



July 25, 2014

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: REGIONAL SCHOOL DISTRICT NO. 9, CONNECTICUT
\$1,455,000 General Obligation Bond Anticipation Notes**

**Dated: August 14, 2014
Due: April 9, 2015**

**Date of Sale: Wednesday, July 30, 2014
Time of Sale: 1:00 P.M. (Eastern Time)**

*****Telephone Number to Submit a Bid: (203) 261-2513*****

As per the Notice of Sale, proposals may be submitted by telephone on Wednesday, July, 30 2014. Please note that a representative of Phoenix Advisors, LLC will be available until 1:00 P.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 261-2513 no later than 1:00 P.M. on Wednesday, July 30, 2014.**

An Official Statement has not been prepared by or on behalf of the Issuer for this sale. The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission.

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of The Regional School District No. 9, and the District's member Towns of Easton, Connecticut, and Redding, Connecticut as of June 30, 2013. These excerpts are included in this package. Copies of the complete reports for June 30th are available upon request from Phoenix Advisors, LLC, Attention: Matthew Spoerndle, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 878-4945.

We trust we may be of service.

PHOENIX ADVISORS, LLC

Telephone Sale Term Sheet

\$1,455,000

General Obligation Bond Anticipation Notes Regional School District No. 9, Connecticut

Date of Sale: Wednesday, July 30, 2014 at 1:00 P.M., (Eastern Time).

Location of Sale: Regional School District No. 9, Business Office, 654 Morehouse Road, Easton, Connecticut 06612.

Issuer: Regional School District No. 9, Connecticut (the "District").

Issue: \$1,455,000 General Obligation Bond Anticipation Notes (the "Notes").

Dated Date: August 14, 2014

Principal and Interest Due: At maturity on April 9, 2015

Purpose: The Notes are being issued to finance the roof restoration project.

Denominations: \$100,000

Redemption: The Notes are not subject to redemption prior to maturity.

Security: The Notes will be general obligations of the District and its member towns of Easton and Redding and the District will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.

Credit Rating: No application for a rating on this Note issue has been made to any credit rating agency. The District has an outstanding bond rating from Moody's Investors Service of Aa1 and Standard & Poor's of AAA. The District's member Town of Redding, Connecticut has an outstanding bond rating from Moody's Investors Service of Aa1 and Standard & Poor's of AAA. The District's member Town of Easton, Connecticut has an outstanding bond rating from Moody's Investors Service of Aaa and Standard & Poor's of AAA.

Basis of Award: Lowest Net Interest Cost (NIC), as of dated date.

Form of Legal Opinion and Tax Exemption: Tax-Exempt (See Attached "Opinion of Bond Counsel and Tax Exemption")

Bank Qualification: The Notes shall be designated by the Issuer as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Registrar, Transfer Agent, Certifying Agent and Paying Agent: U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103.

Financial Advisor: Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Telephone (203) 878-4945.

Legal Opinion: Day Pitney LLP of Hartford, Connecticut will act as Bond Counsel.

Delivery and Payment: It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about August 14, 2014. Delivery of the Notes will be made against payment in Federal Funds.

Issuer Official: Questions concerning the sale should be addressed to: Margaret Sullivan, Director of Finance and Operations, 654 Morehouse Road, Easton, Connecticut 06612. Phone (203) 261-2513.

NOTICE OF TELEPHONE SALE
\$1,455,000
Regional School District Number 9 of the State of Connecticut
Bond Anticipation Notes
(BOOK-ENTRY)

TELEPHONE PROPOSALS will be received by Regional School District Number 9 of the State of Connecticut until **1:00 P.M. (Eastern Daylight Time) on WEDNESDAY,**

JULY 30, 2014

for the purchase of \$1,455,000 Bond Anticipation Notes of Regional School District Number 9, dated August 14, 2014, maturing on April 9, 2015 (the "Notes").

The District will designate the Notes as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the District and its member towns of Easton and Redding payable from ad valorem taxes levied on all taxable property in each member town of the District without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or any integral multiple thereof, plus any odd amount, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the District or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The District will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the District fails to identify another qualified securities depository to replace DTC, or (b) the District determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the District will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Option For No Book Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes for each maturity, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes of the same maturity at the same interest rate. The successful bidder seeking the issuance of the Notes in this manner, and any subsequent registered owner of the Notes, shall bear any and all costs including counsel fees of any re-registration or transfer of Notes from time to time, including any costs to convert the Notes to book-entry only form. Any bidder seeking to have the Notes issued

in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received on behalf of the District by telephone call to Margaret Sullivan, Director of Finance and Operations, Regional School District No. 9, 654 Morehouse Road, Easton, Connecticut at (203) 261-2513.

Basis of Award. As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the District by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The District reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The District further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The District will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

Certifying and Paying Agent. The Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the member towns of the District to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the District and its member towns when duly certified; (2) that, assuming the accuracy of and compliance by the District with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and the Notes are "qualified tax-exempt obligations"; and (3) that, under existing statutes, interest on the Notes is excluded from

Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

No Continuing Disclosure or Official Statement. Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the District will not provide an official statement nor enter into a Continuing Disclosure Agreement with respect to the Notes.

CUSIP Numbers. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the District; provided, however, that the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Reoffering Prices. IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE DISTRICT IN WRITING BEFORE THE DELIVERY OF THE NOTES THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF THE NOTES WERE SOLD. The successful bidder may specify that the Bonds as “not reoffered” if the successful bidder certifies that it purchased the specified Bonds for its own account (or the account of a related party) without any present intention of reoffering such Bonds to any other investor.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on August 14, 2014.

More Information. For more information regarding this issue and the District reference is made to the District’s financial statements. Copies of the District’s financial statements may be obtained from Mr. Matthew A. Spoerndle, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460 (telephone: (203) 878-4945) or from Ms. Margaret Sullivan, Director of Finance and Operations, Regional School District Number 9, 654 Morehouse Road, Easton, Connecticut 06612 (telephone: (203) 261-2513).

CHRISTOPHER HOCKER,
Chairperson of the Board of Education

MARK LEWIS,
Treasurer

July 24, 2014

REGIONAL SCHOOL DISTRICT NUMBER 9 OF THE STATE OF CONNECTICUT
\$1,455,000 BOND ANTICIPATION NOTES
DATED AUGUST 14, 2014; MATURING APRIL 9, 2015
APPENDIX - OPINION OF BOND COUNSEL AND TAX EXEMPTION

The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in any information distributed in connection with the note issue (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the District authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Regional School District Number 9
Easton, Connecticut

We have represented Regional School District Number 9 of the State of Connecticut as Bond Counsel in connection with the issuance by the District of \$1,455,000 Bond Anticipation Notes, dated as of August 14, 2014.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that Regional School District Number 9 is authorized to issue the Notes; the District is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes will be valid and binding general obligations of the District and its member towns of Easton and Redding when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and each member town of the District has the power to levy ad valorem taxes to pay the Notes against all the taxable property in the District within such town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Notes is excluded from gross income for Federal income tax purposes. The District officials authorized to issue the Notes have executed written representations and agreements on behalf of the District relating to compliance with such provisions of the Code to ensure that the interest on the Notes will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Notes are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) the Notes are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Notes is excluded from the gross income of the owners thereof for Federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Notes. Failure to comply with any of these requirements may cause the interest on the Notes to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The District officials authorized to issue the Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Notes, which will contain certain representations and covenants on behalf of the District relating to compliance with such requirements of the Code to ensure that the interest on the Notes will be excluded from the gross income of the owners thereof for Federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The District's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not "private activity bonds" so that interest on the Notes will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The District's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes will be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result

in collateral Federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

ORIGINAL ISSUE PREMIUM

The initial public offering price of certain of the Notes may be greater than the amount payable on the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the District regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. An owner who purchases a Note with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Note for federal income tax purposes. Owners of Notes having original issue premium, and especially any owner who is not an original owner of a the Note who bought the Note at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Notes.

GENERAL.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. For example, on September 13, 2011, S.B. 1549, the "American Jobs Act of 2011" (the "Jobs Act"), was introduced into the United States Senate, which legislation, if enacted as introduced, would have subjected to federal income taxation a portion of the interest on all tax-exempt bonds (including the Notes) received for taxable years beginning on or after January 1, 2013 by certain individuals with incomes above specified limits. The Jobs Act was not enacted; however, on February 13, 2012, President Obama released his fiscal 2013 Federal budget request, which includes a proposal to cap at 28% the value of tax preferences, including tax-exempt interest for municipal bonds. No assurance can be given that Federal legislation enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Notes and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed Federal or State of Connecticut tax legislation affecting municipal bonds.

The information above does not purport to deal with all aspects of Federal or State of Connecticut taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the Federal, state and local tax consequences of owning and disposing of the Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

REGIONAL SCHOOL DISTRICT NO. 9, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Annual Financial Report of
The Regional School District No. 9, Connecticut
Year Ended June 30, 2013



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Education
Regional School District No. 9

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 9, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Regional School District No. 9'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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 9, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the budgetary comparison information on pages 39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School District No. 9's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013 on our consideration of the Regional School District No. 9's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School District No. 9's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 16, 2013

REGIONAL SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Management of the Regional School District No. 9 (the Region) offers readers of these financial statements this narrative overview and analysis of the financial activities of the Region for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Region exceeded its liabilities at the close of the most recent fiscal year by \$18,231,281 (net position).
- The Region's total net position increased by \$415,659. The increase was primarily a result of reductions in bonds payable.
- As of the close of the current fiscal year, the Region's governmental funds reported combined ending fund balance of \$366,518.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,240.

Overview of the Basic Financial Statements

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

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

The statement of net position presents information on all of the Region'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 Region is improving or deteriorating.

The statement of activities presents information showing how the Region's net position 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 only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements present the functions of the Region, which are principally supported by assessments to member towns and intergovernmental revenues. The governmental activities of the Region include general instruction, special education, student services, administration, buildings and transportation.

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 Region uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Region can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Region'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 Region'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 Region maintains six 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 Capital Non-Recurring Fund, Capital Projects Fund and Capital Maintenance Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Region adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The Region maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Region's various functions. The Region uses an internal service fund to account for its self-insured medical benefits.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Region's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic 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.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found in Exhibits B-1 and B-2.

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 Region, assets exceeded liabilities by \$18,231,281 at the close of the most recent fiscal year.

By far, the largest portion of the Region's net position reflects its investment in capital assets (e.g., land, buildings and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Region uses these capital assets to provide public education to eligible citizens living within the district; consequently, these assets are not available for future spending. Although the Region's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position \$(1,005,929) is a deficit balance.

NET POSITION

	Governmental Activities	
	2013	2012
Current assets	\$ 2,011,888	\$ 2,423,322
Capital assets, net of accumulated depreciation	37,812,057	38,466,574
Total assets	<u>39,823,945</u>	<u>40,889,896</u>
Long-term liabilities outstanding	20,169,608	21,671,744
Other liabilities	1,423,056	1,402,530
Total liabilities	<u>21,592,664</u>	<u>23,074,274</u>
Net position:		
Invested in capital assets, net of related debt	19,237,210	18,156,209
Unrestricted	<u>(1,005,929)</u>	<u>(340,587)</u>
Total Net Position	<u>\$ 18,231,281</u>	<u>\$ 17,815,622</u>

Governmental Activities. The Region's net position increased by \$415,659 during the current fiscal year. The increase is due to the use of accrual accounting at the government-wide financial statement level where capital expenditures are capitalized and debt service principal payments are not expensed.

STATEMENT OF ACTIVITIES

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,058,272	\$ 1,055,680
Operating grants and contributions	2,279,966	2,260,001
General revenues:		
Assessments from member towns	22,023,444	21,700,000
Investment income	572	376
Total revenues	25,362,254	25,016,057
Expenses:		
General instruction	14,711,048	14,043,054
Special education	3,548,111	2,884,701
Student services	1,668,564	1,536,260
Administration	1,738,145	1,590,957
Buildings	2,104,799	2,063,043
Transportation	475,670	517,816
Debt service	700,258	723,602
Total expenses	24,946,595	23,359,433
Change in net position	415,659	1,656,624
Net position at beginning of year	17,815,622	16,158,998
Net position at end of year	\$ 18,231,281	\$ 17,815,622

- Assessments from member towns increased by \$323,444, substantially due to the overall increase in operating expenditures, which are primarily funded through the assessments from the two towns.
- Increases in general instruction expenses were related to an increase in contractual salary obligations and an increased investment in instructional technology. Increases in special education costs were directly related to the changes in the special education student population.

Financial Analysis of the Region's Funds

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

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

As of the end of the current fiscal year, the Region’s governmental funds reported combined ending fund balance of \$366,518.

The General Fund is the operating fund of the Region. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,240.

The Capital Projects Fund accounts for the 2000 School Building Project, which is mainly complete, and capital leases.

General Fund Budgetary Highlights

There were several differences between the budget and the actual results of revenues and expenditures due to changes in special education student population and the additional services needed to support these students. Significant budgetary variances can be briefly summarized as follows:

Final Budget to Actual

- The General Instruction favorable variance of \$100,654 is due to changes in personnel, student activities, and instructional department purchases.
- The increase in actual expenses over budget in Special Education and Special Services resulted from changes in the needs of the students serviced.
- The unfavorable variance in the Operations/Maintenance area is a result of additional expenditures incurred to improve the security in the building.

Capital Assets and Debt Administration

Capital Assets. The Region’s investment in capital assets for its governmental activities as of June 30, 2013 amounted to \$37,812,057 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and machinery and equipment.

**CAPITAL ASSETS
(NET OF DEPRECIATION)**

	Governmental Activities	
	2013	2012
Land	\$ 1,841,268	\$ 1,841,268
Buildings	34,751,295	35,431,332
Machinery and equipment	1,219,494	1,193,974
Total	\$ 37,812,057	\$ 38,466,574

Additional information on the Region’s capital assets can be found in Note 4 of this report.

Long-Term Debt. At the end of the current fiscal year, the Region had total bonded debt outstanding of \$17,415,000. All of this debt comprises debt backed by the full faith and credit of the Region.

**OUTSTANDING DEBT
GENERAL OBLIGATION BONDS**

	Governmental Activities	
	2013	2012
General obligation bonds	\$ <u>17,415,000</u>	\$ <u>19,155,000</u>
Total	\$ <u><u>17,415,000</u></u>	\$ <u><u>19,155,000</u></u>

The Region’s total debt decreased by \$1,740,000 (9%) during the current fiscal year. The Region received an AAA rating from Standard and Poor’s for general obligation debt.

State Statutes limit the amount of general obligation debt a regional school district may issue to 2.25 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant of the member towns.

A portion of the Region’s debt is allocated to each member town and is included in the town’s debt limitation. Additional information on the Region’s long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the Region’s member towns is currently 5.5% for Redding and 5.7% for Easton. This compares favorably to the state’s average unemployment rate of 8.2% and the national average rate of 7.6%.
- Inflationary trends in the Region’s member towns compare favorably to national indices.

All of these factors were considered in preparing the Region’s budget for the 2014 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Region’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 Margaret Sullivan, Director of Finance and Operations, Regional School District No. 9, 654 Morehouse Road, Easton, Connecticut 06612.

