>	<u>\$ 62,810,302</u>

**13. Teachers' Retirement System (Continued)**

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

**Support Provided by Nonemployer Contributing Entities** – The City has a special funding situation whereby the State is obligated to pay the pension costs of the Teachers' Retirement System and the City is not required to pay any of the costs. However, the City must record the costs paid by the State on behalf of the City's employees as revenue and expense in its GAAP financial statements which amounted to \$6,468,092.

**Plan Fiduciary Net Position** – Detailed information about the Connecticut State Teachers' Retirement Plan Fiduciary Net Position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

**14. Other Post-Employment Benefits ("OPEB")**

From an accrual accounting perspective, the cost of post-employment health care benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

**A. Plan Description**

The City, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The City's Post-Retirement Medical Program ("RMP") covers City, Board of Education, Police and Fire employees. Retired program members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving those benefits under the City's self-insured medical benefits program. The percentage contribution of the employees and retirees for these benefits vary and are detailed with the City's various bargaining agreements. The City does not issue a separate standalone financial statement for this program.

At July 1, 2014, plan membership consisted of the following:

Retired Members	384
Spouses of retired members	217
Active plan members	<u>927</u>
	<u>1,528</u>

**14. Other Post-Employment Benefits (“OPEB”) (Continued)**

**B. Funding Policy**

The City funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you-go basis. The City has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The City is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund has yet to be established to exclusively control the funding and reporting of postemployment benefits, the City anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability.

The City’s funding strategy for postemployment obligations are based upon characteristics of benefits on nine distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

- City Hall employees and Public Works Employees contribute an average 12% of the contribution for medical and dental coverage to age 65 with none at ages 65 and older. They are eligible to receive medical coverage under various CIGNA medical plans and an Anthem dental plan to age 65. At age 65, if eligible, they are enrolled in an Anthem Medicare supplemental plan. They also receive life insurance benefits of \$10,000 - \$15,000 at no cost to the retiree.
- Police and Fire employees who meet certain criteria for retirement are eligible to receive medical coverage under various CIGNA medical plans and an Anthem dental plan to age 65. At age 65, if eligible, they are enrolled in an Anthem Medicare supplemental plan. They also receive life insurance benefits of \$3,000 at no cost to the retiree. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.
- City supervisory employees who meet certain criteria for retirement are eligible to receive medical coverage under various CIGNA medical plans and an Anthem dental plan to age 65. At age 65, if eligible, they are enrolled in an Anthem Medicare supplemental plan. They also receive life insurance benefits of \$5,000 at a contribution rate of 5% or 10% of the contribution with no contribution over age 65. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.
- Teachers are eligible for medical and dental coverage if they retire under the State Teacher’s Plan and must contribute 100% of the cost for this coverage.
- Board of Education Cafeteria employees are eligible for medical and dental coverage if they retire at age 60 with 10 years of service or qualify under disability retirement and must contribute 100% of the cost for this coverage.
- Board of Education Custodians who retire at age 55 with 20 years of service or qualify under disability retirement can receive dental coverage to age 65 and medical coverage for ages 65 and over and must contribute 7% of the cost of coverage. They may also receive life insurance benefits of \$5,000.

## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 14. Other Post-Employment Benefits ("OPEB") (Continued)

- Board of Education Nurses and paraprofessionals who retire at age 60 with 15 years of service or qualify under disability retirement can receive medical benefits up to age 65, and must contribute 25% of the cost for this coverage for themselves and 100% for their spouse, as well as dental coverage at 25% of the contribution only until they reach the age of 65.

#### Annual OPEB Cost ("AOC") and Net OPEB Obligation ("NOO")

Amortization Component:

Actuarial Accrued Liability as of July 1, 2014	\$ 102,954,000
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 102,954,000</u>
Funded Ratio	0%
Covered Payroll (Active plan members)	\$ 50,846,100
UAAL as a Percentage of Covered Payroll	202.48%
Annual Required Contribution	\$ 10,828,600
Interest on Net OPEB Obligation	1,114,200
Adjustment to Annual Required Contribution	<u>(1,671,900)</u>
Annual OPEB Cost	10,270,900
Contributions made	<u>(3,283,900)</u>
Increase in net OPEB Obligation (Asset)	6,987,000
Net OPEB Obligation (Asset) - Beginning of the year	31,833,700
Net OPEB Obligation (Asset) - End of the year	<u>\$ 38,820,700</u>

**Actuarial Methods and Significant Assumptions** - The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance.

The "normal cost" is derived for each active participant as the actuarial present value of the projected benefits that are attributed to expected service in the current plan year. The normal cost for the plan is the total of the individual normal costs for each participant. The accrued liability is equal to the portion of the present value of future benefits that is allocated to years of service before the valuation date.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

**City of Torrington, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

**14. Other Post-Employment Benefits (“OPEB”)**

The City is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2014
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Medical Inflation	8% for 2014, reducing .5% per year to a final 5% for 2020 and later
Amortization Method	Level dollar amortization
Amortization	30 years, open
Mortality	RP-2000 Mortality Table with separate male and female rates, no collar adjustment, with scale AA
Participation	100%
Retirement	Based on percentages at differing ages depending on department

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
2014	\$ 7,807,700	\$ 2,962,800	37.9%	\$ 27,352,700
2015	7,941,800	3,460,800	43.6%	31,833,700
2016	10,270,900	3,283,900	32.0%	38,820,700

**Funding Progress**

As of the last valuation date, July 1, 2014, the actuarial valuation of the plan assets was \$0. The actuarial accrued liability was \$102,954,000. The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits. There is no requirement for funding and the plan has not been funded.

**Schedule of Funding Progress**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
7/1/2014	\$ -	\$ 102,954,000	\$ (102,954,000)	0.00%	\$ 50,846,000	202.48%

## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 15. Risk Management

The City is exposed to various risks of loss including torts; public official liabilities; police liability; heart and hypertension claims; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss except medical benefits. The City established an internal service fund, health insurance fund, to account for and finance the retained risk of loss for the City's medical benefits claims.

A third party administers the medical insurance plan for which the City pays a fee. The medical insurance fund provides coverage for most City employees. The City purchases individual stop loss coverage for claims over \$250,000. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no reduction in insurance coverage from that in the prior year.

Changes in the balances of claims are as follows:

Year Ended	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2015	1,342,983	17,341,832	(17,539,904)	1,144,911
2016	1,144,911	18,114,045	(17,943,890)	1,315,066

The internal service funds are substantially funded by the General Fund based on estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liabilities, reported in the internal service funds at June 30, 2016, are based on the requirements of U.S. GAAP, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

### 16. Contingencies

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

**Grants** - The City participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, to be immaterial.



## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 16. Contingencies (continued)

**School Building Grants** - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the City abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State. For projects with a cost of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

**Investment Securities** – The City invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have had a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

### 17. Other Information

**Motor Vehicle Tax Cap** – Beginning in fiscal year 2017, the State of Connecticut Office of Policy and Management (“OPM”) capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2017 will be 37 mills. The rate cap in fiscal year 2018 and thereafter will be 32 mills.

**Municipal Spending Cap** – Beginning in fiscal year 2018, OPM will impose a cap on municipal spending to limit general budget expenditures to 2.5 percent above the previous year, or the rate of inflation, whichever is greater. Exemptions to the cap include debt service, special education expenditures, expenditures for implementing court orders, arbitration awards, expenditures related to major disaster or emergency declaration, and grants distributed to a special taxing district under certain circumstances. Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap receive a reduced municipal revenue sharing grant. The reduction is equal to 50 cents for every dollar the municipality spend over the cap. However, OPM may not reduce a municipality’s grant in any year which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate). The total municipal revenue sharing grant for the City of Torrington, Connecticut for the year ending June 30, 2018, before any reductions, is \$2,435,109. This amount is subject to change based on changes in the State of Connecticut’s budget.

**Minimum Budget Requirement** – The State of Connecticut has established a Minimum Budget Requirement (“MBR”) for education expenditures. The MBR prohibits a City from budgeting less for education than it did in the previous year unless, and with limits, the City can demonstrate (1) a decrease in school enrollment or (2) savings through increased efficiencies. If the City receives an increase or decrease in their Education Cost Sharing grant, the MBR will increase or decrease by the same amount.

## City of Torrington, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 18. Subsequent Events

On July 7, 2016, the City issued general obligation refunding bonds totaling \$12,840,000 to advance refund existing bonds. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the bonds.

On July 7, 2016 the City issued general obligation bond anticipation notes totaling \$3,295,000 to finance Water Pollution Control Facility Upgrade project costs including advance refunding existing bond anticipation notes of \$2,000,000.

The Governor has proposed that the Connecticut cities and towns pay 33% of the cost of the annual teachers' retirement pension payments (Note 13) beginning in the fiscal year ending June 30, 2018. This would also require the City to record 33% of the pension liability.

### 19. GASB Pronouncements Issued, But Not yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB but are not yet effective:

- GASB Statement 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68* – This Statement establishes requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. This is effective for fiscal years beginning after June 15, 2016. Management does not expect this to have any financial impact on the City.
- GASB Statement 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pensions* – This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Other Post-Employment Benefits (OPEB), as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This is effective for fiscal years beginning after June 15, 2016. Management is currently assessing the impact of this standard on the City.
- GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other than Pensions* – This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) and applies to all governments whose employees are provided with OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Management is currently assessing the impact of this standard on the City.
- GASB Statement 77 – *Tax Abatement Disclosures* – This Statement requires governments to disclose information about their tax abatements and agreements and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the City.

