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# **POND PLACE TAX DISTRICT**

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Annual Financial Statements

For the Year Ended June 30, 2021

**POND PLACE TAX DISTRICT**  
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For the Year Ended June 30, 2021

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Pond Place Tax District

We have audited the accompanying financial statements of the governmental activities and each major fund of Pond Place Tax District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



King, King & Associates, CPAs  
Winsted, CT  
March 29, 2022

**POND PLACE TAX DISTRICT**  
Management's Discussion and Analysis  
June 30, 2021

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As management of Pond Place Tax District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,214,742 (*net position*). Of this amount, \$728,775 (*unrestricted net position*) may be used to meet the District's ongoing obligations and capital appropriations to citizens. The remainder of its net position is invested in capital assets. This information can be found on page 9 of this report.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$707,736 an increase of \$91,418 in comparison with the prior year. Of this amount, \$22,792 is available for spending at the District's discretion (*unassigned fund balance*). This information can be found on page 11 of this report.
- At the end of the current fiscal year, the fund balance for the general fund was \$22,792 and the committed fund balance of the capital reserve fund was \$684,944. This information can be found on page 11 of this report.

### **Overview of the Financial Statements**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in future cash inflows (revenues) and outflows (expenditures).

Both of the government-wide financial statements present functions of the District that are principally supported by tax revenues (*governmental activities*). The governmental activities of the District include property administration and maintenance. The District

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does not report any funds that carry-on business-type activities. The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two (2) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The District also reports the Capital Reserve fund as a major fund.

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

The basic governmental fund financial statements can be found on pages 11-14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-23 this report.

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**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,214,742 at the close of the most recent fiscal year.

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 775,491	\$ 660,782
Capital Assets	<u>485,967</u>	<u>525,840</u>
Total Assets	<u>1,261,458</u>	<u>1,186,622</u>
 Deferred Outflows	 <u>-</u>	 <u>-</u>
 Other Liabilities	 <u>6,423</u>	 <u>6,423</u>
Total Liabilities	<u>6,423</u>	<u>6,423</u>
 Deferred Inflows	 <u>40,293</u>	 <u>3,288</u>
 Net Assets:		
Net Investment in Capital Assets	485,967	525,840
Unrestricted	<u>728,775</u>	<u>651,071</u>
Total Net Position	<u>\$ 1,214,742</u>	<u>\$ 1,176,911</u>

At the end of the current fiscal year, the District reported that all categories of net position increased by \$37,831 during this fiscal year. This change is primarily attributable to:

- Association Land Lease contribution to Capital Reserve Trust.

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Management's Discussion and Analysis  
June 30, 2021

	<u>2021</u>	<u>2020</u>
<i>Revenues:</i>		
Program Revenues:		
Charges for Services	\$ 18,586	\$ 3,469
General Revenues:		
Property Taxes	332,112	310,485
Investment Income	2,803	10,486
Contributions	101,376	131,607
Total Revenues	454,877	456,047
<i>Expenses:</i>		
Governmental Activities:		
Administration	81,418	67,066
Repairs and Maintenance	335,628	264,270
Total Expenses	417,046	331,336
Change in Net Position	37,831	124,712
Beginning Net Position	1,176,911	1,052,199
Ending Net Position	\$ 1,214,742	\$ 1,176,911

**Governmental activities.** Governmental activities increased the District's net position by \$37,831.

Key elements of the activities are as follows:

Seventy-three percent (73%) of the revenues of the District were derived from property taxes.

Major revenue factors included:

- Investment Return on Capital Reserve Trust
- Contribution from Pond Place Association to Capital Reserve Trust

For Governmental Activities, eighty percent (80%) of the District's expenses related to maintenance and twenty percent (20%) related to property administration.

Major expense factors include:

- Front Entry Sign

**Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such



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Management's Discussion and Analysis  
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information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$707,736, a \$91,418 increase in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the general fund was \$22,792 a decrease of \$12,761.

The Capital Reserve fund is used to accumulate funds for major capital projects. At the end of the current fiscal year, the committed for capital reserve fund balance of the fund was \$684,944.

**General Fund Budgetary Highlights**

- No budget amendments were needed in the current year.

**Capital Asset and Debt Administration**

The District's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$485,967 (net of accumulated depreciation). This investment in capital assets includes roads, street lights, and other commonly owned property.