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 809,385
Receivables:	
Intergovernmental	24,380
Due from member towns	1,160,609
Inventory	17,514
Total current assets	<u>2,011,888</u>
Capital assets:	
Assets not being depreciated	1,841,268
Assets being depreciated, net	35,970,789
Total capital assets, net of accumulated depreciation	<u>37,812,057</u>
Total assets	<u>39,823,945</u>
Liabilities:	
Accounts and other payables	1,400,779
Unearned revenue	22,277
Total current liabilities	<u>1,423,056</u>
Noncurrent liabilities:	
Due within one year	2,050,616
Due in more than one year	18,118,992
Total noncurrent liabilities	<u>20,169,608</u>
Total liabilities	<u>21,592,664</u>
Net Position:	
Invested in capital assets, net of related debt	19,237,210
Unrestricted	<u>(1,005,929)</u>
Total Net Position	<u>\$ 18,231,281</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
					Governmental Activities
Governmental activities:					
General instruction	\$ 14,711,048	\$	\$ 1,849,221	\$	\$ (12,861,827)
Special education	3,548,111		284,952		(3,263,159)
Student services	1,668,564	1,058,272	145,793		(464,499)
Administration	1,738,145				(1,738,145)
Buildings	2,104,799				(2,104,799)
Transportation	475,670				(475,670)
Debt service	700,258				(700,258)
Total	<u>\$ 24,946,595</u>	<u>\$ 1,058,272</u>	<u>\$ 2,279,966</u>	<u>\$ -</u>	<u>(21,608,357)</u>
General revenues:					
Assessments from district member towns					22,023,444
Investment income					572
Total general revenues					<u>22,024,016</u>
Change in Net Position					415,659
Net Position at Beginning of Year					<u>17,815,622</u>
Net Position at End of Year					<u>\$ 18,231,281</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General</u>	<u>Capital Nonrecurring</u>	<u>Capital Projects</u>	<u>Capital Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 78,194	\$	\$ 254,264	\$	\$ 144,940	\$ 477,398
Receivables:						
Intergovernmental					24,380	24,380
Due from Town of Redding	631,810					631,810
Due from Town of Easton	528,799					528,799
Due from other funds	4,400	219,092		45		223,537
Inventory					17,514	17,514
Total Assets	<u>\$ 1,243,203</u>	<u>\$ 219,092</u>	<u>\$ 254,264</u>	<u>\$ 45</u>	<u>\$ 186,834</u>	<u>\$ 1,903,438</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 942,852	\$	\$	\$	\$ 80,844	\$ 1,023,696
Due to other funds	296,111		194,836			490,947
Deferred revenue					22,277	22,277
Total liabilities	<u>1,238,963</u>	<u>-</u>	<u>194,836</u>	<u>-</u>	<u>103,121</u>	<u>1,536,920</u>
Fund balances:						
Nonspendable					17,514	17,514
Restricted for:						
Grants - Education					5,214	5,214
Assigned		219,092	59,428	45		278,565
Unassigned	4,240				60,985	65,225
Total fund balances	<u>4,240</u>	<u>219,092</u>	<u>59,428</u>	<u>45</u>	<u>83,713</u>	<u>366,518</u>
Total Liabilities and Fund Balances	<u>\$ 1,243,203</u>	<u>\$ 219,092</u>	<u>\$ 254,264</u>	<u>\$ 45</u>	<u>\$ 186,834</u>	<u>\$ 1,903,438</u>

(Continued on next page)

REGIONAL SCHOOL DISTRICT NO. 9

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

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

Total fund balances (Exhibit III)	\$ 366,518
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	\$ 51,801,299	
Less accumulated depreciation	(13,989,242)	
Net capital assets		37,812,057

Internal service funds are used by management to charge the cost of medical insurance to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	443,049
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Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(17,415,000)
Deferred charge on refunding	(52,592)
Net pension obligation	(402,483)
Accrued interest payable	(220,735)
Net OPEB obligation	(1,013,228)
Capital leases	(1,107,255)
Compensated absences	(179,050)

Net Position of Governmental Activities (Exhibit I)	\$ <u>18,231,281</u>
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The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Capital Nonrecurring</u>	<u>Capital Projects</u>	<u>Capital Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Assessments from district member towns	\$ 22,023,444					\$ 22,023,444
Charges for services					1,058,272	1,058,272
Intergovernmental	1,849,221				430,745	2,279,966
Interest income	15		557			572
Total revenues	<u>23,872,680</u>	<u>-</u>	<u>557</u>	<u>-</u>	<u>1,489,017</u>	<u>25,362,254</u>
Expenditures:						
Current:						
General instruction	12,998,781				135,182	13,133,963
Special education	3,336,104				156,803	3,492,907
Student services	490,300				1,152,303	1,642,603
Administration	1,711,102					1,711,102
Buildings	2,104,373					2,104,373
Transportation	721,110					721,110
Debt service	2,452,694					2,452,694
Capital outlay		225,528	256,496	11		482,035
Total expenditures	<u>23,814,464</u>	<u>225,528</u>	<u>256,496</u>	<u>11</u>	<u>1,444,288</u>	<u>25,740,787</u>
Excess (Deficiency) of Revenues over Expenditures	<u>58,216</u>	<u>(225,528)</u>	<u>(255,939)</u>	<u>(11)</u>	<u>44,729</u>	<u>(378,533)</u>
Other Financing Sources (Uses):						
Proceeds from capital leases			256,496			256,496
Transfers in		58,201				58,201
Transfers out	(58,201)					(58,201)
Total other financing sources (uses)	<u>(58,201)</u>	<u>58,201</u>	<u>256,496</u>	<u>-</u>	<u>-</u>	<u>256,496</u>
Net Change in Fund Balances	15	(167,327)	557	(11)	44,729	(122,037)
Fund Balances at Beginning of Year	<u>4,225</u>	<u>386,419</u>	<u>58,871</u>	<u>56</u>	<u>38,984</u>	<u>488,555</u>
Fund Balances at End of Year	<u>\$ 4,240</u>	<u>\$ 219,092</u>	<u>\$ 59,428</u>	<u>\$ 45</u>	<u>\$ 83,713</u>	<u>\$ 366,518</u>

(Continued on next page)

REGIONAL SCHOOL DISTRICT NO. 9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ <u>(122,037)</u>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital outlay	205,311
Depreciation expense	<u>(859,828)</u>
Total	<u>(654,517)</u>

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

Proceeds from capital leases	(256,496)
Bond principal repayments	<u>1,740,000</u>
Total	<u>1,483,504</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:

Net OPEB obligation	(180,429)
Net pension obligation	(7,248)
Capital lease payments	245,440
Compensated absences	(45,705)
Accrued interest payable	12,946
Amortization of issuance costs	(7,084)
Deferred charges on refunding	<u>6,574</u>
Total	<u>24,494</u>

Internal Service Funds are used by management to charge costs of medical insurance benefits to individual departments. The net revenue of the activities of the Internal Service Fund is reported with governmental activities.

(315,785)

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u><u>415,659</u></u>
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The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2013

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 331,987
Due from other funds	267,410
Total assets	<u>599,397</u>
Liabilities:	
Claims payable	<u>156,348</u>
Net Position:	
Unrestricted	\$ <u><u>443,049</u></u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating Revenue:	
Premiums	\$ <u>2,156,283</u>
Operating Expenses:	
Claims	2,243,415
Administration	<u>229,233</u>
Total operating expenses	<u>2,472,648</u>
Operating Loss	(316,365)
Nonoperating Revenue:	
Investment income	<u>580</u>
Change in Net Position	(315,785)
Net Position at Beginning of Year	<u>758,834</u>
Net Position at End of Year	<u>\$ <u>443,049</u></u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 2,559,426
Claims paid	(2,472,874)
Net cash provided by operating activities	<u>86,552</u>
Cash Flows from Investing Activities:	
Income from investments	<u>580</u>
Net Increase in Cash	87,132
Cash and Cash Equivalents at Beginning of Year	<u>244,855</u>
Cash and Cash Equivalents at End of Year	<u>\$ 331,987</u>
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities:	
Operating loss	\$ (316,365)
Adjustments to reconcile operating gain to net cash provided by operating activities:	
(Increase) decrease:	
Due from other funds	256,801
Due from Town of Redding	146,342
(Decrease) increase:	
Claims payable	<u>(226)</u>
Net Cash Provided by Operating Activities	<u>\$ 86,552</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

	Pension Trust Fund	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 225,586	\$ 941	\$ 291,320
Investments, at fair value:			
Equity mutual funds	2,444,948		
Municipal bond mutual funds	63,203		
Fixed income mutual funds	1,038,320		
Repurchase agreement			200,000
Total investments, at fair value	<u>3,546,471</u>	<u>-</u>	<u>200,000</u>
Accounts receivable	<u>4,875</u>		
Total assets	3,776,932	941	<u>\$ 491,320</u>
Liabilities:			
Due to others			<u>\$ 491,320</u>
Net Position:			
Held in Trust for Pension Benefits	<u>\$ 3,776,932</u>	<u>\$ 941</u>	

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

STATEMENT OF CHANGES IN PLAN NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund	Private Purpose Trust Fund
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 391,026	\$ <u> </u>
Investment income:		
Net appreciation in fair value of investments	244,165	
Interest and dividends	121,724	
Net investment gain	<u>365,889</u>	<u> </u>
Total additions	<u>756,915</u>	<u> </u>
Deductions:		
Benefits	200,715	
Other		192
Total deductions	<u>200,715</u>	<u> </u>
Net increase (decrease)	556,200	(192)
Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year	<u>3,220,732</u>	<u>1,133</u>
Net Position of Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 3,776,932</u>	<u>\$ 941</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 9

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Regional School District No. 9 (the Region) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Region are described below.

A. Reporting Entity

The Region was formed in 1957 for the purpose of providing secondary school education to the residents of the towns of Easton and Redding. It consists of one senior high school located in Redding, Connecticut.

The Region is governed by a Regional Board of Education consisting of four members from each town. The members of the Board serve for four-year terms. The Superintendent of Schools, selected by the Board of Education, manages the day-to-day affairs of the Region and the K-8 schools of Easton and Redding. In addition, the Region has an Assistant Superintendent of Schools. The Region also manages the school cafeterias for Easton and Redding.

The Region's operating and debt service expenses are paid by the member towns in proportion to the number of attending pupils. The current year assessment percentages are 45.93% for Easton and 54.07% for Redding.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Region. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by member town assessments and intergovernmental 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 customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member town assessments and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are reported using 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. Grants and similar items are recognized as revenues 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Member town assessments, expenditure reimbursement type grants, and certain intergovernmental revenues, 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 Region.

The Region reports the following major governmental funds:

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

The *Capital Non-Recurring Fund* accounts for financial revenues to be used for miscellaneous capital purchases. General Fund appropriations are the major source of revenue for this fund.

The *Capital Projects Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases. Bonding is the major source of revenue for this fund.

The *Capital Maintenance Fund* accounts for financial revenues to be used for specific capital projects, namely roof repairs, track renovations and theater improvements. The major sources of revenue for this fund are donations and General Fund appropriations.

Additionally, the Region reports the following fund types:

The *Internal Service Funds* account for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10.

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for scholarships. Resources of the fund, including any earnings on invested resources, may be used for student scholarships. There is no requirement that any portion of these resources be preserved as capital.

The *Pension Trust Fund* accounts for the activities of the Regional School District No. 9 Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students and employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

When both restricted and unrestricted resources are available for use, it is the Region's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

Deposits - The Region considers cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Region to invest in obligations of the United States of America or United States government sponsored corporations and certain other investments as described in Note 2.

Investments for the Region are reported at fair value.

Receivables

Intergovernmental and assessments from member town receivables are considered to be fully collectible and no allowance has been recorded.

Interfunds

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

Inventories

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment and \$20,000 for 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 as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Machinery and equipment	5-15

Compensated Absences

Noncertified Board of Education employees are granted vacation and sick leave based on length of employment. At termination, payout provisions as determined by individual union contracts provide for payments to vested employees.

Long-Term Obligations

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

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

Fund Equity

In the government-wide financial statements, equity is defined as "net position" and is classified into the following categories:

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

Restricted Net Position - This category consists of restrictions externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category includes amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

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

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (the Board of Education).

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

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

Estimates

The preparation of the 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 including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

2. CASH AND INVESTMENTS

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

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

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

Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$1,003,636 of the Region’s bank balance of \$1,546,032 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 903,214
Uninsured and collateral held by the pledging bank’s trust department, not in the Region’s name	<u>100,422</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 1,003,636</u>

Cash Equivalents

At June 30, 2013, the Region’s cash equivalents amounted to \$225,586. The Region’s cash equivalents (money market funds, excluding U.S. government guaranteed obligations) were not rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

Investments

As of June 30, 2013, the Region had the following investments:

Other Investments:	
Equity mutual funds	\$ 2,444,948
Municipal bond mutual funds	63,203
Fixed income mutual funds	1,038,320
Repurchase agreement	<u>200,000</u>
 Total Investments	 <u>\$ 3,746,471</u>

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

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Region has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk - The Region does not have a formalized investment policy that restricts investments in any one issuer that are in excess of 5% of the Region’s total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Region or that sells investments to or buys them for the Region), the Region will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Region does not have a policy for custodial credit risk. At June 30, 2013, the Region did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Region’s name.

3. RECEIVABLES

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

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$	\$ 24,380	\$	\$ 24,380
Due from Town of Redding	631,810			631,810
Due from Town of Easton	528,799			528,799
Other			<u>4,875</u>	<u>4,875</u>
 Total	 <u>\$ 1,160,609</u>	 <u>\$ 24,380</u>	 <u>\$ 4,875</u>	 <u>\$ 1,189,864</u>

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

	<u>Unearned</u>
Cafeteria program revenue not yet earned	\$ <u><u>22,277</u></u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,841,268	\$	\$	\$ 1,841,268
Capital assets being depreciated:				
Buildings	48,066,512			48,066,512
Machinery and equipment	<u>1,688,208</u>	<u>205,311</u>		<u>1,893,519</u>
Total capital assets being depreciated	<u>49,754,720</u>	<u>205,311</u>	<u>-</u>	<u>49,960,031</u>
Less accumulated depreciation for:				
Buildings	(12,635,180)	(680,037)		(13,315,217)
Machinery and equipment	<u>(494,234)</u>	<u>(179,791)</u>		<u>(674,025)</u>
Total accumulated depreciation	<u>(13,129,414)</u>	<u>(859,828)</u>	<u>-</u>	<u>(13,989,242)</u>
Total capital assets being depreciated, net	<u>36,625,306</u>	<u>(654,517)</u>	<u>-</u>	<u>35,970,789</u>
Governmental Activities Capital Assets, Net	\$ <u><u>38,466,574</u></u>	\$ <u><u>(654,517)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>37,812,057</u></u>

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

Governmental activities:	
General instruction	\$ 859,402
Buildings	<u>426</u>
Total Depreciation Expense - Governmental Activities	\$ <u><u>859,828</u></u>

5. INTERFUND ACCOUNTS

Interfund Payables and Receivables

A summary of interfund balances at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Nonrecurring Fund	General Fund	\$ 28,701
Capital Nonrecurring Fund	Capital Projects Fund	190,391
General Fund	Capital Projects Fund	4,400
Internal Service Fund	General Fund	267,410
Capital Maintenance Fund	Capital Projects Fund	<u>45</u>
Total		\$ <u><u>490,947</u></u>

All internal balances resulted from the time lag between the date payments occurred between funds for short-term internal financing.

Interfund Transfers

A summary of interfund transfers as of June 30, 2013 is as follows:

	<u>Capital Nonrecurring Fund</u>
Transfers out:	
General Fund	\$ <u><u>58,201</u></u>

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds.

6. LONG-TERM DEBT

A. Changes in Long-Term Obligations

Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds/Notes:									
Schools:									
Improvement bond	10,000,000	5/15/2003	5/15/2023	3-4.3%	1,050,000		525,000	525,000	525,000
Improvement bond	9,125,000	8/1/2005	8/1/2025	3.5-5.5%	1,485,000		495,000	990,000	495,000
Improvement bond	1,580,000	7/15/2010	7/15/2020	2.0-3.0%	1,470,000		150,000	1,320,000	165,000
Refunding bond	5,430,000	3/3/2010	3/15/2022	3%-4%	5,430,000		570,000	4,860,000	565,000
Refunding bond	9,720,000	11/15/2011	11/15/2026	3% - 5%	9,720,000			9,720,000	
Less deferred charge in refunding issue					59,166		6,574	52,592	
Total bonds payable					19,214,166	-	1,746,574	17,467,592	1,750,000
Net pension obligation					395,235	7,248		402,483	
Net OPEB obligation					832,799	180,429		1,013,228	
Capital leases					1,096,199	256,496	245,440	1,107,255	300,616
Compensated absences					133,345	45,705		179,050	
					<u>\$ 21,671,744</u>	<u>\$ 489,878</u>	<u>\$ 1,992,014</u>	<u>\$ 20,169,608</u>	<u>\$ 2,050,616</u>

All long-term liabilities are generally liquidated by the General Fund.

The following is a summary of amounts to be provided for debt principal and interest maturities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,750,000	\$ 657,401	\$ 2,407,401
2015	1,700,000	594,101	2,294,101
2016	1,675,000	533,488	2,208,488
2017	1,675,000	469,581	2,144,581
2018	1,670,000	400,438	2,070,438
2019-2023	7,510,000	952,300	8,462,300
2024-2026	<u>1,435,000</u>	<u>64,125</u>	<u>1,499,125</u>
Total	<u>\$ 17,415,000</u>	<u>\$ 3,671,433</u>	<u>\$ 21,086,433</u>

Prior Year Defeasance of Debt

In prior years, the Region had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Region's financial statements. At June 30, 2013, \$10,125,000 in bonds outstanding was considered defeased.

B. Capital Leases

The Region has entered into several lease-purchase agreements. These leases are for the purchase of school busses, a voice mail system, computer equipment and other technology for use in the classrooms.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the leases and the present value of the future minimum lease payments reflected at June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 300,616
2015	259,214
2016	219,675
2017	383,225
Less amount representing interest	<u>(55,475)</u>
 Present Value of Future Minimum Lease Payment	 <u>\$ 1,107,255</u>

C. Statutory Debt Limitations

The Region’s indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes. The statutes allow for debt up to 2.25 times the annual receipts of taxation of the member towns. The Region’s debt limitation is as follows:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
Schools	\$ 191,254,358	\$ 21,616,099	\$ 169,638,259

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable for bond principal are not reflected as deductions in the computation of net indebtedness since they are returned to the member towns.

D. Authorized/Unissued Bonds

At June 30, 2013, there were bonds authorized but unissued of \$4,201,099 for school purposes.

E. Capital Projects Authorizations

The following is a summary of major Capital Projects at June 30, 2013:

<u>Capital Project</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2013</u>
Capital Projects Fund:				
2000 Building Project	\$ 38,996,309	\$	\$ 38,330,849	\$ 665,460

7. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2013 are as follows:

	Major Capital Projects Funds				Nonmajor Governmental Funds	Total
	General Fund	Capital Non- Recurring	Capital Projects Fund	Capital Maintenance Fund		
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 17,514	\$ 17,514
Restricted for:						
Grants					5,214	5,214
Assigned to:						
Capital projects		219,092	59,428	45		278,565
Unassigned	4,240				60,985	65,225
Total Fund Balances	\$ 4,240	\$ 219,092	\$ 59,428	\$ 45	\$ 83,713	\$ 366,518

8. RISK MANAGEMENT

The Region is exposed to various risks of loss related to public officials; Board of Education liability; torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees or natural disasters. Except for medical insurance, the Region purchases commercial insurance for all risks of loss. The Region established an internal service fund, the medical insurance fund, to account for and finance the retained risk of loss for its medical benefits claims.