**19. GASB Pronouncements Issued, But Not yet Effective (Continued)**

- GASB Statement 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided through certain cost-sharing multiple-employer defined benefit plan and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the City.
- GASB Statement 79 – *Certain External Investment Pools and Pool Participants* – This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost and is effective for periods beginning after December 15, 2015 for certain provisions applicable to the external investment pool. Certain provision, applicable to pool participants, have been adopted. Management does not expect this to have any financial impact on the City.
- GASB Statement 80 – *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements of Statement 14 to require the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member and is effective for periods beginning after June 15, 2016. Management does not expect this to have any financial impact on the City.
- GASB Statement 81 – *Irrevocable Split-Interest Agreements* – This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement and is effective for periods beginning after December 15, 2016. Management does not expect this to have any financial impact on the City.

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**City of Torrington, Connecticut**

Required Supplementary Information  
June 30, 2016

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>REVENUES</b>					
General Government Revenues					
Property tax collections	\$ 87,709,196	\$ (39,088,715)	\$ 48,620,481	\$ 48,658,598	\$ 38,117
Motor vehicle supplement	950,000	-	950,000	1,331,330	381,330
Property taxes - 2nd installment	-	39,088,715	39,088,715	39,088,716	1
Pequot fund grant	278,400	-	278,400	293,101	14,701
Elderly exemptions	-	-	-	2,000	2,000
Circuit breaker	360,000	-	360,000	319,325	(40,675)
Enterprise Zone	55,000	-	55,000	99,263	44,263
In lieu of taxes	560,000	-	560,000	447,137	(112,863)
Disabled persons	8,188	-	8,188	9,750	1,562
MRSA bonded distribution	605,345	-	605,345	605,345	-
Additional veterans' grant	29,000	-	29,000	38,412	9,412
Telephone access lines	105,000	-	105,000	106,619	1,619
Street lights	1,045	-	1,045	1,045	-
Build America Bonds Subsidy	181,895	-	181,895	182,876	981
Vogel Elementary School	871,550	-	871,550	871,549	(1)
Group insurance workers comp	480,000	-	480,000	519,498	39,498
Insurance refund	58,134	-	58,134	58,134	-
Investment interest	100,000	-	100,000	103,320	3,320
Miscellaneous income	125,000	-	125,000	103,938	(21,062)
Probate	23,022	-	23,022	19,199	(3,823)
Auction proceeds	-	-	-	12,000	12,000
Credit card fees	250	-	250	7	(243)
Operating transfer in	1,400,000	-	1,400,000	1,400,000	-
	93,901,025	-	93,901,025	94,271,162	370,137
Building Department Revenues					
Miscellaneous income	400	-	400	1,701	1,301
New buildings and alterations	150,000	-	150,000	140,803	(9,197)
Plumbing fees	25,000	-	25,000	20,136	(4,864)
Electrical permit fees	50,000	-	50,000	62,235	12,235
Roofing permit fees	30,000	-	30,000	27,906	(2,094)
Sign and billboard permits	2,000	-	2,000	1,830	(170)
Demolition and removal	2,000	-	2,000	2,360	360
Heating permit fees	40,000	-	40,000	52,300	12,300
Certificate of occupancy	15,000	-	15,000	11,961	(3,039)
Planning and zoning fees	35,000	-	35,000	24,721	(10,279)
State mandated fees	4,500	-	4,500	6,061	1,561
Fees - work without permit	-	-	-	22	22
	353,900	-	353,900	352,036	(1,864)

(continued)

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>City Clerk Department Revenues</b>					
Conveyance tax	190,000	-	190,000	259,547	69,547
Marriage licenses and permits	5,000	-	5,000	3,960	(1,040)
Copying and certification fees	35,000	-	35,000	32,975	(2,025)
Hunting and fishing	10,000	-	10,000	8,872	(1,128)
Notary	1,000	-	1,000	885	(115)
Dog fees	20,000	-	20,000	22,767	2,767
Recording fees	210,000	-	210,000	202,375	(7,625)
Vital statistics	100,000	-	100,000	97,597	(2,403)
State mandated fees	337,000	-	337,000	303,451	(33,549)
Credit card fees	1,000	-	1,000	659	(341)
	<u>909,000</u>	<u>-</u>	<u>909,000</u>	<u>933,088</u>	<u>24,088</u>
<b>Public Safety Department Revenues</b>					
Parking authority	50,000	-	50,000	65,281	15,281
Miscellaneous income	20,000	-	20,000	17,417	(2,583)
Canine Fund - Hotchkiss Trust	2,500	-	2,500	2,500	-
Fire - outside duty	500	-	500	-	(500)
Fire workers comp and insurance payroll	100,000	-	100,000	111,221	11,221
Police tickets and permits	157,808	-	157,808	201,448	43,640
Police workers comp and insurance	160,000	-	160,000	217,565	57,565
Police - outside duty	400,000	250,000	650,000	832,213	182,213
Miscellaneous charges and testing	6,000	-	6,000	650	(5,350)
Credit card fees	-	-	-	102	102
	<u>896,808</u>	<u>250,000</u>	<u>1,146,808</u>	<u>1,448,397</u>	<u>301,589</u>
<b>Public Works Department Revenue</b>					
MIRA fees (formerly CRRA)	59,000	-	59,000	47,945	(11,055)
Workers comp and insurance	30,000	-	30,000	29,210	(790)
Engineering fees	250	-	250	256	6
Street dept. miscellaneous fees	20,000	-	20,000	9,936	(10,064)
Water diversion fees	-	-	-	200	200
Landfill tire income	25,000	-	25,000	18,208	(6,792)
Miscellaneous charges	6,000	-	6,000	2,838	(3,162)
Recycling income	100	-	100	110	10
Sidewalk repair fees	50,000	-	50,000	-	(50,000)
Credit card fees	-	-	-	6	6
	<u>190,350</u>	<u>-</u>	<u>190,350</u>	<u>108,709</u>	<u>(81,641)</u>
Recreation - swimming fees	15,000	-	15,000	14,258	(742)
City Real Estate Revenue	19,000	-	19,000	14,467	(4,533)
<b>Board of Education</b>					
Out of district tuition	-	-	-	42,708	42,708
Public transportation	34,672	-	34,672	52,400	17,728
Nonpublic transportation	411,562	-	411,562	377,994	(33,568)
Education cost sharing grant	26,000,198	213,656	26,213,854	26,213,854	-
Nonpublic health and welfare	37,187	-	37,187	31,320	(5,867)
Capital projects reimbursement	821,950	(782,742)	39,208	91,541	52,333
Workers comp and insurance	2,100,258	-	2,100,258	1,859,486	(240,772)
	<u>29,405,827</u>	<u>(569,086)</u>	<u>28,836,741</u>	<u>28,669,303</u>	<u>(167,438)</u>
<b>Total Revenues</b>	<u>125,690,910</u>	<u>(319,086)</u>	<u>125,371,824</u>	<u>125,811,420</u>	<u>439,596</u>

(continued)

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>EXPENDITURES</b>					
General Government:					
Assessor	399,444	3,132	402,576	398,429	4,147
Board of Assessment	5,600	-	5,600	4,383	1,217
Boards and agencies	349,448	17,492	366,940	366,940	-
Building	355,569	13,901	369,470	366,799	2,671
City real estate	704,855	(240,000)	464,855	399,603	65,252
City clerk	765,211	3,578	768,789	729,349	39,440
Comptroller	365,735	4,109	369,844	324,714	45,130
Corporate counsel	201,443	(25,002)	176,441	157,485	18,956
Mayor	229,526	-	229,526	228,387	1,139
Personnel	229,144	-	229,144	228,065	1,079
Planning and zoning	236,239	6,152	242,391	236,393	5,998
Purchasing	115,873	691	116,564	110,459	6,105
Registrars	168,546	-	168,546	148,409	20,137
Elderly services	323,769	2,844	326,613	307,757	18,856
Treasurer	65,236	1,099	66,335	66,251	84
Information services	791,294	-	791,294	729,962	61,332
Economic development	84,137	25,002	109,139	107,259	1,880
Probate	40,158	-	40,158	38,523	1,635
City wide services	<u>2,329,846</u>	<u>(2,077,051)</u>	<u>252,795</u>	<u>252,306</u>	<u>489</u>
	<u>7,761,073</u>	<u>(2,264,053)</u>	<u>5,497,020</u>	<u>5,201,473</u>	<u>295,547</u>
Public Safety					
Public safety miscellaneous	2,231,903	250,000	2,481,903	2,480,864	1,039
Emergency management	36,167	-	36,167	29,980	6,187
Fire	5,012,787	494,004	5,506,791	5,355,406	151,385
Fire - volunteers	128,242	4,365	132,607	127,621	4,986
Police	8,621,520	619,873	9,241,393	8,607,743	633,650
Animal control	250,251	14,933	265,184	240,418	24,766
Traffic management	341,554	18,111	359,665	358,328	1,337
	<u>16,622,424</u>	<u>1,401,286</u>	<u>18,023,710</u>	<u>17,200,360</u>	<u>823,350</u>
Public Works					
Administration	146,515	7,116	153,631	152,574	1,057
City hall	194,447	(1,933)	192,514	146,111	46,403
Engineering	607,645	22,315	629,960	607,067	22,893
Landfill	940,150	5,232	945,382	945,382	-
Sanitary sewer / street lights	290,230	3,190	293,420	293,420	-
Streets	4,758,568	1,022,300	5,780,868	5,532,819	248,049
Parks	<u>1,032,132</u>	<u>178,245</u>	<u>1,210,377</u>	<u>1,151,683</u>	<u>58,694</u>
	<u>7,969,687</u>	<u>1,236,465</u>	<u>9,206,152</u>	<u>8,829,056</u>	<u>377,096</u>
Health	2,905,788	(5,232)	2,900,556	2,813,818	86,738
Recreation	395,014	5,435	400,449	400,447	2