A summary of the capital assets, net of accumulated depreciation, follows:

Infrastructure	\$ 485,967
Tennis Court	<u>-</u>
Total	<u><u>\$ 485,967</u></u>

Additional information on the District's capital assets can be found in Note 4 on page 22 of this report.

The District had no long-term debt at June 30, 2021.

**Economic Factors and Next Year's Budgets and Rates**

- The tax rate is 12.70 mills for the Grand List as of October 2020.

These factors were considered in preparing the District's budget for the 2021-2022 fiscal year.

**POND PLACE TAX DISTRICT**  
Management's Discussion and Analysis  
June 30, 2021

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**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pond Place, c/o White & Katzman Property Services, 111 Roberts Street, Suite G1, East Hartford, CT 06108

**POND PLACE TAX DISTRICT**

Statement of Net Position

June 30, 2021

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	Governmental <u>Activities</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 488,917
Investments	236,551
Taxes Receivable	48,545
Prepaid Expenses	1,478
Capital Assets, net of Depreciation	<u>485,967</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,261,458</u></b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>-</u>
 <b>LIABILITIES</b>	
Accounts Payable	<u>\$ 6,423</u>
<b>Total Liabilities</b>	<b><u>6,423</u></b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid Taxes	<u>40,293</u>
Total Deferred Inflows of Resources	<b><u>40,293</u></b>
 <b>Net Position:</b>	
Net Investment in Capital Assets	485,967
Unrestricted	<u>728,775</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 1,214,742</u></b>

The accompanying notes are an integral part of these financial statements.

**POND PLACE TAX DISTRICT**

Statement of Activities

For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			Net (expense) revenue and changes in net position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<b>Primary government</b> <u>Governmental Activities</u>
<b>Functions/programs</b>					
Primary government:					
Governmental activities:					
Administration	\$ 81,418	\$ 380	\$ -	\$ -	\$ (81,038)
Repairs and Maintenance	335,628	-	-	-	(335,628)
Total governmental activities	<u>417,046</u>	<u>380</u>	<u>-</u>	<u>-</u>	<u>(416,666)</u>
 Total primary government	 <u>\$ 417,046</u>	 <u>\$ 380</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>(416,666)</u>
 General revenues:					
Property taxes levied for general purposes					332,112
Contributions					101,376
Other Income					18,206
Unrestricted Investment income					2,803
Total general revenues, special items, and transfers					<u>454,497</u>
Change in net position					37,831
Net position - beginning					<u>1,176,911</u>
Net position - ending					<u>\$ 1,214,742</u>

The accompanying notes are an integral part of these financial statements.

**POND PLACE TAX DISTRICT**  
 Governmental Funds  
 Balance Sheet  
 For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 124,131	\$ 364,786	\$ 488,917
Investments	-	236,551	236,551
Prepaid Expenses	1,479	-	1,479
Interfund Receivable	-	83,607	83,607
Taxes Receivable	48,545	-	48,545
Total Assets	<u>\$ 174,155</u>	<u>\$ 684,944</u>	<u>\$ 859,099</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 6,423	\$ -	\$ 6,423
Interfund Payable	83,608	-	83,608
Total Liabilities	<u>\$ 90,031</u>	<u>\$ -</u>	<u>\$ 90,031</u>
<b>DEFERRED INFLOWS</b>			
Deferred Tax Revenue	\$ 21,039	\$ -	\$ 21,039
Prepaid Taxes	40,293	-	40,293
Total Deferred Inflows	<u>\$ 61,332</u>	<u>\$ -</u>	<u>\$ 61,332</u>
<b>FUND BALANCES</b>			
Fund Balances:			
Committed for Capital Reserve	\$ -	\$ 684,944	\$ 684,944
Unassigned	22,792	-	22,792
Total Fund Balances	<u>22,792</u>	<u>684,944</u>	<u>707,736</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 174,155</u>	<u>\$ 684,944</u>	

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

Deferred revenue for property taxes are reported in the funds but accrued as revenue in the government-wide statements and added to net position 21,039

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

*Capital Assets* 973,580  
*Accumulated Depreciation* (487,613)

**Net Position of governmental activities** \$ 1,214,742

The accompanying notes are an integral part of these financial statements.