The Region, along with the Town of Redding and Town of Easton Boards of Education, participates in a medical self-insurance plan that accounts for health benefits provided to participants and their families. Recommended monthly deposits are calculated by a third party, acting as plan administrator and claims processor. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The medical claims fund is substantially funded by the Region's general fund based upon 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 liability is based on the requirements of GASB Statements No. 10 and 30, which require 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 the claim accrual is based on the ultimate costs of settling the claim, which includes past experience data, inflation and other future economic and societal factors and incremental claims adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

An analysis of the activity in the claims liability for the medical insurance fund is as follows:

	Accrued Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Accrued Liability Claim Payments	Accrued Liability End of Fiscal Year
2011-12	\$ 116,582	\$ 1,982,621	\$ 1,942,629	\$ 156,574
2012-13	156,574	2,243,415	2,243,641	156,348

9. PENSION PLANS

Plan Description

The Region has a noncontributory pension plan covering substantially all noncertified employees. The certified faculty and professional personnel of the Region participate in a contributory retirement plan administered by the State Teachers' Retirement Board. The Region does not contribute to this plan.

The Region is the administrator of the Region No. 9 Retirement Plan, a single employer defined benefit pension plan established and maintained by the Region to provide pension benefits for its full-time employees other than teachers. The Region has appointed a retirement plan committee to administer the plan. The plan does not issue separate, stand-alone financial reports.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned, and expenses (benefits) are recognized when they are due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are valued at fair value based upon quoted market prices.

Classes of Employees Covered

As of the July 1, 2012 actuarial valuation, the plan's membership consisted of the following:

Retirees, disabled and beneficiaries currently receiving benefits	43
Terminated or inactive employees entitled to benefits but not yet receiving them	12
Current plan members	<u>62</u>
Total	<u><u>117</u></u>

Benefit Provisions

The Region No. 9 Retirement Plan provides retirement benefits as well as death and disability benefits. Benefits vest after five years of service. Members may retire on the later of age 65 or five years of service. Members are entitled to an annual retirement benefit, payable for life, for an amount determined by formula for each year of service. Administration costs are paid from the general fund and pension fund.

Contributions

Members are not required to make contributions. The contribution requirements of the Region are established and may be amended by the Region's Board of Education. The Region's contributions are actuarially determined on an annual basis using the aggregate cost method.

Schedule of Employer Contributions and Net Pension Obligation

<u>Year Ended</u>	<u>Actual Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 271,700	\$ 265,341	102.4%	\$ 240,186	113.2%	\$ 574,723
2009	248,645	301,061	82.6	278,242	89.4	604,320
2010	373,900	370,015	101.0	346,568	107.9	576,988
2011	433,798	363,775	119.2	339,318	127.8	482,508
2012	438,000	374,151	117.1	350,727	125.9	395,235
2013	391,026	420,262	93.0	398,274	105.5	402,483

Actuarial Assumptions

The data presented in the schedule of employer contributions was determined as part of the actuarial valuation at the date indicated. Additional information as of the actuarial valuation within the current year is as follows:

Actuarial valuation date	July 1, 2012
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.00%

Annual Pension Cost and Net Pension Obligation

The Region's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 420,262
Interest on net pension obligation	28,655
Adjustment to annual required contribution	(50,643)
Annual pension cost	<u>398,274</u>
Contribution made	<u>391,026</u>
Increase in net pension obligation	7,248
Net pension obligation - beginning of year	<u>395,235</u>
 Net Pension Obligation - End of Year	 <u><u>\$ 402,483</u></u>

Pension Plan Required Supplementary Information

Schedule of Funding Progress*

Reporting Period	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
6/30/08	\$ 1,977,435	\$ 3,101,601	\$ (1,124,166)	63.8%	\$ 2,281,475	49.27%
6/30/09	1,895,595	3,390,315	(1,494,720)	55.9	2,316,225	64.53
6/30/10	2,441,537	3,720,011	(1,278,474)	65.6	2,455,341	52.07
6/30/11	2,903,841	4,052,447	(1,148,606)	71.7	2,432,982	47.21
6/30/12	3,274,669	4,600,517	(1,325,848)	71.2	2,652,704	49.98
6/30/13	3,683,999	5,123,565	(1,439,566)	71.9	2,643,761	54.45

* Schedule was prepared using the Entry Age Normal Cost Method as the Aggregate Cost Method does not allow for the calculation.

Teachers' Retirement

All teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Region withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$8,171,452 or 73.9% of the total Board of Education payroll of \$11,052,611.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The Region has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$1,849,221 as payments made by the State of Connecticut on-behalf of the Region. The Region does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

In addition to the pension benefits, certain employees retiring under the Region’s Retiree Medical Program are provided post-employment benefits. The level of these benefits provided is as follows:

Plan Types: Medical plans offered through Blue Cross Blue Shield: Century PPO and the Lumenos HSA plan. Dental insurance is included in each of the above plans.

Eligibility: Administrators, teachers and other Board of Education employees receive subsidized benefits after 20 years of service: Assumed age 55 and 20 years of service.

For retirees who are eligible for Medicare, coverage ends at age 65. Otherwise coverage lasts for the life of the employee.

Benefit/Cost Sharing: All retirees pay 100% of the annual premium, less the TRB subsidy payment.

Spouse and Surviving Spouse Benefit: Same cost sharing provisions apply as for retiree.

Annual Premiums: Premium rates were not provided by each plan and are assumed to include dental premiums.

B. Membership

Membership in the plan consisted of the following at July 1, 2011:

	Retiree Medical Program
Number of retirees, eligible surviving spouses and children	16
Number of active participants	<u>151</u>
Total	<u><u>167</u></u>

C. Description of Actuarial Assumptions and Methods

The following is a summary of certain significant actuarial assumptions and other PERS information:

	<u>Retiree Medical Program</u>
Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry-Age Normal
Amortization method	Level dollar
Remaining amortization period	25 years
Actuarial assumptions:	
Investment rate of return	4.0%/annum
Projected salary increases	2.5%/annum

D. Annual OPEB Cost and Net OPEB Obligations

The Region's OPEB cost and net OPEB obligation for the current year were as follows:

	<u>Retiree Medical Program</u>
Annual required contribution	\$ 232,548
Interest on net OPEB obligation	33,312
Adjustment to annual required contribution	<u>(40,424)</u>
Annual OPEB cost	225,436
Contribution made	<u>45,007</u>
Increase in net OPEB obligation	180,429
Net OPEB obligation, July 1, 2012	<u>832,799</u>
Net OPEB Obligation, June 30, 2013	<u><u>\$ 1,013,228</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) is presented below.

	<u>Annual OPEB Cost (AOC)</u>		<u>Actual Contribution</u>		<u>Percentage of AOC Contributed</u>		<u>Net OPEB Obligation (Asset)</u>
6/30/11	\$ 296,687	\$	73,250	%	24.6%	\$	657,433
6/30/12	214,704		39,338		18.4		832,799
6/30/13	225,436		45,007		20.0		1,013,228

Schedule of Funding Progress

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost, the amount actually contributed to the plan, and changes in the Region's net OPEB obligation:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Underfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll ((b-a)/c)</u>
7/1/2008	\$ -	\$ 4,788,856	\$ 4,788,856	-%	\$ 9,686,065	49.4%
7/1/2011	-	3,673,529	3,673,529	-	10,121,699	36.3

11. CONTINGENT LIABILITIES

There are various lawsuits and claims pending against the Region, the ultimate effect of which, if any, cannot presently be determined; however, the ultimate resolution of these matters is not expected to have a material adverse effect on the financial condition of the Region.

State and Federal grants received by the Region are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. The amount, if any, of expenditures, which may be disallowed, cannot be determined at this time, although the Region's management believes such disallowance, if any, will be immaterial.

12. SUBSEQUENT EVENT

On September 24, 2013, the stadium improvement referendum was passed authorizing the Board to borrow and spend \$3,272,000 for stadium improvements.

REGIONAL SCHOOL DISTRICT NO. 9

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Assessments from District Member Towns:				
Town of Redding	\$ 11,908,076	\$ 11,908,076	\$ 11,908,076	\$ -
Town of Easton	10,115,368	10,115,368	10,115,368	-
Total assessments from district member towns	22,023,444	22,023,444	22,023,444	-
Interest Income			15	15
Total Revenues	\$ <u>22,023,444</u>	\$ <u>22,023,444</u>	22,023,459	\$ <u>15</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf payments to the Connecticut

State Teachers' Retirement System for Town teachers are not budgeted

1,849,221Total Revenues and Other Financing Sources as Reported on the
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Exhibit IV\$ 23,872,680

REGIONAL SCHOOL DISTRICT NO. 9

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

JUNE 30, 2013

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
General Instruction:				
General instruction	\$ 9,583,122	\$ 9,574,115	\$ 9,563,456	\$ 10,659
Humanities	96,276	106,276	82,630	23,646
Integrated language arts	28,813	28,813	25,303	3,510
Curriculum	10,796	10,796	10,241	555
Industrial technology	77,847	67,847	66,728	1,119
Science/mathematics technology	125,196	122,749	111,544	11,205
PE/health	55,044	55,464	46,518	8,946
Student activity athletics	1,044,804	1,047,374	998,438	48,936
Student activity co-curriculum	175,136	181,583	164,526	17,057
Special services	55,197	55,197	80,176	(24,979)
Total general instruction	<u>11,252,231</u>	<u>11,250,214</u>	<u>11,149,560</u>	<u>100,654</u>
Special Education:				
Special education	836,272	837,322	825,496	11,826
Special education intensive	2,233,252	2,232,202	2,401,251	(169,049)
Psychological services	17,330	17,330	2,054	15,276
Speech services	126,730	126,505	107,303	19,202
Total special education	<u>3,213,584</u>	<u>3,213,359</u>	<u>3,336,104</u>	<u>(122,745)</u>
Student Services:				
Guidance	35,158	35,158	20,035	15,123
Health services	2,829	2,829	2,038	791
Education media services	48,620	48,620	36,355	12,265
Technology plan	443,075	442,945	431,872	11,073
Total student services	<u>529,682</u>	<u>529,552</u>	<u>490,300</u>	<u>39,252</u>
Administration:				
Board of Education	101,805	101,805	129,618	(27,813)
Central administration	537,370	537,370	537,370	-
School administration	1,118,963	1,112,115	1,044,114	68,001
Total administration	<u>1,758,138</u>	<u>1,751,290</u>	<u>1,711,102</u>	<u>40,188</u>
Buildings:				
Operation/maintenance	<u>2,053,298</u>	<u>2,062,518</u>	<u>2,104,373</u>	<u>(41,855)</u>
Transportation:				
Student transportation	<u>734,317</u>	<u>734,317</u>	<u>721,110</u>	<u>13,207</u>
Debt Service	<u>2,452,694</u>	<u>2,452,694</u>	<u>2,452,694</u>	<u>-</u>
Other Financing Sources:				
Operating transfers out	<u>29,500</u>	<u>29,500</u>	<u>58,201</u>	<u>(28,701)</u>
Total Expenditures	<u>\$ 22,023,444</u>	<u>\$ 22,023,444</u>	<u>22,023,444</u>	<u>\$ -</u>
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut on-behalf payments to the Connecticut				
State Teachers' Retirement System for Town teachers are not budgeted			<u>1,849,221</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 23,872,665</u>	

TOWN OF EASTON, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Annual Financial Report of
The Town of Easton, Connecticut
Year Ended June 30, 2013



Accounting | Tax | Business Consulting

Independent Auditors' Report

Board of Finance
Town of Easton
Easton, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Easton, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Easton, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Easton, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the budgetary comparison information on pages 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the Town of Easton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Easton, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 2, 2013

TOWN OF EASTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Management of the Town of Easton offers readers these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June.

The purpose of the MD&A is to provide to the reader an interpretation of the financial information and results of the fiscal year.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$64,025,698 (net position). Of this amount, \$5,842,197 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,305,935. Substantially all of the increase is attributable to capital expenditures in excess of depreciation expense.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined deficit ending fund balance of \$(777,711). The deficit is attributable to capital projects that have not yet been permanently financed.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,568,300 or 8.5% of total general fund expenditures and transfers out.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Easton's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This 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 Town's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present only government activities whose functions are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town include general government, public safety, public works, health and welfare, education, library, and parks and recreation.

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 Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town'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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and bonded capital project fund, both of which are considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds. The Town maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for the Board of Education medical insurance benefits. This activity has been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Basic 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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town’s financial position. In the case of the Town, assets exceeded liabilities by \$64,025,698 at the close of the most recent fiscal year.

A large portion of the Town’s net position reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, building improvements, machinery and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF EASTON NET POSITION
JUNE 30, 2013 AND 2012**

	Governmental Activities	
	2013	2012
Current and other assets	\$ 12,138,731	\$ 12,545,813
Capital assets, net of accumulated depreciation	92,021,085	92,251,775
Total assets	104,159,816	104,797,588
Long-term debt outstanding	29,467,669	31,239,090
Other liabilities	10,666,449	10,838,735
Total liabilities	40,134,118	42,077,825
Net Position:		
Net investments in capital assets	58,183,501	55,882,832
Unrestricted	5,842,197	6,836,931
Total Net Position	\$ 64,025,698	\$ 62,719,763

None of the Town’s net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,842,197 may be used to meet the Town’s ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in both categories of net position for the Town as a whole.

**TOWN OF EASTON CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,237,107	\$ 2,214,792
Operating grants and contributions	2,425,349	2,459,793
Capital grants and contributions	239,856	580,006
General revenues:		
Property taxes	38,422,645	38,129,333
Grants and contributions not restricted to specific purposes	492,739	251,744
Investment income	60,036	281,849
Donated capital assets	215,699	
Miscellaneous	9,168	261,739
Total revenues	<u>44,102,599</u>	<u>44,179,256</u>
Program expenses:		
General government	4,156,603	3,261,556
Public safety	4,053,010	3,772,713
Public works	2,985,810	3,175,031
Health and welfare	532,647	516,153
Education	28,303,821	27,954,061
Library	794,909	954,638
Parks and recreation	826,668	826,622
Interest expense	1,143,196	904,601
Total expenses	<u>42,796,664</u>	<u>41,365,375</u>
Increase in Net Position	1,305,935	2,813,881
Net Position - Beginning of Year	<u>62,719,763</u>	<u>59,905,882</u>
Net Position - End of Year	<u>\$ 64,025,698</u>	<u>\$ 62,719,763</u>

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, governmental funds reported a combined deficit ending fund balance of \$(777,711), which is mainly attributed to the issuance of bond anticipation notes.

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was \$3,568,300. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 8.5% of total general fund expenditures and other financing uses, while total fund balance represents 9.5% of that same amount.

General Fund Budgetary Highlights

The most significant difference between the original budget and the final amended budget included additional appropriations of \$540,227 and budget transfers of \$478,200 from various departments to the transfers out account to purchase equipment. The Board of Finance made special appropriations to the Board of Education, Police Department to include Pension and FICA, Town Attorney, Assessor, and in addition transferred funds from the Police Special Duty Service revenue budget to cover the expenditure.

The following departments had positive budget variances as follows

- The Public Works Department in the amount of \$269,173 due to a very mild winter that saved funds in overtime and highway road salt.
- Fringe Benefits in the amount of \$243,614 due to increased percentage deductions and the election to accept "in lieu of" medical coverage.
- The old SSS building (660 Morehouse Road) in the amount of \$48,463 due to the very mild winter and increased reimbursements for utilities.
- Library in the amount of \$71,037 due to the savings from a very mild winter and one vacant position for part of the fiscal year.

Bonded Capital Projects Fund

This fund accounts for financial resources from general obligation bonds to be used for major capital asset construction and/or purchases.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2013 is \$92,021,085 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, building improvements, machinery and equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Animal Shelter received a Certificate of Occupancy on March 1, 2013
- The Fire Department purchased a fire truck
- The Publics Works Department purchased a dump truck
- The garage behind the EMS Building has been removed and the in ground tank remediated
- Radios were approved for purchase and upgraded through LOCIP for the Fire, Emergency Medical Service, and Public Works
- The remaining additions consisted of various equipment and vehicles for Town Departments

TOWN OF EASTON CAPITAL ASSETS
(Net of Depreciation)

	Governmental	
	Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 19,244,355	\$ 19,028,656
Construction in progress		427,896
Land improvements	440,888	434,904
Buildings	52,427,324	52,785,406
Building improvements	1,237,115	1,269,239
Machinery and equipment	459,256	384,094
Vehicles	3,031,063	2,423,628
Infrastructure	<u>15,181,084</u>	<u>15,497,952</u>
 Total	 <u>\$ 92,021,085</u>	 <u>\$ 92,251,775</u>

Additional information on the Town’s capital assets can be found in Note 5 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$32,538,000. All of this debt comprises debt backed by the full faith and credit of the Town.

TOWN OF EASTON OUTSTANDING DEBT
General Obligation Bonds and Notes

	Governmental	
	Activities	
	<u>2013</u>	<u>2012</u>
General obligation bonds - Town improvements	\$ 4,747,000	\$ 5,433,000
General obligation bonds - School improvements	19,761,000	21,028,000
General obligation bonds - Sewer improvements	282,000	304,000
Bond anticipation notes	<u>7,748,000</u>	<u>8,124,000</u>
 Total	 <u>\$ 32,538,000</u>	 <u>\$ 34,889,000</u>

The Town is also obligated for a portion of the Regional School District No. 9 general obligation debt in the net amount of \$7,998,710.

On July 6, 2012, the Town issued \$7,748,000 of bond anticipation notes. These bond anticipation notes bear interest at 1.0% and mature on July 3, 2013 and are for elementary school construction and land acquisition.

During the fiscal year, the Town made bond principal payments of \$2,351,000 for school and general purpose debt.