(continued)

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Financial					
Bond redemption	2,525,000	-	2,525,000	2,525,000	-
Debt interest and expense	1,185,656	-	1,185,656	1,154,420	31,236
Insurance	1,557,006	-	1,557,006	1,539,177	17,829
Pension and benefits	11,911,528	(346,409)	11,565,119	11,520,670	44,449
Tax collector contract	479,250	-	479,250	(47,997)	527,247
	<u>17,658,440</u>	<u>(346,409)</u>	<u>17,312,031</u>	<u>16,691,270</u>	<u>620,761</u>
Board of Education	72,368,484	(569,086)	71,799,398	71,799,127	271
Contingency	250,000	(17,492)	232,508	148,157	84,351
Additional Reductions to be determined	(240,000)	240,000	-	-	-
Total expenditures	<u>125,690,910</u>	<u>(319,086)</u>	<u>125,371,824</u>	<u>123,083,708</u>	<u>2,288,116</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 2,727,712	<u>\$ 2,727,712</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				6,468,095	
Expenditures for Teachers' Retirement				(6,468,095)	
Revenue and Expenditures from Excess Cost Grant that was netted in the Budget:					
Revenue				253,688	
Expenditures				(253,688)	
Internal transactions treated as expenditures in the budget					
Repayment of brownfield remediation loan to Other Special Revenue Fund				67,000	
Internal transfer of revaluation monies				50,000	
Revaluation interest income not treated as revenue in the budget				54	
Change in Board of Education Accrued Payroll Not Recorded on a Budgetary Basis				(245,907)	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis				211,390	
Previous Year Encumbrance recorded on Modified Accrual Basis, but not the Budget Basis				(230,673)	
Other Financing Sources - Difference in Treatment of Debt Defeasance					
Proceeds from refunding bonds				4,760,000	
Premium on Financing				277,652	
Payment to refunded bond escrow agent				(5,011,472)	
Bond issuance costs				(26,180)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 2,579,576</u>	

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut for the Town's teachers; 2. Revenues and expenditures from capital leasing and for renewing or refunding long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Certain education payroll is budgeted on a cash basis; 5. Certain internal transfers not recognized as expenditures for GAAP purposes are treated as expenditures in the budget; 6. The excess cost grant is netted in the budget in accordance with state statutes.



Required Supplementary Information  
City of Torrington Employee Retirement Plan  
Schedule of Changes in Net Pension Liability and Related Ratios  
Since Inception of GASB 67/68

	<b>Municipal Employees</b>	
	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability</b>		
Service cost	\$ 832,714	\$ 847,373
Interest on total pension liability	3,319,339	3,388,757
Effect of economic/demographic gains (losses)	-	(2,700,565)
Effect of assumption changes or inputs	-	(2)
Benefit payments	<u>(2,436,843)</u>	<u>(2,455,752)</u>
Net change in total pension liability	1,715,210	(920,189)
Total pension liability, beginning	<u>44,621,540</u>	<u>45,541,729</u>
Total pension liability, ending	<u>46,336,750</u>	<u>44,621,540</u>
<b>Fiduciary Net Position</b>		
Employer contributions	1,521,271	2,130,792
Member contributions	353,195	362,688
Investment income net of investment expenses	(256,752)	728,798
Benefit payments	(2,436,843)	(2,455,752)
Administrative expenses	<u>(25,797)</u>	<u>(36,205)</u>
Net change in plan fiduciary net position	(844,926)	730,321
Fiduciary net position, beginning	<u>36,102,124</u>	<u>35,371,803</u>
Fiduciary net position, ending	<u>35,257,198</u>	<u>36,102,124</u>
Net pension liability, ending	<u>\$11,079,552</u>	<u>\$ 8,519,416</u>
Fiduciary net position as a % of total pension liability	76.09%	80.91%
Covered payroll	\$ 7,180,419	\$ 7,508,384
Net pension liability as a % of covered payroll	154.30%	113.47%

(continued)

Required Supplementary Information (continued)  
City of Torrington Employee Retirement Plan  
Schedule of Changes in Net Pension Liability and Related Ratios  
Since Inception of GASB 67/68

	<b>Police and Firemen</b>	
	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability</b>		
Service cost	\$ 1,629,262	\$ 1,562,617
Interest on total pension liability	6,279,584	5,915,425
Effect of economic/demographic gains (losses)	-	2,967,870
Benefit payments	<u>(5,692,476)</u>	<u>(5,622,992)</u>
Net change in total pension liability	2,216,370	4,822,920
Total pension liability, beginning	<u>84,893,312</u>	<u>80,070,392</u>
Total pension liability, ending	<u>87,109,682</u>	<u>84,893,312</u>
<b>Fiduciary Net Position</b>		
Employer contributions	3,795,161	3,926,071
Member contributions	715,430	712,134
Investment income net of investment expenses	(485,726)	1,178,199
Benefit payments	(5,692,476)	(5,622,992)
Administrative expenses	<u>(36,760)</u>	<u>(45,702)</u>
Net change in plan fiduciary net position	(1,704,371)	147,710
Fiduciary net position, beginning	<u>53,612,315</u>	<u>53,464,606</u>
Fiduciary net position, ending	<u>51,907,944</u>	<u>53,612,316</u>
Net pension liability, ending	<u>\$35,201,738</u>	<u>\$31,280,996</u>
Fiduciary net position as a % of total pension liability	59.59%	63.15%
Covered payroll	\$ 8,797,081	\$10,060,356
Net pension liability as a % of covered payroll	400.15%	310.93%

See Independent Auditors' Report

Required Supplementary Information  
 City of Torrington Employee Retirement Plan  
 Schedule of Employer Contributions  
 Last 10 Fiscal Years

**Municipal Employees:**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 1,349,133	\$ 1,756,607	\$1,775,712	\$ 1,374,634	\$1,374,634	\$1,125,528	\$1,125,528	\$1,051,488	\$1,051,488	\$ 969,714
Contributions in relation to the actuarially determined contribution	1,521,271	2,130,792	1,562,782	1,447,879	1,444,183	1,271,233	1,237,993	1,197,536	1,185,979	1,120,229
Contribution deficiency (excess)	\$ (172,138)	\$ (374,185)	\$ 212,930	\$ (73,245)	\$ (69,549)	\$ (145,705)	\$ (112,465)	\$ (146,048)	\$ (134,491)	\$ (150,515)
Covered employee payroll	\$ 7,180,419	\$ 7,508,384	\$7,675,621	\$ 8,481,377	\$8,481,377	\$8,178,483	\$8,178,483	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	21.19%	28.38%	20.36%	17.07%	17.03%	15.54%	0.00%	0.00%	0.00%	0.00%

**Police and Fireman:**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 3,690,619	\$ 3,861,898	\$3,827,288	\$ 3,357,655	\$3,308,035	\$2,801,257	\$2,801,257	\$2,523,618	\$2,523,618	\$ 2,377,011
Contributions in relation to the actuarially determined contribution	3,795,161	3,926,071	3,397,552	3,322,432	3,325,432	2,813,257	2,801,257	2,536,618	2,524,618	2,349,011
Contribution deficiency (excess)	\$ (104,542)	\$ (64,173)	\$ 429,736	\$ 35,223	\$ (17,397)	\$ (12,000)	\$ -	\$ (13,000)	\$ (1,000)	\$ 28,000
Covered employee payroll	\$ 8,797,081	\$10,060,356	\$9,348,008	\$10,061,083	\$9,912,397	\$9,579,705	\$9,579,705	\$8,178,483	\$8,178,483	\$ 7,935,981
Contributions as a percentage of covered employee payroll	43.14%	39.03%	36.35%	33.02%	33.55%	29.37%	29.24%	31.02%	30.87%	29.60%

**Notes to the Schedule**

Valuation Date	Actuarially determined contribution rates are calculated as of January 1, one year prior to the beginning of the fiscal year in which the contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal
Amortization method	Closed level dollar period of 28 years as of July 1, 2014
Asset valuation method	4-year smoothed market
Inflation	3.0%
Salary increases	3% (due to inflation) plus merit component based on age
Discount rate	7.5%
Retirement age	Varies by age
Mortality	1994 Uninsured Pension Tables for Males and Females, projected 10 years beyond the valuation date with Scale AA

See Independent Auditors' Report

Required Supplementary Information  
 City of Torrington Employee Retirement Plans  
 Schedule of Money-Weighted Rate of Return  
 Since Inception of GASB 67/68

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<b>Municipal Employees</b>	
<b>Fiscal Year</b>	<b>Net</b>
<b>Ending</b>	<b>Money-Weighted</b>
<b>June 30,</b>	<b>Rate of Return</b>
2016	-0.72%
2015	2.06%
2014	16.13%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA

<b>Police and Firemen</b>	
<b>Fiscal Year</b>	<b>Net</b>
<b>Ending</b>	<b>Money-Weighted</b>
<b>June 30,</b>	<b>Rate of Return</b>
2016	-0.92%
2015	2.22%
2014	16.42%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA

See Independent Auditors' Report

Required Supplementary Information - Schedule of Funding Progress  
 Other Post Employment Benefits Plan  
 Last Three Valuations

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Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
7/1/2014	\$ -	\$ 102,954,000	\$ 102,954,000	0.00%	\$ 50,846,100	202.48%
7/1/2012	-	71,919,500	71,919,500	0.00%	50,189,100	143.30%
7/1/2010	-	68,120,000	68,120,000	0.00%	50,158,100	135.81%

See Independent Auditors' Report

Required Supplementary Information - Schedule of Employer Contributions  
 Other Post Employment Benefits Plan  
 Last Six Fiscal Years

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Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2016	\$ 10,828,600	\$ 3,283,900	30.33%
6/30/2015	8,175,400	3,460,800	42.33%
6/30/2014	7,999,900	2,962,800	37.04%
6/30/2013	7,603,000	3,278,900	43.13%
6/30/2012	7,445,000	3,006,900	40.39%

See Independent Auditors' Report

Required Supplementary Information  
 Connecticut Teachers Retirement System  
 June 30, 2016

**Schedule of Changes in Net Pension Liability and Related Ratios  
 Since Inception of GASB Statement No. 68**

	<u>2016</u>	<u>2015</u>
City's percentage of collective net pension liability	0.000000%	0.000000%
City's proportionate share of the collective net pension liability	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the employer	<u>\$ 80,724,853</u>	<u>\$ 74,613,949</u>
Total proportionate share of the collective net pension liability	<u>\$ 80,724,853</u>	<u>\$ 74,613,949</u>
City's covered payroll	<u>\$ 25,784,874</u>	<u>\$ 26,695,538</u>
City's proportionate share of the collective net pension liability as a % of covered payroll	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a % of total pension liability	<u>59.50%</u>	<u>61.51%</u>

**Schedule of Employer Contributions  
 Last 10 Fiscal Years or Since Inception of GASB Statement No. 68**

Contractually required City contribution	<u>\$ -</u>	<u>\$ -</u>
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The City is not required to contribute to the plan. The State contributes on behalf of the City.

**Notes to Schedule**

Changes in benefit term	None
Changes in assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted as recommended by the Experience Study for the System.
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4 year smoothed market
Investment rate of return	8.5% net of investment expense, including inflation

See Independent Auditors' Report

**City of Torrington, Connecticut**

Combining Fund Financial Statements  
June 30, 2016



Combining Balance Sheet  
Other Governmental Funds  
June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Captain Besse Trust	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 3,810,059	\$ 7,118,616	\$ 4,862	\$ 10,933,537
Investments	-	-	-	-
Other receivables				
Accounts	-	72,288	-	72,288
Loans	3,215,258	-	-	3,215,258
Intergovernmental	591,007	688,414	-	1,279,421
Advances to other funds	603,000	-	-	603,000
Inventory	32,252	-	-	32,252
Total Assets	<u>\$ 8,251,576</u>	<u>\$ 7,879,318</u>	<u>\$ 4,862</u>	<u>\$ 16,135,756</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 508,660	\$ 508,276	\$ -	\$ 1,016,936
Due to other funds	-	183,639	-	183,639
Bond anticipation notes payable	-	-	-	-
Unearned revenues	275,118	8,404	-	283,522
Total Liabilities	<u>783,778</u>	<u>700,319</u>	<u>-</u>	<u>1,484,097</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Intergovernmental	-	289,340	-	289,340
Other	-	72,288	-	72,288
Total Deferred Inflows of Resources	<u>-</u>	<u>361,628</u>	<u>-</u>	<u>361,628</u>
Fund Balances				
Nonspendable	32,252	-	3,500	35,752
Restricted	6,753,375	-	1,362	6,754,737
Committed	-	7,002,993	-	7,002,993
Assigned	682,171	-	-	682,171
Unassigned	-	(185,622)	-	(185,622)
Total Fund Balances	<u>7,467,798</u>	<u>6,817,371</u>	<u>4,862</u>	<u>14,290,031</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,251,576</u>	<u>\$ 7,879,318</u>	<u>\$ 4,862</u>	<u>\$ 16,135,756</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Other Governmental Funds  
 For the Year Ended June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Captain Besse Trust	Total Other Governmental Funds
<b>REVENUES</b>				
Sewer line fees	\$ -	\$ 85,519	\$ -	\$ 85,519
Intergovernmental	8,655,021	396,782	-	9,051,803
Investment income	252	785	5	1,042
Program income	1,815,789	-	-	1,815,789
Other revenues	408,994	107,983	-	516,977
Total Revenues	<u>10,880,056</u>	<u>591,069</u>	<u>5</u>	<u>11,471,130</u>
<b>EXPENDITURES</b>				
Current Expenditures				
General government	279,090	-	-	279,090
Public safety	100,382	-	-	100,382
Public works	1,379,017	-	-	1,379,017
Public health and social services	2,103,913	-	-	2,103,913
Culture and recreation	192,060	-	-	192,060
Education	6,599,949	-	-	6,599,949
Debt Service				
Bond issuance costs	-	61,995	-	61,995
Capital Outlay	-	2,328,911	-	2,328,911
Total Expenditures	<u>10,654,411</u>	<u>2,390,906</u>	<u>-</u>	<u>13,045,317</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>225,645</u>	<u>(1,799,837)</u>	<u>5</u>	<u>(1,574,187)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,579	3,717,226	-	3,802,805
Transfers out	(16,500)	(135,190)	-	(151,690)
Premium on financing	-	65,357	-	65,357
Total Other Financing Sources (Uses)	<u>69,079</u>	<u>3,647,393</u>	<u>-</u>	<u>3,716,472</u>
Net Change in Fund Balance	294,724	1,847,556	5	2,142,285
Fund Balances - Beginning of Year, as restated	<u>7,173,074</u>	<u>4,969,815</u>	<u>4,857</u>	<u>12,147,746</u>
Fund Balances - End of Year	<u>\$7,467,798</u>	<u>\$6,817,371</u>	<u>\$ 4,862</u>	<u>\$14,290,031</u>

See Independent Auditors' Report

Combining Balance Sheet  
 Special Revenue Funds  
 June 30, 2016

	National School Lunch Program	Nutrition Program	Town Aid Roads	Small Cities Block Grants	Federal and State Educational Grants	Other Special Revenue Fund	Total Special Revenue Funds
<b>ASSETS</b>							
Cash and equivalents	\$ 282,821	\$ 50,455	\$ 435,267	\$ 251,896	\$ 502,281	\$ 2,287,339	\$ 3,810,059
Other receivables							
Accounts	-	-	-	-	-	-	-
Loans	-	-	-	3,155,758	-	59,500	3,215,258
Intergovernmental	186,671	197,667	-	-	171,546	35,123	591,007
Advances to other funds	-	-	-	-	-	603,000	603,000
Inventory	32,252	-	-	-	-	-	32,252
Total Assets	<u>\$ 501,744</u>	<u>\$ 248,122</u>	<u>\$ 435,267</u>	<u>\$ 3,407,654</u>	<u>\$ 673,827</u>	<u>\$ 2,984,962</u>	<u>\$ 8,251,576</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ 7,752	\$ 27,918	\$ 389,104	\$ 1,132	\$ 34,823	\$ 47,931	\$ 508,660
Unearned revenues	-	-	-	-	250,941	24,177	275,118
Total Liabilities	<u>7,752</u>	<u>27,918</u>	<u>389,104</u>	<u>1,132</u>	<u>285,764</u>	<u>72,108</u>	<u>783,778</u>
Fund Balances							
Nonspendable	32,252	-	-	-	-	-	32,252
Restricted	-	-	46,163	3,406,522	388,063	2,912,627	6,753,375
Assigned	461,740	220,204	-	-	-	227	682,171
Total Fund Balances	<u>493,992</u>	<u>220,204</u>	<u>46,163</u>	<u>3,406,522</u>	<u>388,063</u>	<u>2,912,854</u>	<u>7,467,798</u>
Total Liabilities and Fund Balances	<u>\$ 501,744</u>	<u>\$ 248,122</u>	<u>\$ 435,267</u>	<u>\$ 3,407,654</u>	<u>\$ 673,827</u>	<u>\$ 2,984,962</u>	<u>\$ 8,251,576</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Special Revenue Funds  
 For the Year Ended June 30, 2016

	National School Lunch Program	Nutrition Program	Town Aid Roads	Small Cities Block Grants	Federal and State Educational Grants	Other Special Revenue Fund	Total Special Revenue Funds
<b>REVENUES</b>							
Intergovernmental	\$ 1,330,769	\$ 1,017,260	\$ 463,744	\$ 495,280	\$ 4,321,323	\$ 1,026,645	\$ 8,655,021
Investment income	-	5	83	23	-	141	252
Program income	700,746	387,189	-	-	-	727,854	1,815,789
Other revenues	-	33,444	-	43,921	13,775	317,854	408,994
Total Revenues	<u>2,031,515</u>	<u>1,437,898</u>	<u>463,827</u>	<u>539,224</u>	<u>4,335,098</u>	<u>2,072,494</u>	<u>10,880,056</u>
<b>EXPENDITURES</b>							
Current Expenditures							
General government	-	-	-	147,246	-	131,844	279,090
Public safety	-	-	-	-	-	100,382	100,382
Public works	-	-	665,409	-	-	713,608	1,379,017
Public health and social services	-	1,351,436	-	-	-	752,477	2,103,913
Recreation	-	-	-	-	-	192,060	192,060
Education	2,017,518	-	-	-	4,523,356	59,075	6,599,949
Total Expenditures	<u>2,017,518</u>	<u>1,351,436</u>	<u>665,409</u>	<u>147,246</u>	<u>4,523,356</u>	<u>1,949,446</u>	<u>10,654,411</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,997</u>	<u>86,462</u>	<u>(201,582)</u>	<u>391,978</u>	<u>(188,258)</u>	<u>123,048</u>	<u>225,645</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	85,579	85,579
Transfers out	-	(3,000)	-	-	-	(13,500)	(16,500)
Total Other Financing Sources (Uses)	-	(3,000)	-	-	-	72,079	69,079
Net Change in Fund Balance	13,997	83,462	(201,582)	391,978	(188,258)	195,127	294,724
Fund Balances - Beginning of Year, as restated	479,995	136,742	247,745	3,014,544	576,321	2,717,727	7,173,074
Fund Balances - End of Year	<u>\$ 493,992</u>	<u>\$ 220,204</u>	<u>\$ 46,163</u>	<u>\$ 3,406,522</u>	<u>\$ 388,063</u>	<u>\$ 2,912,854</u>	<u>\$ 7,467,798</u>