**POND PLACE TAX DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
Property Taxes	\$ 345,826	\$ -	\$ 345,826
Contribution	-	101,376	101,376
Miscellaneous Income	18,586	-	18,586
Investment Income	-	2,803	2,803
<i>Total Revenues</i>	<u>364,412</u>	<u>104,179</u>	<u>468,591</u>
<b>EXPENDITURES:</b>			
Utilities	1,806	-	1,806
Administration	81,418	-	81,418
Contract Services	187,463	-	187,463
Maintenance	106,486	-	106,486
<i>Total Expenditures</i>	<u>377,173</u>	<u>-</u>	<u>377,173</u>
Excess/(Deficiency) of Revenues Over Expenditures Before Other Financing Sources/(Uses)	(12,761)	104,179	91,418
<b>OTHER FINANCING SOURCES/(USES):</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
<i>Total Transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(12,761)	104,179	91,418
Fund Balance - June 30, 2020	35,553	580,765	616,318
<b>Fund Balance - June 30, 2021</b>	<u>\$ 22,792</u>	<u>\$ 684,944</u>	<u>\$ 707,736</u>

The accompanying notes are an integral part of these financial statements.

**POND PLACE TAX DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement  
of Activities  
For the Year Ended June 30, 2021

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	<u>2021</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 91,418
Amounts reported for governmental activities in the Statement of Activities are different because:	
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 as depreciation expense:	
<i>Capital Outlay</i>	9,719
<i>Depreciation Expense</i>	(49,592)
Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are accrued in the government-wide financial statements	<u>(13,714)</u>
Change in Net Position of Governmental Activities	<u>\$ 37,831</u>

The accompanying notes are an integral part of these financial statements.

**POND PLACE TAX DISTRICT**  
 Budgetary Comparison Statement  
 General Fund  
 For the Year Ended June 30, 2021

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Expenditures Over/ (Under)
<b>REVENUES:</b>				
Property Taxes	\$ 335,233	\$ 335,233	<b>345,826</b>	\$ 10,593
Fees & Fines	-	-	<b>380</b>	380
Other Income	-	-	<b>18,206</b>	18,206
Investment Income	-	-	<b>2,803</b>	2,803
<b>Total Revenues</b>	<b>335,233</b>	<b>335,233</b>	<b>367,215</b>	<b>31,982</b>
<b>EXPENDITURES:</b>				
Utilities	3,200	3,200	<b>1,806</b>	1,394
<i>Administration:</i>				
Minutes/Office	5,000	5,000	<b>7,261</b>	(2,261)
Insurance	7,300	7,300	<b>8,700</b>	(1,400)
Collection Fees	-	-	<b>285</b>	(285)
Legal	13,750	13,750	<b>15,440</b>	(1,690)
Other Expense	-	-	<b>1,809</b>	(1,809)
Audit	9,600	9,600	<b>8,980</b>	620
Management Fee	38,934	38,934	<b>38,943</b>	(9)
Total Administration	74,584	74,584	<b>81,418</b>	(6,834)
<i>Contract Services:</i>				
Landscaping/Snow Removal Contract	115,000	115,000	<b>92,311</b>	22,689
Lawn/Shrub Fertilization	-	-	<b>95,152</b>	(95,152)
Total Contract Services	115,000	115,000	<b>187,463</b>	(72,463)
<i>Maintenance:</i>				
Major Maintenance Project	-	-	<b>21,396</b>	(21,396)
Landscaping Maintenance	5,000	5,000	<b>150</b>	4,850
Tree Removal	15,000	15,000	<b>61,653</b>	(46,653)
Contingency	30,000	30,000	-	30,000
Reserve Contribution	32,823	32,823	-	32,823
General Maintenance	15,876	15,876	<b>23,287</b>	(7,411)
Total Maintenance	98,699	98,699	<b>106,486</b>	(7,787)
<b>Total Expenditures</b>	<b>291,483</b>	<b>291,483</b>	<b>377,173</b>	<b>(85,690)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ 43,750</b>	<b>\$ 43,750</b>	<b>\$ (9,958)</b>	<b>\$ (53,708)</b>

The accompanying notes are an integral part of these financial statements



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Formation**

Pond Place Tax District (Tax District) is a legally separate and distinct public entity in accordance with the applicable General Statutes of Connecticut (General Statutes). Matters of administration of the Tax District's local affairs are provided by applicable provisions of the General Statutes and Tax District's governing ordinance. The Tax District leases the common areas and common improvements from the Pond Place Association. The lease agreement became effective on July 1, 1982, and continues for a period of forty-nine (49) years and provides for a nominal annual rental of one dollar (\$1). The lease is deemed to be absolute net, and all overhead, interest, taxes and other costs with respect to the leased premises were assumed by the Tax District. The accounting policies of the Tax District conform to Generally Accepted Accounting Principles as applicable to governments.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Tax District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by tax revenues.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

The financial statements presented herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Pond Place Tax District. There were no such organizations excluded from the reporting entity.