The Town maintains an “AAA” credit rating from Standard and Poor’s, for its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$265,535,221 which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budget and Rates

The following are some factors that were considered in preparing the Town's budget for the 2014 fiscal year:

- The unemployment rate for the Town is currently 5.7%. This compares favorably to the state's average unemployment rate of 8.2% and the national average rate of 7.6%.
- Inflationary trends in the region compare favorably to national indices.
- Town's elected and appointed officials considered Town-wide trends when setting the fiscal year 2014 budget. The Town decided that it was important to continue to support the school system and adopt a budget designed to promote long-term financial stability, conservative budgeting, and while at the same time, providing excellent services to our residents and taxpayers.
- At June 30, 2013, unassigned fund balance in the general fund was \$3,568,300.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chairman, Board of Finance or the Office of the Comptroller, Town of Easton, 225 Center Road, Easton, Connecticut 06612.

TOWN OF EASTON, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,875,384
Investments	4,876,910
Receivables, net	1,929,673
Other assets	1,253,449
Net pension asset	203,315
Total current assets	<u>12,138,731</u>
Noncurrent assets:	
Capital assets:	
Assets not being depreciated	19,244,355
Assets being depreciated, net	72,776,730
Total noncurrent assets	<u>92,021,085</u>
Total assets	<u>104,159,816</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	2,215,079
Due to Regional School District No. 9	528,798
Unearned revenue	174,572
Bond anticipation notes	7,748,000
Total current liabilities	<u>10,666,449</u>
Noncurrent liabilities:	
Long-term liabilities due within one year	2,810,647
Long-term liabilities due in more than one year	26,657,022
Total noncurrent liabilities	<u>29,467,669</u>
Total liabilities	<u>40,134,118</u>
Net Position:	
Net investments in capital assets	58,183,501
Unrestricted	<u>5,842,197</u>
Total Net Position	<u>\$ 64,025,698</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues				Net Expenses and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 4,156,603	\$ 756,707	\$ 11,567	\$ 239,856	\$ (3,148,473)
Public safety	4,053,010	543,165	42,549		(3,467,296)
Public works	2,985,810	451,615			(2,534,195)
Health and welfare	532,647	117,440	25,843		(389,364)
Education	28,303,821	18,693	2,326,596		(25,958,532)
Library	794,909	11,912			(782,997)
Parks and recreation	826,668	337,575	18,794		(470,299)
Interest and fiscal charges	1,143,196				(1,143,196)
Total Governmental Activities	\$ 42,796,664	\$ 2,237,107	\$ 2,425,349	\$ 239,856	(37,894,352)
General revenues:					
Property taxes					38,422,645
Grants and contributions not restricted to specific programs					492,739
Investment income					60,036
Donated capital assets					215,699
Miscellaneous					9,168
Total general revenues					39,200,287
Change in Net Position					1,305,935
Net Position - Beginning of Year					62,719,763
Net Position - End of Year					\$ 64,025,698

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,255,389	\$	\$ 360,147	\$ 1,901,478	\$ 3,517,014
Investments	4,106,948			769,962	4,876,910
Receivables:					
Property taxes	1,362,896				1,362,896
Accounts	86,105			58,675	144,780
Intergovernmental	406,979		584,061		991,040
Due from other funds	519,721				519,721
Total Assets	<u>\$ 7,738,038</u>	<u>\$ -</u>	<u>\$ 944,208</u>	<u>\$ 2,730,115</u>	<u>\$ 11,412,361</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 858,727	\$ 28,354	\$ 17,799	\$ 85,661	\$ 990,541
Accrued liabilities	911,651				911,651
Due to Regional School District No. 9	528,798				528,798
Due to other funds	114,538	491,923		27,798	634,259
Deferred revenue	1,373,824			2,999	1,376,823
Bond anticipation notes		7,748,000			7,748,000
Total liabilities	<u>3,787,538</u>	<u>8,268,277</u>	<u>17,799</u>	<u>116,458</u>	<u>12,190,072</u>
Net Position:					
Restricted				191,918	191,918
Committed			926,409	2,466,025	3,392,434
Assigned	382,200				382,200
Unassigned	3,568,300	(8,268,277)		(44,286)	(4,744,263)
Total fund balances	<u>3,950,500</u>	<u>(8,268,277)</u>	<u>926,409</u>	<u>2,613,657</u>	<u>(777,711)</u>
Total Liabilities and Fund Balances	<u>\$ 7,738,038</u>	<u>\$ -</u>	<u>\$ 944,208</u>	<u>\$ 2,730,115</u>	<u>\$ 11,412,361</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

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

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

Fund balances - total governmental funds		\$	(777,711)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Governmental capital assets	\$	123,989,108	
Less accumulated depreciation		<u>(31,968,023)</u>	
Net capital assets			92,021,085
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:			
Net pension asset			203,315
Property tax receivables greater than 60 days			1,192,372
Interest receivable on property taxes			421,997
Bond issue costs			262,409
Receivable from the state for school construction projects			9,879
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.			
			316,560
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Bonds and notes payable			(24,790,000)
Compensated absences			(1,213,412)
Capital lease payable			(824,254)
Net OPEB obligation			(1,335,316)
Interest payable on bonds and notes			(156,539)
Unamortized bond premium			(475,330)
Heart and hypertension			<u>(829,357)</u>
Net Position of Governmental Activities (Exhibit I)		\$	<u>64,025,698</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 37,901,617	\$	\$	\$	\$ 37,901,617
Intergovernmental	2,596,232		239,856	301,481	3,137,569
Charges for services	1,294,274	75,000		868,785	2,238,059
Investment income	41,325	135	18	18,559	60,037
Contributions				28,590	28,590
Total revenues	<u>41,833,448</u>	<u>75,135</u>	<u>239,874</u>	<u>1,217,415</u>	<u>43,365,872</u>
Expenditures:					
Current:					
General government	2,018,368		42,830	146,386	2,207,584
Public safety	2,470,374			158,571	2,628,945
Public works	1,808,846			291,057	2,099,903
Health and welfare	344,298			38,056	382,354
Education	27,263,689			228,187	27,491,876
Library	495,895			23,361	519,256
Parks and recreation	330,648			345,115	675,763
Employee benefits	3,096,054				3,096,054
Insurance	661,276				661,276
Debt service	3,129,575	85,828			3,215,403
Capital outlay		331	895,396	850	896,577
Total expenditures	<u>41,619,023</u>	<u>86,159</u>	<u>938,226</u>	<u>1,231,583</u>	<u>43,874,991</u>
Excess (Deficiency) of Revenues over Expenditures	<u>214,425</u>	<u>(11,024)</u>	<u>(698,352)</u>	<u>(14,168)</u>	<u>(509,119)</u>
Other Financing Sources (Uses):					
Transfers in	111,051		478,200	88,391	677,642
Transfers out	(552,195)		(14,396)	(111,051)	(677,642)
Net other financing sources (uses)	<u>(441,144)</u>	<u>-</u>	<u>463,804</u>	<u>(22,660)</u>	<u>-</u>
Net Change in Fund Balances	(226,719)	(11,024)	(234,548)	(36,828)	(509,119)
Fund Balances - Beginning of Year	<u>4,177,219</u>	<u>(8,257,253)</u>	<u>1,160,957</u>	<u>2,650,485</u>	<u>(268,592)</u>
Fund Balances - End of Year	<u>\$ 3,950,500</u>	<u>\$ (8,268,277)</u>	<u>\$ 926,409</u>	<u>\$ 2,613,657</u>	<u>\$ (777,711)</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of changes in fund balances - governmental funds to changes in net position of governmental activities:

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

Net change in fund balances - total governmental funds (Exhibit IV) \$ (509,119)

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	1,151,364
Donated capital assets	215,699
Depreciation expense	(1,594,753)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported.

However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (3,000)

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

School building grant receipts	(5,081)
Increase in property tax receivable - accrual basis change	392,383
Increase in property tax interest and lien revenue	128,645
Net pension asset	(47,699)

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

Deferred charges on refunding	(5,395)
Bond principal repayments	1,975,000

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

Net OPEB expense	(213,884)
Heart and hypertension claims	43,863
Compensated absences	(213,917)
Accrued interest payable	(28,922)
Amortization of bond premium	45,966
Amortization of bond issue costs	85,558
Capital lease payments	139,788

Internal Service Funds are used by management to charge costs of medical insurance to individual departments:

The net revenue of the activities of the Internal Service Fund is reported with governmental activities	<u>(250,561)</u>
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Change in Net Position of Governmental Activities (Exhibit II)	\$ <u><u>1,305,935</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2013

	Governmental Activities
	Internal Service Fund
Assets:	
Current asset:	
Cash and cash equivalents	\$ 358,370
Due from other funds	114,538
Total assets	<u>472,908</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>156,348</u>
Net Position:	
Unrestricted	\$ <u><u>316,560</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities
	Internal Service Fund

Operating Revenue:	
Premiums	\$ <u>2,103,061</u>
Operating Expenses:	
Claims	2,160,979
Administration	<u>193,332</u>
Total operating expenses	<u>2,354,311</u>
Operating Loss	(251,250)
Nonoperating Revenue:	
Investment income	<u>689</u>
Change in Net Position	(250,561)
Total Net Position - Beginning of Year	<u>567,121</u>
Total Net Position - End of Year	\$ <u><u>316,560</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities Internal Service Fund</u>
Cash Flows from Operating Activities:	
Premiums received	\$ 2,305,064
Claim payments	(2,082,859)
Administrative payments	(206,018)
Net cash provided by operating activities	<u>16,187</u>
Cash Flows from Investing Activities:	
Income on investments	<u>689</u>
Net Increase in Cash	16,876
Cash and cash equivalents - Beginning of Year	<u>341,494</u>
Cash and cash equivalents - End of Year	<u><u>\$ 358,370</u></u>
Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities:	
Operating loss	\$ (251,250)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase:	
Claims payable	65,434
Decrease:	
Due from other funds	<u>202,003</u>
Net Cash Provided by Operating Activities	<u><u>\$ 16,187</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 1,401,029	\$ 1,627,875
Investments, at fair value:		
Mutual funds	12,781,450	
Accounts receivable	17,312	
Prepaid benefits	<u>55,715</u>	
Total assets	14,255,506	<u>\$ 1,627,875</u>
Liability:		
Accounts and other payable		<u>\$ 1,627,875</u>
Net Position:		
Net position held in trust for pension benefits	<u>\$ 14,255,506</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 590,000
Plan members	190,442
Total contributions	<u>780,442</u>
Investment income:	
Net appreciation in fair value of investments	1,156,625
Interest and dividends	642,141
Net investment gain	<u>1,798,766</u>
Total net additions	2,579,208
Deductions:	
Benefits	651,594
Administrative expense	<u>5,150</u>
Changes in Net Position	1,922,464
Net Position - Beginning of Year	<u>12,333,042</u>
Net Position - End of Year	<u>\$ 14,255,506</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Easton (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town was incorporated in 1845. The Town governs itself by majority vote of the Town Meeting, its legislative body. The executive body is the Board of Selectmen. The Town provides the following services: public safety (police and fire), public works, parks and recreation, education and library.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental 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 "or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The Bonded Capital Projects Fund accounts for the financial revenues to be used for major capital asset construction and/or purchases funded by debt issuances.

The Capital Nonrecurring Projects Fund accounts for the financial revenues to be used for major capital asset construction and/or purchases funded by debt issuances, federal and state grants, and donations.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for risk financing activities for the medical insurance benefits as allowed by GASB Statement No. 10.

The Pension Trust Fund accounts for the activities of the Easton Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The Agency Fund accounts for monies held on behalf of students and amounts held for performance related activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for medical insurance benefits. Operating expenses for internal service funds include the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

Deposits - The Town considers cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisitions.

Investments - Investments for the Town are reported at fair value.

Receivables and Payables

Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Property Taxes and Other Receivables

For the government-wide financial statements, all trade; property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 8-20% of outstanding receivable balances at June 30, 2013, and are calculated based upon prior collections.

For the fund financial statements, property taxes receivable at June 30, 2013, which have not been collected within 60 days of June 30, have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	75
Building improvements	30-50
Land improvements	6-25
Vehicles	4-28
Equipment	4-28
Infrastructure	75

Compensated Absences

Employees are paid by prescribed formulas for absence due to vacation or sickness. The eligibility for vacation pay vests when earned for all Town employees except the Police Department, Highway Department, Fire Department and certified employees of the Easton Board of Education employees. All compensated absences are paid by the General Fund.

Long-Term Obligations

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

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

Fund Equity and Net Position

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

Net Investments in Capital Assets - This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

Restricted Net Position - This category presents the net position restricted by external parties (creditors, grantors, contributors, or laws and regulations).

Unrestricted Net Position - This category presents the net position of the Town that is not restricted.

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

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

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

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

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

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

Estimates

The preparation of the 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 including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the financial statements of the General Fund, the only fund with a legally adopted annual budget. On or before the first Thursday in April, the Board of Finance submits to a Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- The budget is recommended by the Board of Finance at a Town Meeting and, if accepted, is adopted prior to July 1.
- The Board of Finance is authorized to transfer budgeted amounts within and between departments and to approve the first additional appropriation for a department, not to exceed \$20,000, in any one year. Additional appropriations after the first or in excess of \$20,000 must be approved by vote of a Town Meeting. During the year, the Board of Finance or Town Meeting approved additional appropriations of \$1,018,427 from fund balance.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and Town Meeting approval.
- Generally, all unencumbered appropriations lapse at year end, except for those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Deficit Fund Balance

The following funds had fund balance deficits at June 30, 2013:

Major Fund:	
Bonded Capital Projects	\$ (8,268,277)
Nonmajor Funds:	
Senior Center	(9,771)
Solid Waste Program	(18,593)
Senior Center Leasing Buyout	(4,817)
Senior Center Van	(11,105)

The nonmajor fund deficits will be eliminated in the future with charges for services and contributions. The major fund deficit will be eliminated through permanent financing of short-term debt.

C. Capital Projects Authorizations

The following is a summary of major Capital Projects at June 30, 2013:

<u>Fund</u>	<u>Authorization</u>	<u>Current Expenditure</u>	<u>Cumulative Expenditure</u>	<u>Balance June 30, 2013</u>
Capital Nonrecurring:				
Wells Hill bridge	\$ 729,324	\$	\$ 617,160	\$ 112,164
Town improvement trust fund	49,517		41,966	7,551
Fire truck	1,187,420	612,000	1,116,063	71,357
EMS ambulance	281,400		276,106	5,294
Heat and smoke systems	6,500			6,500
Toth park pavilion	27,860		27,860	-
Senior center van	100,160		100,141	19
Band stand site	5,000		5,000	-
Fire code work	14,925		14,730	195
Subdivision funds	105,443			105,443
Planning and zoning town plans	52,250		47,599	4,651
Town garage	122,285		110,981	11,304
Highway salt shed	415,500		7,410	408,090
Unimproved Town Aid Roads	65,138		65,138	-
EMS defibrillator	65,355		64,260	1,095
EMS - Generator	10,375		7,522	2,853
Revaluation	408,926	1,075	405,294	3,632
Telephone System Town Hall	6,500		6,495	5
Central Office Relocation SP Approp	19,500		19,244	256
Fire department breathing apparatus	77,500		77,353	147
Park and recreation veterans park	46,050		44,810	1,240
Park and recreation toth park - DEP	21,225		18,455	2,770
Morehouse Road Little League Fields	105,000		99,695	5,305
Fire hydrants	5,266	4,250	4,250	1,016
Garage	26,822	25,370	25,368	1,454
Senior center renovation	117,830		117,830	-
UST/Line upgrade	47,301		47,301	-
Highway trucks	298,700	194,942	282,878	15,822
Staples renovation fire suppression	455,000		382,051	72,949
EMS building renovations	56,805		54,818	1,987
Town financials	4,800		3,814	986
Animal shelter	588,000	143	524,845	63,155
Town hall vault	5,000		4,942	58
423 - 660 Morehouse Rd. Lead paint	148,500	3,600	63,789	84,711
Morehouse Rd Repair & Permanent	116,000			116,000
Fire Radios - Locip	32,419	22,223	22,223	10,196
EMS Radios - Locip	34,045	31,793	31,793	2,252
Public Works Radios - Locip	79,040			79,040
	<u>\$ 5,938,681</u>	<u>\$ 895,396</u>	<u>\$ 4,739,183</u>	<u>\$ 1,199,497</u>

<u>Fund</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2013</u>
Bonded Capital Projects:				
Water main extension	\$ 363,164	\$	\$ 286,985	\$ 76,179
School building committee "2001"	31,239,088		31,195,429	43,659
Staples elementary	1,643,500		1,614,554	28,946
C.O. Bonding Authorization	370,858		370,442	416
South Park Avenue	6,450,000	331	6,226,913	223,087
Fire Supression	455,000		382,051	72,949
Dog Shelter	188,000			188,000
HKMS school building	11,168,617		11,164,486	4,131
	<u>\$ 51,878,227</u>	<u>\$ 331</u>	<u>\$ 51,240,860</u>	<u>\$ 637,367</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Statues. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. The Statutes require that each depository maintain segregated collateral (not

required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$4,639,318 of the Town's bank balance of \$5,190,980 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,288,699
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>350,619</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 4,639,318</u>

Cash Equivalents

At June 30, 2013, the Town's cash equivalents amounted to \$1,833,319. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

Investments

As of June 30, 2013, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Interest bearing investments:					
U.S. Government					
Agency Bonds	N/A	\$ 227,241	\$	\$ 227,241	\$
Agency Bonds	AAA	3,879,707		105,855	3,773,852
Corporate bonds	A	<u>154,817</u>		<u>154,817</u>	
Total		4,261,765	\$	<u>-</u>	\$
				<u>487,913</u>	<u>3,773,852</u>
Other investments:					
Equities		79,548			
Mutual funds		<u>13,317,047</u>			
Total Investments		<u>\$ 17,658,360</u>			

N/A - Not applicable

Interest Rate Risk - The Town limits their maximum final stated maturities to 15 years, unless specific authority is given to exceed. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, the Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as the Statutes.