See Independent Auditors' Report

Combining Balance Sheet  
 Capital Projects Funds  
 June 30, 2016

	Sanitary Sewer Capital Improvement Program	Vehicle Replacement Fund	Capital Reserves Fund	Torrington School	City Hall Renovations	Other Capital Projects	Total Capital Projects Funds
<b>ASSETS</b>							
Cash and equivalents	\$ 1,941,639	\$ 1,437,581	\$ 1,936,447	\$ 631	\$ -	\$ 1,802,318	\$ 7,118,616
Other receivables							
Accounts	72,288	-	-	-	-	-	72,288
Intergovernmental	-	3,536	-	-	-	684,878	688,414
Total Assets	<u>\$ 2,013,927</u>	<u>\$ 1,441,117</u>	<u>\$ 1,936,447</u>	<u>\$ 631</u>	<u>\$ -</u>	<u>\$ 2,487,196</u>	<u>\$ 7,879,318</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ 7,500	\$ 256,770	\$ 15,304	\$ -	\$ 1,983	\$ 226,719	\$ 508,276
Due to other funds	-	-	-	-	183,639	-	183,639
Unearned revenues	-	-	-	-	-	8,404	8,404
Total Liabilities	<u>7,500</u>	<u>256,770</u>	<u>15,304</u>	<u>-</u>	<u>185,622</u>	<u>235,123</u>	<u>700,319</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue							
Intergovernmental	-	-	-	-	-	289,340	289,340
Other	<u>72,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,288</u>
Total Deferred Inflows of Resources	<u>72,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,340</u>	<u>361,628</u>
Fund Balances (Deficits)							
Committed	1,934,139	1,184,347	1,921,143	631	-	1,962,733	7,002,993
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,622)</u>	<u>-</u>	<u>(185,622)</u>
Total Fund Balances (Deficits)	<u>1,934,139</u>	<u>1,184,347</u>	<u>1,921,143</u>	<u>631</u>	<u>(185,622)</u>	<u>1,962,733</u>	<u>6,817,371</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 2,013,927</u>	<u>\$ 1,441,117</u>	<u>\$ 1,936,447</u>	<u>\$ 631</u>	<u>\$ -</u>	<u>\$ 2,487,196</u>	<u>\$ 7,879,318</u>

See Independent Auditors' Report

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

## Capital Projects Funds

For the Year Ended June 30, 2016

	Sanitary Sewer Capital Improvement Program	Vehicle Replacement Fund	Capital Reserves Fund	Torrington School	City Hall Renovations	Other Capital Projects	Total Capital Projects Funds
<b>REVENUES</b>							
Sewer line fees	\$ 85,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,519
Intergovernmental	-	-	-	-	-	396,782	396,782
Investment income	296	227	260	-	-	2	785
Program income	-	-	-	-	-	-	-
Other revenues	-	57,047	20,260	-	-	30,676	107,983
Total Revenues	<u>85,815</u>	<u>57,274</u>	<u>20,520</u>	<u>-</u>	<u>-</u>	<u>427,460</u>	<u>591,069</u>
<b>EXPENDITURES</b>							
Debt Service							
Bond issuance costs	-	-	-	-	-	61,995	61,995
Capital Outlay	273,931	521,600	570,440	-	20,815	942,125	2,328,911
Total Expenditures	<u>273,931</u>	<u>521,600</u>	<u>570,440</u>	<u>-</u>	<u>20,815</u>	<u>1,004,120</u>	<u>2,390,906</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(188,116)</u>	<u>(464,326)</u>	<u>(549,920)</u>	<u>-</u>	<u>(20,815)</u>	<u>(576,660)</u>	<u>(1,799,837)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	588,805	905,693	1,176,180	-	-	1,046,548	3,717,226
Transfers out	-	-	(115,103)	-	-	(20,087)	(135,190)
Premium on financing	-	-	-	-	-	65,357	65,357
Total Other Financing Sources (Uses)	<u>588,805</u>	<u>905,693</u>	<u>1,061,077</u>	<u>-</u>	<u>-</u>	<u>1,091,818</u>	<u>3,647,393</u>
Net Change in Fund Balance	400,689	441,367	511,157	-	(20,815)	515,158	1,847,556
Fund Balances (Deficits) - Beginning of Year	<u>1,533,450</u>	<u>742,980</u>	<u>1,409,986</u>	<u>631</u>	<u>(164,807)</u>	<u>1,447,575</u>	<u>4,969,815</u>
Fund Balances (Deficits) - End of Year	<u>\$ 1,934,139</u>	<u>\$ 1,184,347</u>	<u>\$ 1,921,143</u>	<u>\$ 631</u>	<u>\$ (185,622)</u>	<u>\$ 1,962,733</u>	<u>\$ 6,817,371</u>

See Independent Auditors' Report

Combining Statement of Net Position  
 Internal Service Funds  
 June 30, 2016

	Self Insurance Fund	Maintenance Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets			
Cash and equivalents	\$7,610,882	\$ -	\$ 7,610,882
Receivables			
Due from other funds	-	-	-
Accounts receivable	7,478	41,453	48,931
Prepaid expense	338,583	-	338,583
Total Current Assets	<u>7,956,943</u>	<u>41,453</u>	<u>7,998,396</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	1,315,066	25,659	1,340,725
Due to other funds	458,255	331,880	790,135
Total Current Liabilities	<u>1,773,321</u>	<u>357,539</u>	<u>2,130,860</u>
<b>NET POSITION</b>			
Unrestricted	<u>\$6,183,622</u>	<u>\$ (316,086)</u>	<u>\$ 5,867,536</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenses and Changes in Net Position  
 Internal Service Funds  
 For the Year Ended June 30, 2016

	Self Insurance Fund	Maintenance Fund	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 18,360,633	\$ 1,609,386	\$ 19,970,019
Other	<u>370,104</u>	<u>-</u>	<u>370,104</u>
Total Operating Revenues	<u>18,730,737</u>	<u>1,609,386</u>	<u>20,340,123</u>
<b>OPERATING EXPENSES</b>			
Payroll and employee benefits	-	794,509	794,509
Repairs and maintenance	-	288,010	288,010
Materials and supplies	-	26,886	26,886
Utilities	-	418,744	418,744
Other operating expense	-	3,436	3,436
Insurance and program services	<u>17,943,890</u>	<u>-</u>	<u>17,943,890</u>
Total Operating Expenses	<u>17,943,890</u>	<u>1,531,585</u>	<u>19,475,475</u>
Income from Operations	<u>786,847</u>	<u>77,801</u>	<u>864,648</u>
<b>NON-OPERATING REVENUES</b>			
Interest income	<u>3,368</u>	<u>-</u>	<u>3,368</u>
Income Before Transfers	790,215	77,801	868,016
Transfers out	<u>(1,400,000)</u>	<u>(5,693)</u>	<u>(1,405,693)</u>
Change in Net Position	(609,785)	72,108	(537,677)
Net Position - Beginning of Year	<u>6,793,407</u>	<u>(388,194)</u>	<u>6,405,213</u>
Net Position - End of Year	<u>\$ 6,183,622</u>	<u>\$ (316,086)</u>	<u>\$ 5,867,536</u>

See Independent Auditors' Report



Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2016

	Self Insurance Fund	Maintenance Fund	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 18,745,485	\$ 1,622,299	\$ 20,367,784
Cash payments to employees	-	(794,509)	(794,509)
Cash payments to suppliers	-	(718,048)	(718,048)
Cash payments for benefits and claims	(17,848,902)	-	(17,848,902)
Net Cash from Operating Activities	<u>896,583</u>	<u>109,742</u>	<u>1,006,325</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Advances to other funds	226,350	-	226,350
Advances from other funds	(39,048)	(104,049)	(143,097)
Transfers in (out)	(1,400,000)	(5,693)	(1,405,693)
Net Cash from Non-Capital Financing Activities	<u>(1,212,698)</u>	<u>(109,742)</u>	<u>(1,322,440)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	3,368	-	3,368
Net Decrease in Cash and Equivalents	(312,747)	-	(312,747)
Cash and Equivalents - Beginning of Year	7,923,629	-	7,923,629
Cash and Equivalents - End of Year	<u>\$ 7,610,882</u>	<u>\$ -</u>	<u>\$ 7,610,882</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>			
Income from operations	\$ 786,847	\$ 77,801	\$ 864,648
Adjustments to reconcile income (loss) from operations to net cash from operating activities			
Changes in operating assets and liabilities			
Accounts receivable	14,748	12,913	27,661
Prepaid expenses	(75,167)	-	(75,167)
Accounts payable	170,155	19,028	189,183
Net Cash from Operating Activities	<u>\$ 896,583</u>	<u>\$ 109,742</u>	<u>\$ 1,006,325</u>