### **Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and 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

when they become measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred if measurable, as under accrual accounting. Exceptions to this general rule include: debt service, and claims and judgments that are recorded only when payment is due.

Property taxes when levied, expenditure reimbursement type grants, certain intergovernmental revenues, operating transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government, or specifically identified. Only current assets and current liabilities are generally included on the balance sheet.

### **Basis of Presentation – Fund Accounting**

The accounts of the Tax District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements.

The Tax District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another manner.

The *Capital Reserve Fund* is used to accumulate and expend cash for major repairs and replacement of the Tax District property.

### **Estimates**

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

## **Assets, Liabilities, and Net Position or Equity**

*Cash and Cash Equivalents* - The deposit of public funds is controlled by the Connecticut General Statutes. Cash in excess of current requirements is invested in various interest-bearing accounts, certificates of deposit, and pooled investment funds that may be deemed to be cash equivalents based on maturity date or availability of conversion to cash. Amounts reported as cash and cash equivalents have maturities of three months or less and are stated at cost.

*Investments* - In general, State of Connecticut Statutes allow the District to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

### *Fair Value of Financial Instruments*

In accordance with ASC 820-10, the District is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

*Observable inputs* reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Investments are carried at fair value based on Level 1 and Level 2 observable inputs and are presented in Note 3.

*Receivables and Payables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Tax District levies taxes on real estate based on the grand list provided by the Town of Avon as of October 1. Taxes are due and payable in two installments, July 1 and January 1. Liens

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are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible.

*Advances to and from other funds* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

*Capital Assets* - Capital assets, which include equipment, fixtures, and other long-lived assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$20,000 for land, infrastructure, buildings, and improvements) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	20-50
Equipment	3-10
Infrastructure	20

*Fund equity and net position*— In the government-wide financial statements, net position is classified in the following categories:

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

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

*Unrestricted Net Position* – This category represents the net position of the Tax District, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for certain expenses, the Tax District expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

*Nonspendable Fund Balance* – Indicates amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including prepaid expenditures and permanent fund principal.

*Restricted Fund Balance* – Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of the Board of Directors, approved by the homeowners, in accordance with provisions of the Connecticut General Statutes.

*Assigned Fund Balance* – Indicates amounts that are constrained by the Tax District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by formal action of the Board of Directors.

*Unassigned Fund Balance* – Represents the remaining fund balance after amounts are set aside for all other classifications.

The Tax District has not established a formal policy for its use of restricted and unrestricted (committed, assigned, unassigned) fund balance; however, the Tax District generally used restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

The Tax District has not formally enacted legislation or Board policies requiring it to maintain a minimum fund balance.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Budgetary Information and Accounting**

The Tax District establishes its budget in accordance with its governing ordinance and provisions of the Connecticut General State Statutes. The budget reflected in the financial statements was adopted at the annual Tax District Meeting.

Pond Place Tax District follows these procedures in establishing the budgetary data reflected in the financial statements:

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- A. The annual budgets are prepared by the Finance Committee and submitted by the Treasurer, reviewed by the Board of Directors for the fiscal year. The operating budget includes proposed expenditures and the means of financing them. It is reviewed by the Board of Directors and transmitted with Board's comments and recommendations to the annual budget meeting.
- B. Budget meeting is conducted in the District to obtain taxpayer comments. The budget is adopted by homeowners vote at an annual meeting.
- C. The Budgetary Comparison Statement-General Fund presents comparisons of the adopted budget with actual data.