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

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2013, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

Receivables as of the year end for the Town's individual major fund and nonmajor, internal service, and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Capital Nonrecurring Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest*	\$	\$	\$	\$ -
Taxes	1,462,896			1,462,896
Accounts	86,105		75,987	162,092
Intergovernmental	<u>406,979</u>	<u>584,061</u>		<u>991,040</u>
Gross receivables	1,955,980	584,061	75,987	2,616,028
Less allowance for uncollectibles	<u>(100,000)</u>			<u>(100,000)</u>
Net Total Receivables	<u>\$ 1,855,980</u>	<u>\$ 584,061</u>	<u>\$ 75,987</u>	<u>\$ 2,516,028</u>

*Accrued interest on property taxes in the amount of \$421,997 is not included in the fund financial statements.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,192,372	\$
Grant drawdowns not yet earned		163,359
Prepaid tuition		4,000
Tax overpayments		7,213
School building grants	<u>9,879</u>	
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 1,202,251</u>	<u>\$ 174,572</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 19,028,656	\$ 215,699	\$	\$	\$ 19,244,355
Construction in progress	427,896			(427,896)	-
Total capital assets not being depreciated	<u>19,456,552</u>	<u>215,699</u>	<u>-</u>	<u>(427,896)</u>	<u>19,244,355</u>
Capital assets being depreciated:					
Land improvements	611,769	25,546			637,315
Buildings	69,149,779	102,588		427,896	69,680,263
Building improvements	1,395,317	9,948			1,405,265
Machinery and equipment	1,400,703	112,844			1,513,547
Vehicles	5,254,086	871,574	(21,301)		6,104,359
Infrastructure	25,375,140	28,864			25,404,004
Total capital assets being depreciated	<u>103,186,794</u>	<u>1,151,364</u>	<u>(21,301)</u>	<u>427,896</u>	<u>104,744,753</u>
Less accumulated depreciation:					
Land improvements	(176,865)	(19,562)			(196,427)
Buildings	(16,364,373)	(888,566)			(17,252,939)
Building improvements	(126,078)	(42,072)			(168,150)
Machinery and equipment	(1,016,609)	(37,682)			(1,054,291)
Vehicles	(2,830,458)	(261,139)	18,301		(3,073,296)
Infrastructure	(9,877,188)	(345,732)			(10,222,920)
Total accumulated depreciation	<u>(30,391,571)</u>	<u>(1,594,753)</u>	<u>18,301</u>	<u>-</u>	<u>(31,968,023)</u>
Total capital assets being depreciated, net	<u>72,795,223</u>	<u>(443,389)</u>	<u>(3,000)</u>	<u>427,896</u>	<u>72,776,730</u>
Governmental Activities Capital Assets, Net	<u>\$ 92,251,775</u>	<u>\$ (227,690)</u>	<u>\$ (3,000)</u>	<u>\$ -</u>	<u>\$ 92,021,085</u>

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

Governmental activities:	
General government	\$ 698,149
Public safety	87,799
Public works	118,764
Education	672,652
Library	<u>17,389</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,594,753</u>

6. INTERFUND ACCOUNTS

At June 30, 2013, the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 114,538
General Fund	Non-major governmental	27,798
General Fund	Bonded Capital Projects	<u>491,923</u>
		<u>\$ 634,259</u>

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Non-recurring Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:				
General Fund	\$	\$ 478,200	\$ 73,995	\$ 552,195
Capital Non-recurring			14,396	14,396
Nonmajor governmental	<u>111,051</u>			<u>111,051</u>
Total Transfers Out	<u>\$ 111,051</u>	<u>\$ 478,200</u>	<u>\$ 88,391</u>	<u>\$ 677,642</u>

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

7. SHORT-TERM OBLIGATIONS - BOND ANTICIPATION NOTES

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2013</u>
Bond Anticipation Notes:				
Elementary school construction	\$ 2,281,500	\$ 1,973,395	\$ (2,281,500)	\$ 1,973,395
Land acquisition	<u>5,842,500</u>	<u>5,774,605</u>	<u>(5,842,500)</u>	<u>5,774,605</u>
Total	<u>\$ 8,124,000</u>	<u>\$ 7,748,000</u>	<u>\$ (8,124,000)</u>	<u>\$ 7,748,000</u>

On July 6, 2012, the Town issued \$7,748,000 of bond anticipation notes. These bond anticipation notes bear interest at 1.0% and mature on July 3, 2013 and are for elementary school construction and land acquisition.

8. LONG-TERM DEBT

A. Changes in Long-Term Debt

Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

	<u>Original</u> <u>Amount</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Bonds:									
General purpose:									
Refunding bond	\$ 3,318,000	02/15/03	06/01/15	1.6-4.0	\$ 693,000	\$	\$ 236,000	\$ 457,000	\$ 236,000
Improvement bond	1,424,000	07/15/10	07/15/25	1.0-3.375	1,330,000		95,000	1,235,000	95,000
Refunding bond (2001 issue)	3,739,500	05/28/09	10/15/21	3.0-5.0	3,410,000		355,000	3,055,000	355,000
Total general purpose					<u>5,433,000</u>	<u>-</u>	<u>686,000</u>	<u>4,747,000</u>	<u>686,000</u>
Schools:									
Refunding bond	447,000	01/15/03	06/01/15	1.6-4.0	102,000		34,000	68,000	34,000
Refunding bond (2001 issue)	5,765,500	05/28/09	10/15/21	3.0-5.0	5,255,000		550,000	4,705,000	545,000
Improvement bond	925,000	07/15/10	07/15/25	1.0-3.375	861,000		63,000	798,000	63,000
Refunding bond	8,485,000	06/01/11	06/01/25	2.0-5	8,000,000		475,000	7,525,000	515,000
Refunding bond (2005 issue)	6,810,000	02/09/12	11/01/25	2.0-4.0	6,810,000		145,000	6,665,000	470,000
Total schools					<u>21,028,000</u>	<u>-</u>	<u>1,267,000</u>	<u>19,761,000</u>	<u>1,627,000</u>
Sewer:									
Improvement bond	326,000	07/15/10	07/15/25	1.0-3.375	304,000		22,000	282,000	22,000
Total bonds/notes					26,765,000	-	1,975,000	24,790,000	2,335,000
Deferred charge in refunding issue					(5,395)		5,395	-	
Bond premium					521,296		45,966	475,330	
Total bonds and related liabilities					<u>27,280,901</u>	<u>-</u>	<u>2,026,361</u>	<u>25,265,330</u>	<u>2,335,000</u>
Compensated absences					999,495	213,917		1,213,412	242,682
Capital lease					964,042		139,788	824,254	163,172
Heart and hypertension					873,220		43,863	829,357	69,793
Net OPEB obligation					<u>1,121,432</u>	<u>213,884</u>		<u>1,335,316</u>	
Total General Long-Term Obligations					<u>\$ 31,239,090</u>	<u>\$ 427,801</u>	<u>\$ 2,210,012</u>	<u>\$ 29,467,669</u>	<u>\$ 2,810,647</u>

All long-term liabilities are generally liquidated by the General Fund.

The following is a summary of amounts to be provided by the State of Connecticut for the retirement of school bonds and bond and note maturities:

<u>Year Ending June 30,</u>	<u>To Be Provided By State</u>		<u>Bonds</u>	
	<u>For Principal</u>	<u>For Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,081	\$ 387	\$ 2,335,000	\$ 761,099
2015	4,798	188	2,330,000	699,224
2016			2,250,000	628,361
2017			2,250,000	550,524
2018			2,245,000	469,574
2019			2,230,000	399,511
2020			2,205,000	329,436
2021			2,195,000	250,574
2022			2,175,000	171,124
2023			1,320,000	111,702
2024			1,310,000	72,314
2025			1,290,000	35,424
2026			655,000	8,463
Total	<u>\$ 9,879</u>	<u>\$ 575</u>	<u>\$ 24,790,000</u>	<u>\$ 4,487,330</u>

In addition to the above recorded amounts, the Town participates with the Town of Redding in providing a regional high school for students residing in each town. Accordingly, the outstanding debt and related interest expense of Regional School District No. 9 (the District) is shared by Easton and Redding based upon the respective number of students attending from each town. Total outstanding debt of the District at June 30, 2013, which matures through 2026, amounted to \$17,415,000. The Town's share of the debt, net of the related grant, was \$7,998,710.

B. Capital Leases

The Town has entered into leases for the purchase of school buses. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the leases and the present value of the future minimum lease payments reflected at June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 163,172
2015	163,172
2016	163,172
2017	383,225
	<u>872,741</u>
Less amount representing interest	<u>(48,487)</u>
Present Value of Future Minimum Lease Payment	<u>\$ 824,254</u>

C. Heart and Hypertension

The Town has recognized an estimated liability for possible future heart and hypertension claims by members of the police and fire departments, based on current actuarial valuation.

D. Legal Debt Limitation

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 85,350,607	\$ 10,704,605	\$ 74,646,002
Schools	170,701,214	29,746,285	140,954,929
Sewers	142,251,011	282,000	141,969,011
Urban renewal	123,284,210		123,284,210
Pension deficit	113,800,809		113,800,809

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$265,535,221 or seven times the base for debt limitation computation.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$9,879 for bond principal is reflected as deductions in the computation of net indebtedness.

Authorized/Unissued Bonds

The amount of authorized/unissued bonds is \$183,000 for general purposes and \$23,059 for school purposes.

9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2013 are as follows:

	<u>General Fund</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Restricted for:					
Grants	\$	\$		\$ 188,421	\$ 188,421
Education				3,497	3,497
Committed to:					
Capital projects			926,409		926,409
General government				922,985	922,985
Public safety				322,757	322,757
Health and welfare				38,308	38,308
Library				1,028,659	1,028,659
Parks and recreation				153,316	153,316
Assigned:					
Subsequent year's budget	145,000				145,000
Potential claims	140,000				140,000
Debt service	97,200				97,200
Unassigned	<u>3,568,300</u>	<u>(8,268,277)</u>		<u>(44,286)</u>	<u>(4,744,263)</u>
Total Fund Balances	<u>\$ 3,950,500</u>	<u>\$ (8,268,277)</u>	<u>\$ 926,409</u>	<u>\$ 2,613,657</u>	<u>\$ (777,711)</u>

10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to public officials and police liability, Board of Education liability, torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. Except for medical insurance, the Town purchases commercial insurance for all risks of loss. The Town established an internal service fund, the medical insurance fund, to account for and finance the retained risk of loss for the Town's medical benefits claims.

The Easton Board of Education, along with the Redding Board of Education and Regional School District No. 9, participates in a medical self-insurance plan that accounts for health benefits provided to participants and their families. Recommended monthly deposits are calculated by the plan administrator and claims processor. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The medical claims fund is substantially funded by the Town's general fund based upon 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 liability is based on the requirements of GASB Statements No. 10 and 30, which require 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 is based on the ultimate costs of settling the claim, which includes past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

An analysis of the activity in the claims liability for the medical insurance fund is as follows:

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2011-2012	\$ 56,281	\$ 1,741,497	\$ 1,706,864	\$ 90,914
2012-2013	90,914	2,160,979	2,095,545	156,348

11. PENSION PLANS

A. Plan Description

The Town has a contributory pension plan covering substantially all full-time employees and noncertified Board of Education employees. Uniformed police department employees and fire department employees participate in the Municipal Employees' Retirement System (MERS), administered by the Municipal Employees' Retirement Commission. The certified faculty and administrative personnel of the Board of Education participate in a contributory retirement plan administered by the State Retirement Board. The Town does not contribute to this plan.

Town of Easton Retirement Plan I and II

The Town is administrator of the Town of Easton Retirement Plan I and II, a single employer defined benefit pension plan established and maintained by the Town to provide pension benefits for its full-time employees other than police officers, fire department employees and teachers. The Pension Commission makes recommendations for plan provisions which are approved by the Board of Finance. The pension plan is included in the financial statements as a single pension fund since the assets may be used to pay benefits or refunds of any plan member or beneficiary. The plan does not issue separate, stand-alone financial reports.

The Town of Easton Retirement Plan I and II provide retirement benefits. Benefits vest after 10 years of service. Members may retire at various ages as determined by employee group. Members are entitled to an annual retirement benefit, payable for life, for an amount determined by formula for each year of service. Administration costs are financed from investment earnings.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The Pension trust fund's financial statements are prepared using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned, and expenses (benefits and administration) are recognized when they are due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are valued at fair value based upon quoted market prices.

Classes of Employees Covered

As of July 1, 2012, the plan's membership consisted of:

Retires and beneficiaries currently receiving benefits	53
Terminated members entitled to benefits but not yet receiving them	34
Current active members	<u>103</u>
Total	<u><u>190</u></u>

C. Benefit Provisions

Contributions

The contribution requirements of plan members and the Town are established according to the Pension Trust Agreement and the Pension and Employee Benefit Commission. The Pension and Employee Benefit Commission Members serve as plan trustees, as well as hiring the plan actuary. The Town's contribution to the plan is actuarially determined on an annual basis using the frozen initial liability cost method. Employees are required to contribute to the plan in varying amounts ranging from 2.25% for Board of Education employees to 6.58% for Highway Management employees.

Schedule of Employer Contributions and Net Pension Obligation

<u>Year Ended June 30,</u>	<u>Actual Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset (Obligation)</u>
2008	\$ 360,000	\$ 257,959	139.6%	\$ 272,278	132.2%	\$ 321,584
2009	254,000	362,172	70.1	377,809	67.2	197,775
2010	554,000	687,975	80.5	698,146	79.4	53,629
2011	691,269	686,523	100.7	689,581	100.2	55,317
2012	640,421	441,339	145.1	444,724	144.0	251,014
2013	590,000	622,129	94.8	637,699	92.5	203,315

Actuarial Assumptions

The data presented in the schedule of funding progress and schedule of employer contributions were determined as part of the actuarial valuation at the date indicated.

Additional information as of the actuarial valuation within the current year is as follows:

Actuarial valuation date	July 1, 2012
Actuarial cost method	Frozen Entry Age
Amortization method	Level Dollar
Remaining amortization periods	8.3
Asset valuation methods	Fair Value

Actuarial Assumptions:	
Investment rate of return	7%
Projected salary increases	3%
Cost of living adjustments	2.6 - 3.0%

Annual Pension Cost and Net Pension Asset

The Town's annual pension cost and net pension asset for the current year were as follows:

Annual required contribution	\$ 622,129
Interest on net pension asset	(17,571)
Adjustment to annual required contribution	<u>33,141</u>
Annual pension cost	637,699
Contributions made	<u>590,000</u>
Decrease in net pension asset	(47,699)
Net pension asset - July 1, 2012	<u>251,014</u>
Net Pension Asset - June 30, 2013	<u><u>\$ 203,315</u></u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/07	\$ 12,148,662	\$ 11,932,419	\$ (216,243)	101.8%	\$ 3,653,568	(5.92)%
7/1/08	11,594,133	12,353,716	759,583	93.9	3,976,807	19.10
7/1/09	9,129,252	12,922,832	3,793,580	70.6	4,192,636	90.48
7/1/10	10,177,663	13,910,263	3,732,600	73.2	4,481,747	83.28
7/1/11	12,450,507	14,493,708	2,043,201	85.9	4,167,096	49.03
7/1/12	12,333,042	15,094,031	2,760,989	81.7	4,185,068	65.97

12. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

Police officers and fire department employees of the Town participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

B. Funding Policy

Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 7% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2013 2012 and 2011 were \$327,219, \$322,474 and \$257,231, respectively, equal to the required contributions for each year.

C. Teachers' Retirement

All teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Town withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$6,686,084 or 74% of the total Board of Education payroll of \$9,012,396.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The Town has recorded in the General Fund, intergovernmental revenue and education expenditures in the amount of \$1,500,644 as payments made by the State of Connecticut on-behalf of the Town's teachers. The Town does not have any liability for teacher pensions.

D. Defined Contribution Plan

Effective July 1, 2012, new hires can no longer participate in the Town’s defined benefit plan; the Town established a 457 (b), 457 (f), 409A defined contribution plan. To be eligible to participate, employees must be at least 21 years old.

13. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

Town

In addition to the pension benefits, all Town employees retiring under the Town of Easton Retirement Plan are provided post-employment benefits. The level of these benefits is determined by contract for all union employees and by a Town of Easton ordinance for all non-represented employees. Per contracts and ordinances, the Town pays the full cost of these benefits. Benefits provided are as follows:

Non-Union Employees and Highway/Public Works Employees

Eligibility for Medical, Dental and Life Coverage	Retirement on or after attaining age 55 with 5 years of service or after 25 years of service.
Retiree/Spouse Cost of Medical Coverage	Retiree pays full cost of insurance; spouse can continue coverage after retiree’s death.
Plan of Coverage	Various fully insured medical plans. Medicare supplement plan coverage on or after age 65.
Retiree/Spouse Cost of Dental Coverage	Retiree pays full cost of insurance.
Life Insurance Benefit	Fully paid for by retiree.