Combining Statement of Fiduciary Net Position  
 Pension Trust Funds  
 June 30, 2016

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	City Employees Pension	Police & Fire Pension	Total
<b>ASSETS</b>			
Cash	\$ 54,517	\$ 195,720	\$ 250,237
Investments, at fair value	35,208,622	51,720,773	86,929,395
Accrued interest and dividends	<u>13,994</u>	<u>21,367</u>	<u>35,361</u>
 Total Assets	 <u>35,277,133</u>	 <u>51,937,860</u>	 <u>87,214,993</u>
 <b>LIABILITIES</b>			
Claims payable	<u>10,677</u>	<u>16,045</u>	<u>26,722</u>
 <b>NET POSITION</b>			
Restricted for pensions	<u>\$ 35,266,456</u>	<u>\$ 51,921,815</u>	<u>\$ 87,188,271</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
For the Year Ended June 30, 2016

	City Employees Pension	Police & Fire Pension	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,521,271	\$ 3,795,161	\$ 5,316,432
Plan members	<u>353,195</u>	<u>715,430</u>	<u>1,068,625</u>
Total Contributions	<u>1,874,466</u>	<u>4,510,591</u>	<u>6,385,057</u>
Investment Income			
Net change in fair value of investments	(241,368)	(463,514)	(704,882)
Interest and dividends	<u>38</u>	<u>575</u>	<u>613</u>
Total Investment Income	<u>(241,330)</u>	<u>(462,939)</u>	<u>(704,269)</u>
Total Additions	1,633,136	4,047,652	5,680,788
<b>DEDUCTIONS</b>			
Pension benefits	2,436,843	5,692,476	8,129,319
Administrative fees	<u>31,961</u>	<u>45,676</u>	<u>77,637</u>
Total Deductions	<u>2,468,804</u>	<u>5,738,152</u>	<u>8,206,956</u>
Change in Net Position	<u>(835,668)</u>	<u>(1,690,500)</u>	<u>(2,526,168)</u>
Net Position - Beginning of Year	<u>36,102,124</u>	<u>53,612,315</u>	<u>89,714,439</u>
Net Position - End of Year	<u>\$ 35,266,456</u>	<u>\$ 51,921,815</u>	<u>\$ 87,188,271</u>

See Independent Auditors' Report

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2016

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
<b>School Activity Fund</b>				
<b>Assets</b>				
Cash	<u>\$358,494</u>	<u>\$ 922,264</u>	<u>\$(833,893)</u>	<u>\$ 446,865</u>
<b>Liabilities</b>				
Due to others	<u>\$358,494</u>	<u>\$ 922,264</u>	<u>\$(833,893)</u>	<u>\$ 446,865</u>
<b>Performance Bonds</b>				
<b>Assets</b>				
Cash	<u>\$224,508</u>	<u>\$ 112,516</u>	<u>\$(104,008)</u>	<u>\$ 233,016</u>
<b>Liabilities</b>				
Due to others	<u>\$224,508</u>	<u>\$ 112,516</u>	<u>\$(104,008)</u>	<u>\$ 233,016</u>
<b>Other Agency Funds</b>				
<b>Assets</b>				
Cash	<u>\$ 86,022</u>	<u>\$ 67,525</u>	<u>\$(19,653)</u>	<u>\$ 133,894</u>
<b>Liabilities</b>				
Due to others	<u>\$ 86,022</u>	<u>\$ 67,525</u>	<u>\$(19,653)</u>	<u>\$ 133,894</u>
<b>Combined Total</b>				
<b>Assets</b>				
Cash	<u>\$669,024</u>	<u>\$1,102,305</u>	<u>\$(957,554)</u>	<u>\$ 813,775</u>
<b>Liabilities</b>				
Due to others	<u>\$669,024</u>	<u>\$1,102,305</u>	<u>\$(957,554)</u>	<u>\$ 813,775</u>

See Independent Auditors' Report

**City of Torrington, Connecticut**

Supplementary Schedules  
June 30, 2016

Report of the Property Tax Collector  
For the Year Ended June 30, 2016

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Total Rate Bill on Grand List on October 1, 2014	\$ 87,747,245
Add:	
Supplemental motor vehicle tax	<u>1,331,333</u>
Received from tax collector during the year ended June 30, 2016	89,078,578
Add:	
Lawful corrections and abatements	<u>213,554</u>
Net Revenues from Taxation	<u>\$ 89,292,132</u>

See Independent Auditors' Report

**City of Torrington, Connecticut**

Internal Control and Compliance Reports  
June 30, 2016

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**The City Council  
City of Torrington, Connecticut**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrington, Connecticut ("City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2015-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a significant deficiency.



### **City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the City in a separate letter dated March 29, 2017.

### **Purpose of This Report**

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

*PKF O'Connor Davies, LLP*

March 29, 2017

**City of Torrington, Connecticut**

State Single Audit  
June 30, 2016

**Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

**Independent Auditors' Report**

**The City Council  
City of Torrington, Connecticut**

**Report on Compliance for Each Major State Program**

We have audited the City of Torrington, Connecticut's ("City") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2016. The City's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major State Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

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

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

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

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

## Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated March 29, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PKF O'Connor Davies, LLP*

March 29, 2017

**City of Torrington, Connecticut**

Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2016

<b>State Grantor Pass-Through Grantor Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b>Connecticut State Library</b>			
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ -	\$ 4,000
<b>Total Connecticut State Library</b>		-	<u>4,000</u>
<b>Department of Energy and Environmental Protection</b>			
Community Conservation and Development Grant	13019-DEP43000-41239	-	75,567
Regional Greenhouse Gas Initiative	12060-DEP44165-35402	-	1,497
Public, Educational and Governmental Programming and Technology Investment Account Grant Program	12052-DEP44620-43611	-	82,414
<b>Total Department of Energy and Environmental Protection</b>		-	<u>159,478</u>
<b>Department of Transportation</b>			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	-	662,389
<b>Department of Social Services</b>			
Community Services (CSV)	11000-DSS60783-17083	-	5,253
Community Services (CSV)	11000-DSS60783-16160	-	440
Medicaid	11000-DSS60783-16020	-	93,507
<b>Total Department of Social Services</b>		-	<u>99,200</u>
<b>Department on Aging</b>			
<i>Passed Through the Western Connecticut Area Agency on Aging, Inc.</i>			
Elderly Nutrition and Discretionary	11000-SDA62500-16260-10105	-	193,558
Federal Title III Match	11000-SDA62500-16260-10604	-	7,544
<b>Total Department on Aging</b>		-	<u>201,102</u>
<b>Department of Economic and Community Development</b>			
Brownfield Remediation and Development	12060-ECD46260-35533	-	4,171
<b>Office of Policy and Management</b>			
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	-	104,211
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	-	262,832
Property Tax Relief for Totally Disabled Persons	11000-OPM20600-17011	-	9,750
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	-	99,263
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	-	319,325
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	-	2,000
Property Tax Relief for Veterans	11000-OPM20600-17024	-	38,412
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	-	417,187
Municipal Grant-in-Aid	12052-OPM20600-43587	-	605,345
<b>Total Office of Policy and Management</b>		-	<u>1,858,325</u>
<b>Office of Early Childhood</b>			
School Readiness in Competitive Grant Municipalities	11000-OEC64840-12113	-	297,893
Child Day Care	11000-OEC64840-12520	-	133,463
Even Start Family Literacy Program	11000-OEC64840-12569	-	146,312
School Readiness Quality Enhancement	11000-OEC64840-17097	-	18,747
<b>Total Office of Early Childhood</b>		-	<u>596,415</u>

(Continued)

The accompanying notes are an integral part of this schedule

**City of Torrington, Connecticut**

Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2016

<b>State Grantor Pass-Through Grantor Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b>Department of Education</b>			
Primary Mental Health	11000-SDE64370-12198	\$	16,009
Youth Services Bureau Enhancement	11000-SDE64370-16201		7,026
Child Nutrition State Matching Grant	11000-SDE64370-16211		27,160
Healthy Foods Initiative	11000-SDE64370-16212	-	45,092
Adult Education	11000-SDE64370-17030	-	131,475
Health Services	11000-SDE64370-17034		31,320
Bilingual Education English Learner Pilot Program	11000-SDE64370-17042	-	22,971
Young Parents Program	11000-SDE64370-17044	-	25,350
School Breakfast	11000-SDE64370-17046	-	21,867
Youth Services Bureau	11000-SDE64370-17052		36,398
High Quality Schools Start Up	12052-SDE64370-43538	-	92,532
<b>Total Department of Education</b>		-	<u>457,200</u>
<b>Total State Financial Assistance before Exempt Programs</b>		-	<u>4,042,280</u>
<b>EXEMPT PROGRAMS</b>			
<b>Department of Education</b>			
Education Cost Sharing	11000-SDE64370-17041	-	24,904,299
Public School Transportation	11000-SDE64370-17027	-	377,994
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	1,688,347
Nonpublic School Transportation	11000-SDE64370-17049	-	52,400
<b>Total Department of Education</b>		-	<u>27,023,040</u>
<b>Department of Administrative Services</b>			
School Construction Grants	13009-DAS27636-40896	-	149,895
School Construction Grants	13009-DAS27636-49001	-	721,654
<b>Total Department of Children and Families</b>		-	<u>871,549</u>
<b>Office of Policy and Management</b>			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	293,101
<b>Total Exempt Programs</b>		-	<u>28,187,690</u>
<b>Total State Financial Assistance</b>		<u>\$</u>	<u>\$ 32,229,970</u>