**Budgetary/GAAP Reconciliation**

The District prepares its annual budget on a basis (budget basis), which differs in some respects from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the District's method (budget basis) in the *Budgetary Comparison Statement - General Fund* to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are that activity of the investment accounts reported in the Capital Reserve Fund is budgeted in the General Fund and interfund transfers are recorded as expenditures (budget) rather than operating transfers (GAAP). Adjustments necessary to reconcile the budget basis to GAAP basis are presented below:

*Perspective Differences:* Include interfund transfers reported separate from expenditures for GAAP basis.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>	<u>Total</u>
Budgetary Basis	\$ 367,215	\$ (377,173)	\$ -	\$ (9,958)
Adjustments:				
Perspective Difference	(2,803)	-	-	(2,803)
Timing Difference	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
GAAP Basis	<u>\$ 364,412</u>	<u>\$ (377,173)</u>	<u>\$ -</u>	<u>\$ (12,761)</u>

**Risk Management**

The District is exposed to various risks of loss relating to liability, theft or impairment of assets, errors or omissions, and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. There was no significant reduction coverage from the prior year.

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Notes to Financial Statements

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**NOTE 3 - CASH EQUIVALENTS, INVESTMENTS, AND RECEIVABLES**

**Deposits and Investments**

At year-end, the District's carrying amount of cash and cash equivalents was \$577,007. The bank balance was \$588,385, of which \$500,000 was FDIC insured. The remaining \$88,385 was uninsured.

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the Tax District's deposits may not be returned to it. The Tax District does not have a deposit policy for custodial credit risk. As of June 30, 2021, \$88,385 of the Tax District's bank balance of \$588,385 was exposed to custodial risk as follows:

Uninsured and uncollateralized	\$ 29,546
Uninsured and collateralized	<u>58,839</u>
Total	<u>\$ 88,385</u>

*Interest Rate Risk:* The Tax District has a policy whereby investment maturities are laddered across five years as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk:* The District's policy is to follow investment limitations as defined by State Statute. All investments are insured by the FDIC.

*Custodial Credit Risk:* This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

As of June 30, 2021, the Tax District had the following investments and maturities:

		<u>Investment Maturities</u>	
		<u>Less than 1 Yr</u>	<u>1 - 5 Yrs.</u>
FDIC Insured Deposit Account	\$ 1,307	N/A	\$ -
FDIC Insured Certificates of Deposit	<u>235,244</u>	<u>230,076</u>	<u>5,168</u>
Total Investments	<u>\$ 236,551</u>	<u>\$ 230,076</u>	<u>\$ 5,168</u>



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Notes to Financial Statements

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The following is a summary of assets measured at fair value:

Description	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 147,153	\$ -	\$ 147,153	\$ -
Short-Term Investments	1,307	1,307	-	-
Total	<u>\$ 148,460</u>	<u>\$ 1,307</u>	<u>\$ 147,153</u>	<u>\$ -</u>

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in fixed assets:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Tennis Court	\$ 38,657	\$ -	\$ -	\$ 38,657
Infrastructure	925,203	9,719	-	934,922
Total capital assets being depreciated	<u>963,860</u>	<u>9,719</u>	<u>-</u>	<u>973,579</u>
Less accumulated depreciation for:				
Tennis Court	38,657	-	-	38,657
Infrastructure	399,363	49,592	-	448,955
Total accumulated depreciation	<u>438,020</u>	<u>49,592</u>	<u>-</u>	<u>487,612</u>
Total capital assets, being depreciated, net	<u>525,840</u>	<u>(39,873)</u>	<u>-</u>	<u>485,967</u>
Governmental activities capital assets, net	<u>\$ 525,840</u>	<u>\$ (39,873)</u>	<u>\$ -</u>	<u>\$ 485,967</u>

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

Repairs and Maintenance	\$ 49,592
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**NOTE 5 - INTERFUND BALANCES AND TRANSFERS**

Interfund transfers represent funds set aside for, or used for, capital asset activity and major maintenance projects.



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**NOTE 6 - MAJOR REPAIRS AND REPLACEMENTS**

By agreement with the Pond Place Association, the Tax District is responsible for the accumulation of funds for repair and replacement of the common properties. Funds accumulated in the Tax District totaled \$684,944 at June 30, 2021.

As part of its primary responsibility for funding for major repairs and replacements, in 2015 the Board updated the estimated current replacement costs for the road system, street lights, and tennis court to \$700,000.

At June 30, 2021, the estimated costs of replacement, based on that study, are as follows:

	Estimated Remaining Useful Life (Years)	Estimated Future Replacement Costs
Road System	5	\$ 600,000
Street Lights	5	50,000
Tennis Court	5	50,000
Total		<u>\$ 700,000</u>

**NOTE 7 - RELATED PARTIES**

The Pond Place Association is a related party of the District, due to its common management and Board of Directors.