Police and Fire

Eligibility for Medical, Dental and Life Coverage	Retirement on or after attaining age 55 with 5 years of service or after 25 years of service.
Retiree/Spouse Cost of Medical Coverage	Retiree pays full cost of insurance; spouse can continue coverage after retiree’s death.
Plan of Coverage	Various fully insured medical plans. Medicare supplement plan coverage on or after age 65.
Retiree/Spouse Cost of Dental Coverage	Retiree pays full cost of insurance.
Life Insurance Benefit	Fully paid for by retiree.

Board of Education

The Board of Education provides certain post-retirement benefits to retirees through negotiated contracts. Eligibility for benefits is as follows:

Teachers

Eligibility for Medical, Dental and Life Coverage	Retirement under State of Connecticut Teachers Retirement Plan (age 50 with 30 years, age 55 with 25 years or 60 with 10 years).
Retiree/Spouse Cost of Medical Coverage	Retiree pays full cost of insurance (COBRA rates) spouse can continue coverage after retiree’s death.
Plan of Coverage	Self-insured medical plan. Medicare supplement plan coverage on or after age 65 if eligible for Medicare.
Retiree/Spouse Cost of Dental Coverage	Retiree pays full cost of insurance.
Life Insurance Benefit	None.

Other Board of Education Employees

Eligibility for Medical, Dental and Life Coverage	Eligible for COBRA only. Custodians can participate in the Medicare Supplement plan on or after age 65, at their own cost.
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B. Membership

Membership in the plan consisted of the following at July 1, 2012:

	<u>Town of Easton Retiree Medical Benefit Plan</u>
Number of retirees and eligible surviving spouses	11
Number of active participants	177
Total	<u>188</u>

C. Description of Actuarial Assumptions and Methods

The following is a summary of certain significant actuarial assumptions and other PERS information:

	Town of Easton Retiree Medical Plan
Actuarial valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit Cost
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%/annum
Projected salary increases	n/a

Retirement Assumptions:

Town

Town, Fire and Police: Age 55 with 5 years of service or 25 years of service, minimum age 45.

Board of Education

Teachers: Age 60 and 10 years service, or 25 years service. Early retirement - age 55 and 25 years service or 25 years service.

Other: Age 55 with 5 years of service or 25 years of service, minimum age 45.

D. Annual OPEB Cost and Net OPEB Obligations

The Town's annual OPEB cost and net OPEB obligation for the current year were as follows:

	Town of Easton Retiree Medical Benefit Plan
Annual required contribution	\$ 337,537
Interest on net OPEB obligation	50,464
Adjustment to annual required contribution	(65,889)
Annual OPEB cost	<u>322,112</u>
Contribution made	<u>108,228</u>
Increase in net OPEB obligation	213,884
Net OPEB obligation, July 1, 2012	<u>1,121,432</u>
Net OPEB Obligation, June 30, 2013	<u><u>\$ 1,335,316</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ending June 30, 2013 is presented below.

	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/11	\$ 315,538	\$ 18,897	6%	\$ 793,538
6/30/12	318,873	(9,021)	(3)%	1,121,432
6/30/13	322,112	108,228	34%	1,335,316

Schedule of Funding Progress

The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual healthcare cost trend rate is 9%, decreasing by 0.5% per year with an ultimate rate of 5%. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Underfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 2,777,663	\$ 2,777,663	-%	\$ 12,665,797	22.0%
7/1/10	-	2,623,470	2,623,470	-	12,712,616	21.0%
7/1/12	-	2,222,858	2,222,258	-	13,338,378	17.0%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 322,373	6%
2012	329,788	(3)%
2013	337,537	32%

14. CONTINGENT LIABILITIES

There are various lawsuits and claims pending against the Town, the ultimate effect of which, if any, cannot presently be determined; however, the ultimate resolution of these matters is not expected to have a material adverse effect on the financial condition of the Town.

State and Federal grants received by the Town are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. The amount of expenditures which may be disallowed, if any, cannot be determined at this time; however, the Town's management believes any such disallowance will be immaterial.

TOWN OF EASTON, CONNECTICUT

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Property Taxes:				
Property taxes, current and prior	\$ 37,869,678	37,869,678	\$ 37,690,852	\$ (178,826)
Interest and lien fees	100,000	100,000	192,469	92,469
Telephone access	33,852	33,852	18,296	(15,556)
Total property taxes	<u>38,003,530</u>	<u>38,003,530</u>	<u>37,901,617</u>	<u>(101,913)</u>
Intergovernmental:				
Educational assistance:				
Special education and education cost share	593,868	593,868	597,891	4,023
School building grant	5,269	5,269	5,374	105
Other	11,983	11,983	295	(11,688)
Total educational assistance	<u>611,120</u>	<u>611,120</u>	<u>603,560</u>	<u>(7,560)</u>
Town assistance:				
Town aid roads	113,610	113,610	113,478	(132)
Infrastructure	415,613	415,613	-	(415,613)
In lieu of tax loss - boats	4,814	4,814	-	(4,814)
Elderly tax relief	45,068	45,068	37,211	(7,857)
Tax relief for the totally disabled	4,000	4,000	112	(3,888)
State owned property	58,855	58,855	57,581	(1,274)
Municipal revenue sharing			49,719	49,719
Mashantucket Pequot grant	7,897	7,897	8,759	862
Civil preparedness	4,800	4,800	-	(4,800)
Property tax relief (veterans)	8,247	8,247	10,043	1,796
Miscellaneous	11,000	11,000	215,125	204,125
Total town assistance	<u>673,904</u>	<u>673,904</u>	<u>492,028</u>	<u>(181,876)</u>
Total intergovernmental	<u>1,285,024</u>	<u>1,285,024</u>	<u>1,095,588</u>	<u>(189,436)</u>
Investment Income	<u>250,000</u>	<u>250,000</u>	<u>41,325</u>	<u>(208,675)</u>
Charges for Services:				
Town clerk	175,000	175,000	207,161	32,161
Building inspection fees and permits	100,000	100,000	140,176	40,176
Health department	18,000	18,000	18,481	481
Planning and zoning	11,000	11,000	20,940	9,940
Conservation commission	2,500	2,500	5,578	3,078
Police department	100,000	100,000	417,688	317,688
First selectman	80,000	80,000	124,193	44,193
Municipal building leases	359,563	359,563	338,222	(21,341)

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TOWN OF EASTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Fire marshal	\$ 40	\$ 40	\$ 180	\$ 140
Parks and recreation	10,000	10,000	-	(10,000)
Region 9 tuition	10,169	10,169	5,794	(4,375)
BOE tuition	11,979	11,979	12,899	920
Recycling bins			633	633
Highway department	1,500	1,500	2,095	595
Other	500	500	234	(266)
Total charges for services	<u>880,251</u>	<u>880,251</u>	<u>1,294,274</u>	<u>414,023</u>
Total Revenues	<u>40,418,805</u>	<u>40,418,805</u>	<u>40,332,804</u>	<u>(86,001)</u>
Other Financing Sources:				
Transfer in - Park and rec activity	19,541	19,541	16,051	(3,490)
Transfer in - EMS	95,000	95,000	95,000	-
Total other financing sources	<u>114,541</u>	<u>114,541</u>	<u>111,051</u>	<u>(3,490)</u>
Total Revenues and Other Financing Sources	<u>\$ 40,533,346</u>	<u>\$ 40,533,346</u>	40,443,855	<u>\$ (89,491)</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut				
State Teachers' Retirement System for Town teachers are not budgeted			<u>1,500,644</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 41,944,499</u>	

TOWN OF EASTON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Additional Appropriations and Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
General Government:					
Town clerk	\$ 154,120	\$	\$ 154,120	\$ 150,789	\$ 3,331
First selectman	157,753		157,753	149,866	7,887
Probate court	4,625		4,625	4,625	-
Registrar of voters	63,941	737	64,678	54,277	10,401
Board of finance	6,300		6,300	6,281	19
Auditors	38,385		38,385	37,000	1,385
Treasurer	182,704		182,704	179,943	2,761
Assessor	108,116.00	5,050	113,166	113,013	153
Board of assessment appeals	800		800	627	173
Tax collector	93,444		93,444	82,621	10,823
Town attorney	120,000	20,000	140,000	139,297	703
Planning and zoning commission	110,871		110,871	106,671	4,200
Zoning board of appeals	7,426		7,426	7,243	183
Building department	95,216		95,216	92,982	2,234
Technology computer	25,854		25,854	21,400	4,454
Town Hall	134,061		134,061	104,297	29,764
Communication dispatchers	229,638		229,638	203,889	25,749
Commission for the elderly	53,983		53,983	51,382	2,601
Senior center	162,548		162,548	162,546	2
SSS building	396,232		396,232	347,769	48,463
Cemetery	2,432		2,432	1,850	582
Public celebrations	450		450	-	450
Total general government	<u>2,148,899</u>	<u>25,787</u>	<u>2,174,686</u>	<u>2,018,368</u>	<u>156,318</u>
Public Safety:					
Police department	1,385,298	280,815	1,666,113	1,606,530	59,583
Fire department	842,011	(70,000)	772,011	759,683	12,328
Fire marshal	28,441		28,441	18,970	9,471
Emergency management	10,719		10,719	9,701	1,018
Firehouse rent	41,000		41,000	41,000	-
Conservation commission	37,022		37,022	34,490	2,532
Total public safety	<u>2,344,491</u>	<u>210,815</u>	<u>2,555,306</u>	<u>2,470,374</u>	<u>84,932</u>
Public Works:					
Recycling	131,500		131,500	114,589	16,911
Highway department	2,021,857	(116,000)	1,905,857	1,660,139	245,718
Street lights	1,332		1,332	1,157	175
Engineering and professional services	39,330		39,330	32,961	6,369
Total public works	<u>2,194,019</u>	<u>(116,000)</u>	<u>2,078,019</u>	<u>1,808,846</u>	<u>269,173</u>
Health and Welfare:					
Health director	72,352		72,352	72,078	274
EMS commission	268,854	744	269,598	269,598	-
Welfare	4,144		4,144	2,622	1,522
Total health and welfare	<u>345,350</u>	<u>744</u>	<u>346,094</u>	<u>344,298</u>	<u>1,796</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Additional Appropriations and Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Education:					
Easton Board of Education:					
General instruction	\$ 7,047,533	\$ (31,403)	\$ 7,016,130	\$ 7,209,343	\$ (193,213)
Kindergarten	10,877		10,877	10,307	570
Humanities	33,783	1,704	35,487	35,219	268
Integrated language arts	31,830	(607)	31,223	29,972	1,251
Curriculum	35,911		35,911	29,808	6,103
Science/math technology	56,266	(994)	55,272	47,425	7,847
Physical education/health	5,026	1,175	6,201	5,558	643
Special services	31,180		31,180	6,478	24,702
Special education	3,443,687	(9,049)	3,434,638	3,215,905	218,733
Guidance	1,350		1,350	7,861	(6,511)
Health services	178,561	(1,686)	176,875	174,770	2,105
Psychological services	12,100	(51)	12,049	3,784	8,265
Speech services	11,100	900	12,000	5,391	6,609
Educational media services	78,245	440	78,685	75,929	2,756
Technology plan	308,140	45,764	353,904	367,909	(14,005)
Board of education	80,518		80,518	53,577	26,941
Central administration	537,370		537,370	537,370	-
School administration	1,008,694	(5,478)	1,003,216	982,770	20,446
physical plant	1,481,378	403,338	1,884,716	1,947,696	(62,980)
Student transportation	845,482	293	845,775	900,007	(54,232)
Food service	4,300		4,300	598	3,702
Total Easton Board of Education	15,243,331	404,346	15,647,677	15,647,677	-
Regional School District No. 9	10,115,368		10,115,368	10,115,368	-
Total education	25,358,699	404,346	25,763,045	25,763,045	-
Library	566,932		566,932	495,895	71,037
Parks and Recreation:					
Parks and recreation commission	352,821		352,821	328,651	24,170
Tree warden	6,450		6,450	1,997	4,453
Total parks and recreation	359,271	-	359,271	330,648	28,623
Employee Benefits:					
Pensions	988,912	10,974	999,886	984,249	15,637
Fringe benefits	1,948,814		1,948,814	1,705,200	243,614
Social Security and Medicare	420,970	5,042	426,012	406,605	19,407
Total employee benefits	3,358,696	16,016	3,374,712	3,096,054	278,658

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TOWN OF EASTON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Additional Appropriations and Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Insurance	\$ 667,612	\$ -	\$ 667,612	\$ 661,276	\$ 6,336
Other-Contingency	<u>125,000</u>	<u>(1,481)</u>	<u>123,519</u>	<u>-</u>	<u>123,519</u>
Debt Service:					
Principal retirement	3,135,382		3,135,382	2,351,000	784,382
Interest			-	758,987	(758,987)
Fiscal agent fees			-	19,588	(19,588)
Total debt service	<u>3,135,382</u>	<u>-</u>	<u>3,135,382</u>	<u>3,129,575</u>	<u>5,807</u>
Total expenditures	<u>40,604,351</u>	<u>540,227</u>	<u>41,144,578</u>	<u>40,118,379</u>	<u>1,026,199</u>
Other Financing Uses:					
Transfers out:					
Dog fund	73,995		73,995	73,995	-
Capital nonrecurring		478,200	478,200	478,200	-
Total other financing uses	<u>73,995</u>	<u>478,200</u>	<u>552,195</u>	<u>552,195</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 40,678,346</u>	<u>\$ 1,018,427</u>	<u>\$ 41,696,773</u>	40,670,574	<u>\$ 1,026,199</u>
Budgetary expenditures are different than GAAP expenditures because:					
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted				<u>1,500,644</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV				<u>\$ 42,171,218</u>	

TOWN OF REDDING, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Annual Financial Report of
The Town of Redding, Connecticut
Year Ended June 30, 2013



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Redding, 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 Town of Redding, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Redding, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Redding, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the budgetary comparison information on pages 40 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of the Town of Redding, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Redding, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 12, 2013

**TOWN OF REDDING, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

As management of the Town of Redding, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Town's governmental activities exceeded its liabilities at the close of the most recent year by \$45,723,221 (net position). Of this amount, \$10,949,394 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,478,245 due to increased tax collections and grant revenues.
- The unassigned General Fund Balance was \$6,549,618, which represents an increase of \$110,596 over the prior year end reported. This amount is 13.8% of the 2013-14 budgeted expenditures. The increase would have been \$208,822 higher without the decision to commit this amount to next budget year's debt reduction.
- Actual expenditures came in .5% under budget due to responsible spending within Town departments. Additionally, actual revenues were 2.9% higher than budgeted primarily due to property tax collections.
- Issued \$4,281,000 in authorized bond anticipation notes (BANS) for road repair and construction, bridge rehabilitation, and school building renovations.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This 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 Town's finances, in a manner similar to a private-sector business. They include:

The statement of net position, which presents information on all of the Town'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 Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the Town. Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include general government, public safety, highway and streets, transfer station and recycling, health and social services, library, parks and recreation and education. The Town's business-type activities are for the Georgetown Sewer Enterprise Fund operations.

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 Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resource as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town'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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions.

The Town uses internal service funds to account for its self-insured medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Georgetown Sewer fund (a major fund).

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Basic 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.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town’s financial position. Assets exceeded liabilities by \$45,723,221 at the close of the most recent fiscal year.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 16,871,516	\$ 14,162,299	\$ (316,225)	\$ (102,508)	\$ 16,555,291	\$ 14,059,791
Capital assets	57,266,772	56,950,134	8,371,800	8,571,683	65,638,572	65,521,817
Total assets	<u>74,138,288</u>	<u>71,112,433</u>	<u>8,055,575</u>	<u>8,469,175</u>	<u>82,193,863</u>	<u>79,581,608</u>
Long-term debt outstanding	20,267,412	21,288,941			20,267,412	21,288,941
Other liabilities	8,147,655	5,578,516	134,591	218,967	8,282,246	5,797,483
Total liabilities	<u>28,415,067</u>	<u>26,867,457</u>	<u>134,591</u>	<u>218,967</u>	<u>28,549,658</u>	<u>27,086,424</u>
Net Position:						
Net investments in capital assets	34,773,827	35,631,967	8,371,800	8,571,683	43,145,627	44,203,650
Restricted		2,100				2,100
Unrestricted	<u>10,949,394</u>	<u>8,610,909</u>	<u>(450,816)</u>	<u>(321,475)</u>	<u>10,498,578</u>	<u>8,289,434</u>
Total Net Position	<u>\$ 45,723,221</u>	<u>\$ 44,244,976</u>	<u>\$ 7,920,984</u>	<u>\$ 8,250,208</u>	<u>\$ 53,644,205</u>	<u>\$ 52,495,184</u>

By far, the largest portion of the Town’s net position (76%) reflects its investment in capital (e.g., land, construction in progress, buildings, sewer plant, sewer collection system, machinery and equipment, vehicles, furniture, and fixtures and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A minor portion of the Town’s net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position.

Governmental Activities. Governmental activities increased the Town’s net position by \$1,478,245.

Revenues. Governmental activities revenues totaled \$52,644,533 for the fiscal year. Property taxes are the largest revenue source for the Town and represent 87% of governmental revenues. Operating grants and contributions are the Town’s second largest revenue and account for 7% of governmental revenues.