The accompanying notes are an integral part of this schedule

**City of Torrington, Connecticut**

Notes to Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2016

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**1. Summary of Significant Accounting Policies**

**General**

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the City of Torrington, Connecticut (“City”) under programs of the State of Connecticut for the fiscal year ended June 30, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

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

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

**Basis of Accounting**

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

**2. Loan Programs**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2016:

Department of Energy and Environmental Protection:

Clean Water Funds 21014-OTT14230-4001:

	Issue Date	Interest Rate	Original Amount	Beginning Balance	Issued	Retired	Ending Balance
611C	3/1/2011	2%	\$ 1,123,491	\$887,474	\$ -	\$ (50,278)	\$837,196

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**City of Torrington, Connecticut**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' opinion issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? X yes      no
- Significant deficiency(ies) identified? X yes      none reported

Noncompliance material to financial statements noted      yes X no

***State Financial Assistance***

Internal control over major programs

- Material weakness(es) identified?      yes X no
- Significant deficiency(ies) identified?      yes X none reported

Type of auditors' opinion issued on compliance for major programs unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?      yes X no

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

<b>State Grantor and Program</b>	<b>State Core-CT Number</b>	<b>Expenditures</b>
Department of Transportation		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	\$ 662,389
Office of Policy and Management		
Payment in lieu of taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	262,832
Payment in lieu of taxes (PILOT) on Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	319,325
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	417,187
Municipal Grant-in-Aid	12052-OPM20600-43587	605,345

Dollar threshold used to distinguish between type A and type B programs: \$200,000

**SECTION II – Financial Statement Findings**

**2015-001 – Financial Reporting at the Board of Education**

**Criteria** – Financial reporting should be done timely and accurately to be used appropriately by management to make decisions and also as a monitoring tool for internal controls.



## City of Torrington, Connecticut

### Schedule of Findings and Questioned Costs Year Ended June 30, 2016

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**Condition** – We noticed a number of long-term issues in the Board of Education accounting that effected the current year’s financial reporting:

- General Fund – This was not completed and reconciled in a timely manner.
- Education Grant Funds – The assets and liabilities were not reconciled at year end. These balance sheet accounts should be reviewed and reconciled monthly. In addition, cash receipts were posted in wrong accounts and not noted until well after year end.
- Child Nutrition Fund – Revenues were not segregated between the various revenue accounts.
- Student Activity Funds – The new financial management at the Board of Education determined bank accounts had not been reported in the financial statements. In addition, it was noted during the audit that the bank reconciliations performed outside of the financial office were not accurate.

**Effect** – Appropriate financial reporting was not completed until January 2017. This means it was not available to be used for management decisions during the year and not available to be audited in a timely manner.

**Cause** – There have been a number of changes in the education financial personnel. There has not been a vehicle for institutional knowledge to be carried forward.

**Recommendation** – The Education Finance Office should develop an accounting policies and procedures manual. This should include, not only the procedures that are needed for the accounting to be done timely and accurately, but it should also include controls over the financial processes and financial reporting performed in the finance office and decentralized locations.

**Management’s Response** – The Education Finance Office has new personnel this year. We are working on a number of improvements to the financial reporting systems.

#### 2016-001 – WPCA Treatment Facility Revenues

**Criteria** – A segregation of duties is one of the best and most efficient strategies in internal control over assets. Generally, the following 3 areas should be performed by separate individuals: authorization, recordkeeping and custody. If a segregation is not possible, other controls should be implemented.

**Condition** – One individual is responsible for preparing and sending the invoices, collecting payments and keeping the records on the amounts owed by the haulers.

**Effect** – It is possible the funds could be diverted without it being discovered in a timely manner.

**Recommendation** – The City should review the policies and determine if a segregation of duties should be established or other controls put in place over this revenue process.

**Management’s Response** – Management has reviewed the segregation of duties, outlined a new plan for segregation of duties and it is being reviewed for approval.

#### SECTION III – State Financial Assistance Findings and Questioned Costs

No matters were reported.

**City of Torrington, ConnecticutCity of Torrington, Connecticut**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

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**Financial Statement Finding**

**2015-001 – Financial Reporting Requirements**

**Condition:** Closing procedures and year-end adjustments for the Board of Education were not performed timely.

**Current Status:** The finding has been repeated as finding 2015-001 in the current year.

**Planned Corrective Action:** See the response included in the current year Schedule of Findings and Questioned Costs.

**Connecticut Single Audit Finding**

**2015-002 – Reporting Requirements of Payments in Lieu of Taxes**

**Condition:** Form M-1 was not submitted timely.

**Current Status:** This finding has been resolved.

**City of Torrington, Connecticut**

Uniform Guidance  
June 30, 2016

**Report on Compliance for Each Major Federal Program; Report on Internal Control  
Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by  
the Uniform Guidance**

**Independent Auditors' Report**

**To the City Council  
City of Torrington, Connecticut**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Torrington, Connecticut's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on the Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Preschool Development Grants***

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding:

- CFDA 10.555/10.553 Child Nutrition Cluster as described in finding number 2016-002 for special tests and provision.
- CFDA 84.010 Title I Grants to Local Educational Agencies as described in finding number 2016-003 for cash management.
- CFDA 84.419 Preschool Development Grants as described in finding number 2016-004 for reporting. Compliance with such requirement is necessary, in our opinion, for the City to comply with requirements applicable to that program.

***Qualified Opinion Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Preschool Development Grants***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CFDA 10.555/10.553 Child Nutrition Cluster, CFDA 84.010 Title I Grants to Local Educational Agencies, and CFDA 84.419 Preschool Development Grants for the year ended June 30, 2016.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, and 2016-004 that we consider to be a material weaknesses.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 29, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*PKF O'Connor Davies, LLP*

March 29, 2017

**City of Torrington, Connecticut**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Direct Programs:				
National School Lunch - USDA Commodities	10.555	Not Applicable	-	43,593
Pass-Through programs from:				
Connecticut State Department of Education				
<b>Child Nutrition Cluster</b>				
National School Lunch Program	10.555	12060-SDE64370-20560	\$ -	\$ 993,829
School Breakfast Program	10.553	12060-SDE64370-20508	-	179,119
<i>Total Child Nutrition Cluster</i>			-	1,172,948
Fresh Fruit and Vegetable Initiative	10.582	12060-SDE64370-22051	-	21,242
<b>Total U.S. Department of Agriculture</b>			-	<u>1,237,783</u>
<b>U.S. Department of Housing and Urban Development</b>				
Pass-Through programs from:				
Connecticut Department of Housing				
Community Development Block Grants/ State's Program and Non-Entitlement Grants	14.228	12060-DOH46930-20730	-	<u>476,527</u>
<b>U.S. Department of Justice</b>				
Pass-Through programs from:				
Connecticut Office of Policy and Management				
Juvenile Accountability Block Grants	16.523	12060-OPM20350-21672		1,070
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-OPM20350-21921	-	29,294
<b>Total U.S. Department of Justice</b>			-	<u>30,364</u>
<b>U.S. Department of Homeland Security</b>				
Pass-Through programs from:				
Connecticut Department of Emergency Services and Public Protection				
State Homeland Security Program (SHSP)	97.073	12060-DPS32160-21877	-	<u>1,700</u>
<b>U.S. Department of Transportation:</b>				
Pass-Through programs from:				
Connecticut Department of Transportation				
<b>Highway Planning and Construction Cluster:</b>				
Highway Planning and Construction	20.205	12062-DOT57151-22108		608,326
Connecticut Department of Energy and Environmental Protection				
<b>Highway Planning and Construction Cluster:</b>				
Recreational Trails Program	20.219	12060-DEP44321-20296	-	6,635
<i>Total Highway Planning and Construction Cluster</i>			-	<u>614,961</u>
Connecticut Department of Transportation				
<b>Transit Services Programs Cluster</b>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	12062-DOT57931-21361	-	39,598
<b>Total U.S. Department of Transportation</b>			-	<u>654,559</u>