Expenses. Governmental expenses totaled \$51,166,288 for the fiscal year. Of the expenses, \$36,781,143 or 72% is related to education. Public safety expenses amounted \$3,842,256 or 8%. General government expenses amounted to \$4,055,095 or 8% and highway and streets expenses were \$3,225,294 or 6%.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,545,461	\$ 1,575,552	\$ 407,068	\$ 415,802	\$ 1,952,529	\$ 1,991,354
Operating grants and contributions	3,496,101	3,962,260			3,496,101	3,962,260
Capital grants and contributions	1,522,374	433,162			1,522,374	433,162
General revenues:						
Property taxes	45,609,619	44,457,954			45,609,619	44,457,954
Grants and contributions not restricted to specific purposes	414,294	411,826			414,294	411,826
Investment income	23,757	73,560	118	105	23,875	73,665
Miscellaneous	32,927				32,927	-
Total revenues	<u>52,644,533</u>	<u>50,914,314</u>	<u>407,186</u>	<u>415,907</u>	<u>53,051,719</u>	<u>51,330,221</u>
Program expenses:						
General government	4,055,095	3,235,479			4,055,095	3,235,479
Public safety	3,842,256	3,400,036			3,842,256	3,400,036
Highway and streets	3,225,294	2,776,797			3,225,294	2,776,797
Transfer station and recycling	633,954	426,824			633,954	426,824
Health and social services	169,588	134,397			169,588	134,397
Library	559,548	520,739			559,548	520,739
Parks and recreation	1,240,965	1,229,759			1,240,965	1,229,759
Education	36,781,143	35,846,468			36,781,143	35,846,468
Interest expense	658,446	702,794			658,446	702,794
Sewer department			736,410	763,117	736,410	763,117
Total expenses	<u>51,166,288</u>	<u>48,273,293</u>	<u>736,410</u>	<u>763,117</u>	<u>51,902,698</u>	<u>49,036,410</u>
Change in net position	1,478,245	2,641,021	(329,224)	(347,210)	1,149,021	2,293,811
Net Position at Beginning of Year, as Restated	<u>44,244,976</u>	<u>41,603,955</u>	<u>8,250,208</u>	<u>8,597,418</u>	<u>52,495,184</u>	<u>50,201,373</u>
Net Position at End of Year	<u>\$ 45,723,221</u>	<u>\$ 44,244,976</u>	<u>\$ 7,920,984</u>	<u>\$ 8,250,208</u>	<u>\$ 53,644,205</u>	<u>\$ 52,495,184</u>

Business-Type Activities. Business-type activities decreased the Town's net position by \$329,224. General revenues do not support the Town's business-type activities; thus, revenues come from charges for services.

The Georgetown sewer expenses were \$736,410, which was not significantly different than the amount for the prior year.

Financial Analysis of the Town's Funds

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

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

At year end, unassigned fund balance in the General Fund was \$6,549,618:

Unassigned fund balance as restated, July 1, 2012	\$	5,298,353
Actual revenue greater than budgeted		1,370,814
Actual expenditures less than budgeted		276,953
Encumbrances		(180,519)
Less tax appeal settlement - Committed		(208,822)
Other		<u>(7,161)</u>
Unassigned fund balance, June 30, 2013	\$	<u><u>6,549,618</u></u>

General Fund Budgetary Highlights

Budget revenue was increased primarily due to settlement of a tax appeal case. This settlement accounted for 76% of the additional revenue, with the remainder coming from collection of past due real estate taxes and unbudgeted increases in state aid.

On the expense side, savings of approximately .5% of budget were achieved in a variety of expense categories and departments. FEMA payments received for equipment usage also contributed to the positive variance.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$65,638,572 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, sewer plant, sewer collection system, machinery and equipment, vehicles, furniture and fixtures and infrastructure.

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 19,203,822	\$ 19,203,822	\$ 15,342	\$ 15,342	\$ 19,219,164	\$ 19,219,164
Construction in progress	2,024,246	5,925,648			2,024,246	5,925,648
Buildings	15,192,029	15,050,381			15,192,029	15,050,381
Sewer plant			8,073,699	8,255,718	8,073,699	8,255,718
Sewer collection system			282,759	300,623	282,759	300,623
Machinery and equipment	2,363,854	1,207,961			2,363,854	1,207,961
Infrastructure	15,981,516	12,508,715			15,981,516	12,508,715
Vehicles	2,422,500	3,024,438			2,422,500	3,024,438
Furniture and fixtures	78,805	29,169			78,805	29,169
Total	<u>\$ 57,266,772</u>	<u>\$ 56,950,134</u>	<u>\$ 8,371,800</u>	<u>\$ 8,571,683</u>	<u>\$ 65,638,572</u>	<u>\$ 65,521,817</u>

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-Term Debt. At the end of the current fiscal year, the Town had total debt outstanding of \$16,723,061. The entire amount is backed by the full faith and credit of the Town.

**OUTSTANDING DEBT
General Obligation Bonds and Notes**

	Governmental Activities	
	2013	2012
General obligation bonds - town improvements	\$ 11,725,426	\$ 12,746,200
General obligation bonds - school improvements	4,856,000	5,268,800
Clean Water Fund note	141,635	189,739
Total	\$ 16,723,061	\$ 18,204,739

The Town received an “AAA” credit rating from Standard & Poor’s for its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times its tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$329,738,836 which is significantly in excess of the Town’s outstanding general obligation debt.

In addition to the above recorded amounts, the Town participates with the Town of Easton in providing a regional high school for students residing in each town. Accordingly, the outstanding debt and related interest expense of Regional School District No. 9 (the District) is shared by Easton and Redding based upon the respective number of students attending from each town. Total outstanding debt of the District at June 30, 2013, which matures through 2026, amounted to \$17,415,000. The Town’s share of the debt was \$9,416,291.

Additional information on the Town’s long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year’s Budget and Rates

- The unemployment rate for the Town at fiscal year-end was 5.9%. This compares favorably to the state’s average unemployment rate of 8.1% and the national average rate of 7.6%.
- The uncertainty of federal and state grants could play an adverse role in the Town’s finances based on its dependence on these sources of funding.

All of these factors were considered in preparing the Town’s budget for the 2014 fiscal year.

At the end of the current fiscal year, unassigned fund balance in the general fund is \$6,549,618.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the Town’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Redding, Finance Department, P.O. Box 1028, Redding, Connecticut 06875.

TOWN OF REDDING, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 13,421,985	\$ 95,799	\$ 13,517,784
Receivables, net	2,764,792	2,976	2,767,768
Internal balances	415,000	(415,000)	-
Other	187,481		187,481
Bond issuance costs	82,258		82,258
Total current assets	<u>16,871,516</u>	<u>(316,225)</u>	<u>16,555,291</u>
Noncurrent assets:			
Capital assets:			
Assets not being depreciated	21,228,068	15,342	21,243,410
Assets being depreciated, net	36,038,704	8,356,458	44,395,162
Total capital assets	<u>57,266,772</u>	<u>8,371,800</u>	<u>65,638,572</u>
Total assets	<u>74,138,288</u>	<u>8,055,575</u>	<u>82,193,863</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	2,232,135	134,591	2,366,726
Due to other governments	2,228		2,228
Due to Regional School District No. 9	631,810		631,810
Bond anticipation notes	4,281,000		4,281,000
Unearned revenue	1,000,482		1,000,482
Total current liabilities	<u>8,147,655</u>	<u>134,591</u>	<u>8,282,246</u>
Noncurrent liabilities:			
Noncurrent liabilities due within one year	1,888,584		1,888,584
Due in more than one year	18,378,828		18,378,828
Total noncurrent liabilities	<u>20,267,412</u>	<u>-</u>	<u>20,267,412</u>
Total liabilities	<u>28,415,067</u>	<u>134,591</u>	<u>28,549,658</u>
Net Position:			
Net investments in capital assets	34,773,827	8,371,800	43,145,627
Unrestricted	10,949,394	(450,816)	10,498,578
Total Net Position	<u>\$ 45,723,221</u>	<u>\$ 7,920,984</u>	<u>\$ 53,644,205</u>

The accompanying notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 4,055,095	\$ 604,900	\$ 71,496	\$	\$ (3,378,699)	\$ (3,378,699)	
Public safety	3,842,256	37,774	659		(3,803,823)	(3,803,823)	
Highway and streets	3,225,294	3,992	190,768	1,508,125	(1,522,409)	(1,522,409)	
Transfer station and recycling	633,954	164,580			(469,374)	(469,374)	
Health and welfare	169,588	11,573			(158,015)	(158,015)	
Library	559,548				(559,548)	(559,548)	
Education	36,781,143	183,736	3,233,178	14,249	(33,349,980)	(33,349,980)	
Parks and recreation	1,240,965	538,906			(702,059)	(702,059)	
Interest and fiscal charges	658,446				(658,446)	(658,446)	
Total governmental activities	51,166,288	1,545,461	3,496,101	1,522,374	(44,602,352)	-	(44,602,352)
Business-type activities:							
Georgetown sewer fund	736,410	407,068				(329,342)	(329,342)
Total	\$ 51,902,698	\$ 1,952,529	\$ 3,496,101	\$ 1,522,374	(44,602,352)	(329,342)	(44,931,694)
General revenues:							
Property taxes					45,609,619	45,609,619	
Grants and contributions not restricted to specific programs					414,294	414,294	
Investment income					23,757	118	23,875
Miscellaneous					32,927		32,927
Total general revenues					46,080,597	118	46,080,715
Change in net position					1,478,245	(329,224)	1,149,021
Net Position - As Restated, Beginning of Year					44,244,976	8,250,208	52,495,184
Net Position - End of Year					\$ 45,723,221	\$ 7,920,984	\$ 53,644,205

The accompanying notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General	Road Reconstruction	Reserve Fund for CNRE	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,185,590	\$	\$ 591,608	\$ 462,251	\$ 13,239,449
Receivables:					
Property taxes	2,038,689				2,038,689
Sewer assessments				5,506	5,506
Intergovernmental	6,481		56,901		63,382
Other	81,251				81,251
Due from other funds	704,447	1,851,033	433,099	652,883	3,641,462
Other assets	185,762				185,762
Inventory	1,720				1,720
	<u>\$ 15,203,940</u>	<u>\$ 1,851,033</u>	<u>\$ 1,081,608</u>	<u>\$ 1,120,640</u>	<u>\$ 19,257,221</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,715,338	\$	\$ 60,027	\$ 36,182	\$ 1,811,547
Due to other governments	2,228				2,228
Due to Regional School District No. 9	631,810				631,810
Due to other funds	3,008,620			289,447	3,298,067
Bond anticipation notes payable		3,747,000		534,000	4,281,000
Deferred revenue	2,905,265			44,336	2,949,601
	<u>8,263,261</u>	<u>3,747,000</u>	<u>60,027</u>	<u>903,965</u>	<u>12,974,253</u>
Fund balances:					
Nonspendable	1,720				1,720
Restricted				237,901	237,901
Committed	208,822		1,021,581	357,116	1,587,519
Assigned	180,519				180,519
Unassigned	6,549,618	(1,895,967)		(378,342)	4,275,309
Total fund balances	<u>6,940,679</u>	<u>(1,895,967)</u>	<u>1,021,581</u>	<u>216,675</u>	<u>6,282,968</u>
Total Liabilities and Fund Balances	<u>\$ 15,203,940</u>	<u>\$ 1,851,033</u>	<u>\$ 1,081,608</u>	<u>\$ 1,120,640</u>	<u>\$ 19,257,221</u>

The accompanying notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:
 Amounts reported for governmental activities in the statement of net position (Exhibit I)
 are different from the governmental fund balance sheet. The details of this difference
 are as follows:

Total fund balances (Exhibit III)	\$ 6,282,968
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	69,722,171
Less accumulated depreciation	(12,455,399)
Net capital assets	<u>57,266,772</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Property tax and sewer assessment interest and lien accrual	775,964
Property tax and sewer assessment receivable - accrual basis change	1,749,119
Bond issue costs	82,258
Internal service funds are used by management to charge the cost of medical insurance to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	78,250
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(16,723,061)
Compensated absences	(159,855)
Accrued interest payable	(244,698)
Capital leases	(1,488,884)
Net OPEB obligation	(1,860,612)
Landfill closure and post closure care	<u>(35,000)</u>
Net Position of Governmental Activities (Exhibit I)	<u>\$ 45,723,221</u>

The accompanying notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Road Reconstruction Fund</u>	<u>Reserve Fund for CNRE</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 45,701,489	\$	\$	\$	\$ 45,701,489
Intergovernmental	3,546,997		56,901	1,994,875	5,598,773
Investment income	21,046		1,861	850	23,757
Charges for services	1,259,125			105,983	1,365,108
Other				47,276	47,276
Total revenues	<u>50,528,657</u>	<u>-</u>	<u>58,762</u>	<u>2,148,984</u>	<u>52,736,403</u>
Expenditures:					
Current:					
General government	2,786,146			29,574	2,815,720
Public safety	2,241,116			36,253	2,277,369
Highway and streets	1,342,431			28,161	1,370,592
Transfer station and recycling	309,323				309,323
Health and welfare	107,161			19,627	126,788
Library	423,000				423,000
Parks and recreation	930,014			18,435	948,449
Employee benefits	2,557,585				2,557,585
Education	35,982,664		160,882	295,916	36,439,462
Capital outlay	1,757	1,565,569	562,634	1,465,048	3,595,008
Debt service	2,265,134				2,265,134
Total expenditures	<u>48,946,331</u>	<u>1,565,569</u>	<u>723,516</u>	<u>1,893,014</u>	<u>53,128,430</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,582,326</u>	<u>(1,565,569)</u>	<u>(664,754)</u>	<u>255,970</u>	<u>(392,027)</u>
Other Financing Sources (Uses):					
Payment to bond escrow agent	(2,780,959)				(2,780,959)
Proceeds from sale of refunding bonds	2,680,000				2,680,000
Premium on sale of refunding bonds	167,385				167,385
Proceeds from capital leases			410,948		410,948
Sale of capital assets	23,084				23,084
Transfers in			104,856		104,856
Transfers out	(104,856)				(104,856)
Total other financing sources	<u>(15,346)</u>	<u>-</u>	<u>515,804</u>	<u>-</u>	<u>500,458</u>
Net Change in Fund Balances	1,566,980	(1,565,569)	(148,950)	255,970	108,431
Fund Balances, as Restated - Beginning of Year	<u>5,373,699</u>	<u>(330,398)</u>	<u>1,170,531</u>	<u>(39,295)</u>	<u>6,174,537</u>
Fund Balances - End of Year	<u>\$ 6,940,679</u>	<u>\$ (1,895,967)</u>	<u>\$ 1,021,581</u>	<u>\$ 216,675</u>	<u>\$ 6,282,968</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF REDDING, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV) \$ 108,431

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital outlay	1,344,440
Depreciation expense	<u>(957,818)</u>
Total	<u>386,622</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold (69,984)

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

Increase in property tax and sewer assessment receivable - accrual basis change	(143,637)
Increase in property tax and sewer assessment interest and lien revenue	<u>51,767</u>
Total	<u>(91,870)</u>

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

Principal repayments:	
Proceeds from sale of refunding bonds	(2,680,000)
Payment to bond escrow agent	2,780,959
Premium on bond refunding	(167,385)
Bond issuance costs	66,426
Bond principal repayments	1,500,000
Proceeds from capital leases	(410,948)
Capital lease payments	285,492
Notes payable	<u>48,104</u>
Total	<u>1,422,648</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:

Net OPEB expense	(314,722)
Landfill post closure care	3,500
Compensated absences	(23,471)
Accrued interest payable	(5,862)
Amortization of issuance costs	<u>(1,980)</u>
Total	<u>(342,535)</u>

Internal Service Funds are used by management to charge costs of medical insurance benefits to individual departments. The net expense of the activities of the Internal Service Fund is reported with governmental activities. 64,933

Change in Net Position of Governmental Activities (Exhibit II) \$ 1,478,245

The accompanying notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities Enterprise Fund	Governmental Activities
	Georgetown Sewer	Internal Service Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 95,799	\$ 182,536
Accounts receivable	2,976	
Due from other funds		71,605
Total current assets	<u>98,775</u>	<u>254,141</u>
Noncurrent assets:		
Capital assets, net:		
Land	15,342	
Sewer plant	8,073,699	
Sewer collection system	282,759	
Total capital assets, net	<u>8,371,800</u>	<u>-</u>
Total assets	<u>8,470,575</u>	<u>254,141</u>
Liabilities:		
Current liabilities:		
Accounts payable	134,591	
Due to other funds	415,000	
Claims payable		175,891
Total liabilities	<u>549,591</u>	<u>175,891</u>
Net Position:		
Invested in capital assets	8,371,800	
Unrestricted	<u>(450,816)</u>	<u>78,250</u>
Total Net Position	<u>\$ 7,920,984</u>	<u>\$ 78,250</u>

The accompanying notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Georgetown Sewer	
Operating Revenue:		
Premiums	\$	\$ 3,021,649
Charges for services	407,068	
Total operating revenues	<u>407,068</u>	<u>3,021,649</u>
Operating Expenses:		
Claims incurred		2,688,324
Administration	19,416	268,563
Contracted services	317,279	
Outside services	14,823	
Materials disposal	24,709	
Materials and supplies	67,910	
Utilities	92,390	
Depreciation	199,883	
Total operating expenses	<u>736,410</u>	<u>2,956,887</u>
Operating Income (Loss)	(329,342)	64,762
Nonoperating Revenues:		
Investment income	118	171
Change in Net Position	(329,224)	64,933
Net Position - Beginning of Year	<u>8,250,208</u>	<u>13,317</u>
Net Position - End of Year	\$ <u><u>7,920,984</u></u>	\$ <u><u>78,250</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Fund	Governmental Activities
	Georgetown Sewer	Internal Service Fund
Cash Flows from Operating Activities:		
Receipts from customers and others	\$ 529,092	\$
Payments to suppliers	(528,419)	
Claim payments		(2,512,433)
Premiums received		2,963,361
Administrative payments		(268,563)
Net cash provided by operating activities	<u>673</u>	<u>182,365</u>
Cash Flows from Investing Activities:		
Income from investments	<u>118</u>	<u>171</u>
Net Increase in Cash and Cash Equivalents	791	182,536
Cash and Cash Equivalents - Beginning of Year	<u>95,008</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 95,799</u>	<u>\$ 182,536</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (329,342)	\$ 64,762
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	199,883	
(Increase) decrease:		
Accounts receivable	89,508	
Due from other funds		345,644
Increase (decrease):		
Due to other funds	125,000	
Accounts and claims payable	<u>(84,376)</u>	<u>(228,041)</u>
Net Cash Provided by Operating Activities	<u>\$ 673</u>	<u>\$ 182,365</u>

The accompany notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>105,310</u>
Liability:	
Due to others	\$ <u>105,310</u>

The accompany notes are an integral part of the financial statements

TOWN OF REDDING, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Redding (the Town) is a municipal corporation and operates under the provisions of the General Statutes of the State of Connecticut. The Town is governed by an elected Board of Selectmen and an elected Board of Finance. The Town Meeting acts as the legislative body. The First Selectman is the Chief Executive Officer. The Town provides the following services: education, public safety, public works, public health and social services, and recreation.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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 customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for using 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The Road Reconstruction Fund is used to account for the various road repair activities. The major source of revenue for this fund is from bond proceeds.