The accompanying notes are an integral part of this schedule

**City of Torrington, Connecticut**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Education</b>				
Pass-Through programs from:				
Connecticut State Department of Education				
Adult Education - Basic Grants to States	84.002	12060-SDE64370-20784	\$ -	\$ 50,000
<b>Special Education Cluster (IDEA)</b>				
Special Education - Grants to States (IDEA, Part B)	84.027	12060-SDE64370-20977	-	855,087
Special Education - Grants to States (IDEA, Part B)	84.027	12060-SDE64370-20977	-	18,195
Subtotal			-	873,282
Special Education - Preschool Grants (IDEA Presch	84.173	12060-SDE64370-20983	-	26,839
Special Education - Preschool Grants (IDEA Presch	84.173	12060-SDE64370-20983	-	2,857
Subtotal			-	29,696
<i>Total Special Education Cluster (IDEA)</i>			-	902,978
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679	-	669,964
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679	-	84,338
Subtotal			-	754,302
Career and Technical Education - Basic Grants to States (Perkins)	84.048	12060-SDE64370-20742	-	61,161
Title III - English Language Acquisition State Grants	84.365	12060-SDE64370-20868	-	35,876
Title III - English Language Acquisition State Grants	84.365	12060-SDE64370-20868	-	38,720
Subtotal			-	74,596
Title II - Supporting Effective Instruction State Grant	84.367	12060-SDE64370-20858	-	79,590
Title II - Supporting Effective Instruction State Grant	84.367	12060-SDE64370-20858	-	65,959
Subtotal			-	145,549
Connecticut Office of Early Childhood				
Preschool Development Grants	84.419	12060-OEC64845-22705	-	1,152,833
<b>Total U.S. Department of Education</b>			-	3,141,419
<b>U.S. Department of Health and Human Services</b>				
Pass-Through programs from:				
Western Connecticut Area Agency on Aging, Inc.				
<b>Aging Cluster</b>				
Special Programs for the Aging - Title III, Part C- Nutrition Services	93.045	Not Applicable	-	476,511
Nutrition Services Incentive Program	93.053	Not Applicable	-	118,275
Total Aging Cluster			-	594,786
Social Services Block Grant	93.667	Not Applicable		39,164
Connecticut Office of Early Childhood				
Social Services Block Grant	93.667	12060-OEC64841-22668	-	124,436
Connecticut Department of Social Services				
Social Services Block Grant	93.667	12060-DSS60783-20701	-	39,139
Subtotal			-	202,739
<b>Total U.S. Department of Health and Human Services</b>			-	797,525
<b>Total Federal Financial Assistance</b>			\$ -	\$ 6,339,877

The accompanying notes are an integral part of this schedule



## City of Torrington, Connecticut

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Torrington, Connecticut (the "City") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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**City of Torrington, Connecticut**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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**Section 1 - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued on whether financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting

- Material weakness(es) identified?   x   yes      no
- Significant deficiency(ies) identified?   x   yes      none reported

Noncompliance material to financial statements noted      yes   x   no

**Federal Awards**

Internal control over major programs

- Material weakness(es) identified?   x   yes      no
- Significant deficiency(ies) identified?      yes   x   none reported

Type of auditors' report issued on compliance for major federal programs Qualified

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes      no

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

CFDA Number(s)	Name of Federal Program or Cluster
10.555/10.553	Child Nutrition Cluster
84.010	Title I Grants to Local Education Agencies
84.419	Preschool Development Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low risk auditee?      yes   x   no

## City of Torrington, Connecticut

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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### Section II - Financial Statement Findings:

#### 015-001 – Financial Reporting at the Board of Education

**Criteria** – Financial reporting should be done timely and accurately to be used appropriately by management to make decisions and also as a monitoring tool for internal controls.

**Condition** – We noticed a number of long-term issues in the Board of Education accounting that effected the current year's financial reporting:

- General Fund – This was not completed and reconciled in a timely manner.
- Education Grant Funds – The assets and liabilities were not reconciled at year end. These balance sheet accounts should be reviewed and reconciled monthly. In addition, cash receipts were posted in wrong accounts and not noted until well after year end.
- Child Nutrition Fund – Revenues were not segregated between the various revenue accounts.
- Student Activity Funds – The new financial management at the Board of Education determined bank accounts had not been reported in the financial statements. In addition, it was noted during the audit that the bank reconciliations performed outside of the financial office were not accurate.

**Effect** – Appropriate financial reporting was not completed until January 2017. This means it was not available to be used for management decisions during the year and not available to be audited in a timely manner.

**Cause** – There have been a number of changes in the education financial personnel. There has not been a vehicle for institutional knowledge to be carried forward.

**Recommendation** – The Education Finance Office should develop an accounting policies and procedures manual. This should include, not only the procedures that are needed for the accounting to be done timely and accurately, but it should also include controls over the financial processes and financial reporting performed in the finance office and decentralized locations.

**Management's Response** – The Education Finance Office has new personnel this year. We are working on a number of improvements to the financial reporting systems.

#### 2016-001 – WPCA Treatment Facility Revenues

**Criteria** – A segregation of duties is one of the best and most efficient strategies in internal control over assets. Generally, the following 3 areas should be performed by separate individuals: authorization, recordkeeping and custody. If a segregation is not possible, other controls should be implemented.

**Condition** – One individual is responsible for preparing and sending the invoices, collecting payments and keeping the records on the amounts owed by the haulers.

**Effect** – It is possible the funds could be diverted without it being discovered in a timely manner.

**Recommendation** – The City should review the policies and determine if a segregation of duties should be established or other controls put in place over this revenue process.

**Management's Response** – Management has reviewed the segregation of duties, outlined a new plan for segregation of duties and it is being reviewed for approval.

**City of Torrington, Connecticut**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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**Section III - Federal Financial Assistance Findings and Questioned Costs**

**2016-002 – Special Provisions – Paid Lunch Equity**

**Grantor:** U.S. Department of Agriculture  
**Federal Program Name:** Child Nutrition Cluster  
**Pass-through Entity:** State of Connecticut, Department of Education  
**CFDA Number:** 10.555/10.553

**Criteria** - A School Food Authority (SFA) participating in the program is required to ensure that sufficient funds are provided to its school food service accounts from lunches served to students not eligible for free or reduced price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This difference is known as "equity." Prescribed calculations are required to be performed by the SFA annually to determine whether its paid lunch price requires adjustment.

**Condition** – The required paid lunch equity calculations were not performed by Board of Education personnel until requested to do so for the audit. As a result, fiscal year 2016 paid lunch prices were not increased \$0.07 as determined by the calculations. In addition, the understated full price lunch price was used in the calculation of the fiscal year 2017 paid lunch equity. As a result the fiscal year 2017 paid lunch equity was incorrectly calculated.

**Questioned Cost** – Not applicable.

**Context** – We tested the calculation as performed by the Board of Education Director of Business Services.

**Effect** - The SFA charged less for paid lunches than required to ensure that sufficient funds are provided to its school food service accounts from lunches served to students not eligible for free or reduced price meals.

**Cause** – Unknown.

**Recommendation** – On an annual basis, paid lunch equity calculations should be performed, and full lunch prices increased as necessary, to ensure compliance with program requirements.

**Views of Responsible Officials and Planned Corrective Actions** - Procedures will be implemented to ensure that the required calculations are performed, and that full lunch prices are increased as necessary, on an annual basis.

## City of Torrington, Connecticut

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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### 2016-003 – Cash Management

**Grantor:** U.S. Department of Education  
**Federal Program Name:** Title I Grants to Local Educational Agencies  
**Pass-through Entity:** State of Connecticut, Department of Education  
**CFDA Number:** 84.010

**Criteria** - State Department of Education's (SDE) prepayment grant system requirements require Board of Education (BOE) personnel to estimate the next month's program expenditures when requesting monthly program cash advances.

**Condition** – During our testing we noted that estimated monthly expenditures submitted to SDE via the prepayment grant system were significantly greater than resulting actual expenditures during the first half of the year.

**Questioned Cost** – Not applicable.

**Context** – We tested all fiscal year 2016 monthly cash advance requests that were submitted for this program. We noted that by the end of the fiscal year total payments received were not materially greater than program expenditures.

**Effect** - Requested cash payments from the prepayment system exceeded actual expenditures during the first half of the year.

**Cause** – The BOE accountant assigned to request monthly cash advances was not aware of the SDE requirements.

**Recommendation** – We recommend that a formal estimate of program expenditures be documented each month. Cash advance requests should be no greater than estimated program expenditures.

**Views of Responsible Officials and Planned Corrective Actions** – All future cash advance requests will be based upon estimated program expenditures.

### 2016-004 – Program Financial Reporting

**Grantor:** U.S. Department of Education  
**Federal Program Name:** Preschool Development Grants  
**Pass-through Entity:** State of Connecticut, Office of Early Childhood  
**CFDA Number:** 84.419

**Criteria** - The Board of Education (BOE) is required to report program expenditures and complete Form ED141 utilizing the State Department of Education's (SDE) prepayment grants system. Whenever individual line item program expenditures, as reported on SDE Form ED141, exceed individual budgetary line items by 10% or more in aggregate, the Board of Education is required to request that SDE approve a budget adjustment.

**Condition** – We noted BOE personnel did not request a budget adjustment for individual line item expenditures that in the aggregate exceeded line item budget provisions by 10.5% on Form ED141.

**City of Torrington, Connecticut**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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**2016-004 – Program Financial Reporting (Continued)**

**Questioned Cost** – Not applicable.

**Context** – We examined both Form ED141 and the separate program budget approved by the Office of Early Childhood (OEC). The separate program budget approved by OEC provides sufficient funding for a significant portion of the expenditures that contributed to the excess expenditures on Form ED141.

**Effect** - A budget adjustment request should be submitted to SDE to ensure that program costs will not be disallowed.

**Cause** – The need for budget adjustment was not identified by BOE personnel.

**Recommendation** – We recommend that the BOE submit a budget adjustment request to SDE to ensure that the budget approved by OEC is in agreement with the budget in the prepayment grants system.

**Views of Responsible Officials and Planned Corrective Actions** – The BOE has now obtained SDE approval of a budget adjustment for the identified overages. In the future, all ED141s will be reviewed for overages and approvals will be obtained from SDE.

## City of Torrington, Connecticut

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

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### Financial Statement Finding

#### 2015-001 – Financial Reporting Requirements

**Condition:** Closing procedures and year-end adjustments for the Board of Education were not performed timely.

**Current Status:** The finding has been repeated as finding 2015-001 in the current year.

**Planned Corrective Action:** See the response included in the current year Schedule of Findings and Questioned Costs.