The Reserve for CNRE is used to account for various capital purchases. The major source of revenue for this fund is from General Fund appropriations and bond proceeds.

The Town reports the following major proprietary fund:

The Georgetown Sewer Fund accounts for the activities of the Town's sewer operations. The major source of revenue for this fund is from sewer assessment receipts.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for risk financing activities for the medical insurance benefits as allowed by the Governmental Accounting Standards Board (GASB) Statement No. 10 provided to other departments on a cost reimbursement basis.

The Agency Fund accounts for monies held on behalf of students.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's sewer operations and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Georgetown Sewer enterprise fund and of the Town's internal service funds are charges to customers for sales and services. The Georgetown Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned, then unassigned.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

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

In general, State of Connecticut Statutes allow the Town 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 (as defined), 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. For the capital and nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Investments for the Town are reported at fair value. State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments were invested in a 2a-7 like pool, which operates within State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

Receivables and Payables

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

Property Taxes and Other Receivables - In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2% to 50% of outstanding receivable balances at June 30, 2013 and are calculated based upon prior collections. In the fund financial statements, all property taxes receivable at June 30, 2013, which have not been collected within 60 days of June 30, have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Assessments for real and personal property, including motor vehicles, are computed at 70% of market value. Taxes not paid within 30 days of the due date are subject to an interest charge of 1½% per month.

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 government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, 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 assets or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	100
Roads	40
Bridges	25
Sewer plant	30
Sewer lines	40
Vehicles	10-25
Equipment	5-40

Compensated Absences

Town and Board of Education employees are granted vacation based upon length of employment. Unused vacation time accrued prior to voluntary termination shall be paid on a pro rata basis. For the Town, sick leave does not accrue, and cannot be carried forward. For the Board of Education, sick leave may be carried forward, but any unused balance at termination will be forfeited.

Long-Term Obligations

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

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

Fund Equity and Net Position

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Net investments in capital assets - This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for noncapital purpose is excluded.

Restricted Net Position - This category presents the net position restricted by external parties (creditors, grantors, contributors, or laws and regulations).

Unrestricted Net Position - This category presents the net position of the Town which is not restricted.

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

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

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

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

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

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the financial statements of the General Fund, the only fund with a legally adopted annual budget. On or before the first Thursday in May, the Board of Finance submits to a Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally adopted by a vote at the Annual Town Budget Meeting.
- The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve one additional appropriation up to \$20,000 per department per year. Subsequent appropriations and appropriations of more than \$20,000 for any one department per year must be approved by Town Meeting. During the year, there was \$187,619 in additional appropriations from fund balance.

Formal budgetary integration is employed as a management control device during the year.

- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and Town Meeting approval.

- Generally, all unencumbered appropriations lapse at year end, except for those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

Budgetary accounting uses encumbrance accounting. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all budgeted governmental type funds. Encumbrances outstanding at year end are reported in the GAAP financial statements as reservations of fund balances since they do not constitute expenditures or liabilities.

B. Deficit Fund Balance

The following funds had fund balance deficits at June 30, 2013:

Major Fund:	
Road Reconstruction Fund	\$ 1,895,967
Nonmajor Governmental Funds:	
FEMA Grant	7,673
Georgetown STEAP	20,408
Georgetown STEAP Intersection	269,039
School Bonded Projects	81,222

The deficits will be eliminated in future years as additional revenues are recognized and projects are permanently financed.

C. Capital Projects Authorizations

The following is a summary of major Capital Projects at June 30, 2013:

<u>Capital Project Fund</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2013</u>
Road Reconstruction Fund	\$ 5,334,675	\$ 1,565,569	\$ 4,596,499	\$ 738,176
Capital projects - schools	164,000	1,000	160,584	3,416
Georgetown STEAP	1,777,953	14,310	1,444,827	333,126
Georgetown STEAP Intersection	3,057,997	1,386,124	2,616,998	440,999
Police Project	778,637		775,947	2,690
School Bonded Projects	3,744,000	63,614	3,306,471	437,529

3. CASH AND CASH EQUIVALENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are

limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

A. Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the Town’s bank balance of \$8,450,524 was fully insured and collateralized at June 30, 2013.

B. Cash Equivalents

At June 30, 2013, the Town’s cash equivalents amounted to \$4,358,444. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard and Poor’s</u>
State Short-Term Investment Fund (STIF) Cutwater Asset Management - Connecticut Cooperative Liquid Assets Securities System (CLASS) Plus	AAA/m AAA/m

4. RECEIVABLES

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

	<u>General</u>	<u>Reserve Fund for CNRE</u>	<u>Nonmajor and Other Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:					
Taxes	\$ 2,098,689	\$	\$	\$	\$ 2,098,689
Accounts	81,251			2,976	84,227
Sewer assessments			5,506		5,506
Intergovernmental	6,481	56,901			63,382
Gross receivables	<u>2,186,421</u>		<u>5,506</u>	<u>2,976</u>	<u>2,194,903</u>
Less allowance for uncollectibles	<u>60,000</u>				<u>60,000</u>
Net Total Receivables	<u>\$ 2,126,421</u>	<u>\$ 56,901</u>	<u>\$ 5,506</u>	<u>\$ 2,976</u>	<u>\$ 2,191,804</u>

* Accrued interest on property taxes in the amount of \$775,964 is not included in the fund financial statements.

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes collected in advance	\$	\$ 949,777
Delinquent property taxes receivable	1,943,613	
Special assessments not yet due	5,506	
Parks and recreation fees collected in advance		11,875
Grant drawdowns prior to meeting all eligibility requirements		<u>38,830</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 1,949,119</u>	<u>\$ 1,000,482</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 19,203,822	\$	\$	\$	\$ 19,203,822
Construction in progress	5,925,648		3,901,402		2,024,246
Total capital assets not being depreciated	<u>25,129,470</u>	<u>-</u>	<u>3,901,402</u>	<u>-</u>	<u>21,228,068</u>
Capital assets being depreciated:					
Buildings	18,519,330	154,400		340,279	19,014,009
Machinery and equipment	1,612,461	1,276,103	75,000		2,813,564
Vehicles	3,961,460	15,707	211,152	(340,279)	3,425,736
Furniture and fixtures	119,704	52,630			172,334
Infrastructure	19,321,458	3,747,002			23,068,460
Total capital assets being depreciated	<u>43,534,413</u>	<u>5,245,842</u>	<u>286,152</u>	<u>-</u>	<u>48,494,103</u>
Less accumulated depreciation for:					
Buildings	3,468,949	353,031			3,821,980
Machinery and equipment	404,500	88,378	43,168		449,710
Vehicles	937,022	239,214	173,000		1,003,236
Furniture and fixtures	90,535	2,994			93,529
Infrastructure	6,812,743	274,201			7,086,944
Total accumulated depreciation	<u>11,713,749</u>	<u>957,818</u>	<u>216,168</u>	<u>-</u>	<u>12,455,399</u>
Total capital assets being depreciated, net	<u>31,820,664</u>	<u>4,288,024</u>	<u>69,984</u>	<u>-</u>	<u>36,038,704</u>
Governmental Activities Capital Assets, Net	<u>\$ 56,950,134</u>	<u>\$ 4,288,024</u>	<u>\$ 3,971,386</u>	<u>\$ -</u>	<u>\$ 57,266,772</u>

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 15,342	\$	\$	\$ 15,342
Capital assets being depreciated:				
Sewer plant	9,245,519			9,245,519
Sewer collection system	714,541			714,541
Machinery and equipment	6,550			6,550
Total capital assets being depreciated	<u>9,966,610</u>	<u>-</u>	<u>-</u>	<u>9,966,610</u>
Less accumulated depreciation for:				
Sewer plant	989,801	182,019		1,171,820
Sewer collection system	413,918	17,864		431,782
Machinery and equipment	6,550			6,550
Total accumulated depreciation	<u>1,410,269</u>	<u>199,883</u>	<u>-</u>	<u>1,610,152</u>
Total capital assets being depreciated, net	<u>8,556,341</u>	<u>(199,883)</u>	<u>-</u>	<u>8,356,458</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,571,683</u>	<u>\$ (199,883)</u>	<u>\$ -</u>	<u>\$ 8,371,800</u>

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

Governmental Activities:		
General government	\$	161,909
Public safety		104,489
Highway and streets		431,572
Transfer station and recycling		12,293
Health and social services		3,595
Parks and recreation		5,750
Education		<u>238,210</u>
Total Depreciation Expense - Governmental Activities	\$	<u>957,818</u>
Business-Type Activities:		
Sewer	\$	<u>199,883</u>

6. INTERFUND ACCOUNTS

At June 30, 2013, the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 289,447
General Fund	Georgetown Sewer	415,000
Road Reconstruction	General Fund	1,851,033
Reserve for CNR Fund	General Fund	433,099
Internal Service Fund	General Fund	71,605
Nonmajor Governmental Fund	General Fund	<u>652,883</u>
Total		\$ <u>3,713,067</u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

Transfer out: General Fund	\$104,856
Transfer in: Reserve for CNR Fund	\$104,856

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

7. BOND ANTICIPATION NOTES

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project. On March 25, 2013, the Town issued \$4,281,000 in bond anticipation notes for school projects and bridge and road improvements. The notes mature on December 19, 2013 and carry an interest rate of 1.0%. Short-term obligation activity for the year ended June 30, 2013 is as follows:

<u>Description</u>	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2013</u>
Bond Anticipation Notes	\$ 1,750,000	\$ 4,281,000	\$ 1,750,000	\$ 4,281,000

8. LONG-TERM DEBT

A. Changes in Long-Term Obligations

Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

All long-term liabilities are generally liquidated by the General Fund.

<u>Description</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Outstanding June 30, 2013</u>	<u>Current Portion</u>
Bond Notes:									
General purpose:									
Improvement bond	8,345,000	10/15/99	10/15/19	4.75-6.5	\$ 3,336,000		\$ 417,000	\$ 2,919,000	\$ 415,000
Improvement bond	5,000,000	08/01/05	08/01/20	3.25-5.25	3,015,000		3,015,000	-	
Improvement bond	6,729,950	07/15/10	07/15/31	2.0-4.0	6,395,200		335,200	6,060,000	334,750
Refunding bond	2,680,000	09/12/12	08/01/20	2.0-3.0		2,680,000		2,680,000	235,000
Premium on refunding						167,385		167,385	
Deferred amount on refunding						(100,959)		(100,959)	
Total general purpose					<u>12,746,200</u>	<u>2,746,426</u>	<u>3,767,200</u>	<u>11,725,426</u>	<u>984,750</u>
Schools:									
Improvement bond	4,755,000	10/15/99	10/15/19	4.75-6.5	1,864,000		233,000	1,631,000	235,000
Improvement bond	3,585,050	07/15/10	07/15/31	2.0-4.0	3,404,800		179,800	3,225,000	180,250
Total schools					<u>5,268,800</u>	<u>-</u>	<u>412,800</u>	<u>4,856,000</u>	<u>415,250</u>
Sewer:									
Clean water note	246,648	06/01/11	04/01/16	2	189,739		48,104	141,635	50,067
Total bond/notes					18,204,739	2,746,426	4,228,104	16,723,061	1,450,067
Compensated absences					136,384	23,471		159,855	52,366
Capital leases					1,363,428	410,948	285,492	1,488,884	382,651
Net OPEB obligation					1,545,890	314,722		1,860,612	
Landfill closure and post-closure care					38,500		3,500	35,000	3,500
Total General Long-Term Obligations					<u>\$ 21,288,941</u>	<u>\$ 3,495,567</u>	<u>\$ 4,517,096</u>	<u>\$ 20,267,412</u>	<u>\$ 1,888,584</u>

The following is a summary of amounts to be provided for the retirement of bond and note maturities:

Year Ending June 30,	Principal		Interest	
	Bonds	Clean Water Loan	Bonds	Clean Water Loan
2014	\$ 1,400,000	\$ 49,076	\$ 566,319	\$ 2,384
2015	1,525,000	50,066	512,800	1,394
2016	1,525,000	42,493	455,907	390
2017	1,520,000		394,307	
2018	1,515,000		334,282	
2019-2023	4,895,000		991,208	
2024-2028	2,575,000		498,406	
2029-2032	<u>1,560,000</u>		<u>86,125</u>	
Total	\$ <u>16,515,000</u>	\$ <u>141,635</u>	\$ <u>3,839,354</u>	\$ <u>4,168</u>

In addition to the above recorded amounts, the Town participates with the Town of Easton in providing a regional high school for students residing in each town. Accordingly, the outstanding debt and related interest expense of Regional School District No. 9 (the District) is shared by Easton and Redding based upon the respective number of students attending from each town. Total outstanding debt of the District at June 30, 2013, which matures through 2026, amounted to \$17,415,000. The Town's share of the debt was \$9,416,291.

Defeasance of Debt

On September 12, 2012, the Town issued \$2,680,000 in General Obligation Refunding Bonds carrying interest rates of 2.0 - 3.0% to advance refund \$2,680,000 of outstanding 2005 bonds with interest rates of 3.25-5.25%. This advance refunding was undertaken to reduce total debt service payments by \$182,550 and resulted in a net present value savings of \$181,013. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2013, \$2,680,000 of the defeased debt is outstanding.

B. Capital Leases

The Town has entered into leases for the purchase of a phone system, trucks, police vehicles and school buses.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the leases and the present value of the future minimum lease payments reflected at June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 382,651
2015	386,431
2016	331,695
2017	492,776
	<u>1,593,553</u>
Less amount representing interest	<u>(104,669)</u>
Present Value of Future Minimum Lease Payment	<u>\$ 1,488,884</u>

C. Legal Debt Limit

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 105,987,483	\$ 12,892,696	\$ 93,094,787
Schools	211,974,966	14,276,877	197,698,090
Sewers	176,645,805		176,645,805
Urban renewal	153,093,031		153,093,031
Pension deficit	141,316,644		141,316,644

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$329,738,836.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

D. Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require landfill closures to meet certain standards. The Town landfill has been closed. Estimated monitoring costs for the next 10 years at \$3,500 per year are \$35,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. This estimated liability is recorded in the governmental activities statement of net position, since the liability will be funded from future financial resources, not from expendable available financial resources.

E. Authorized/Unissued Bonds

At June 30, 2013, the amount of authorized/unissued bonds is \$7,801. This amount was authorized on May 24, 2010 as part of a \$10,315,000 general obligation bond, which was issued on July 15, 2010.

9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2013 are as follows:

	<u>General Fund</u>	<u>Road Reconstruction Fund</u>	<u>Reserve for CNR Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$ 1,720	\$	\$	\$	\$ 1,720
Restricted for:					
Grants				237,901	237,901
Committed to:					
General government	208,822			52,208	261,030
Public safety				12,426	12,426
Highway and streets				86,113	86,113
Education					-
Parks and recreation				6,057	6,057
Capital projects			1,021,581	200,312	1,221,893
Assigned to:					
General government	110,257				110,257
Public safety	11,095				11,095
Highway and streets	5,050				5,050
Transfer Station	42,867				
Parks and recreation	5,970				
Capital projects	5,280				5,280
Unassigned	<u>6,549,618</u>	<u>(1,895,967)</u>		<u>(378,342)</u>	<u>4,275,309</u>
Total Fund Balances	<u>\$ 6,940,679</u>	<u>\$ (1,895,967)</u>	<u>\$ 1,021,581</u>	<u>\$ 216,675</u>	<u>\$ 6,282,968</u>

Encumbrances at June 30, 2013 are contained in the above table in the assigned category of the General Fund.

10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to public officials and police liability, Board of Education liability, torts, thefts of, damage to or destruction of assets, errors or omissions, injuries to employees or natural disasters. Except for medical insurance, the Town purchases commercial insurance for all risks of loss. The Town established an internal service fund, the medical insurance fund, to account for and finance the retained risk of loss for the Board of Education's medical benefits claims.

The Redding Board of Education, along with the Easton Board of Education and the District, participates in a medical self-insurance plan that accounts for health benefits provided to participants and their families. Recommended monthly deposits are calculated by the plan administrator and claims processor. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The medical claims fund is substantially funded by the Town’s General Fund based upon 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 liability is based on the requirements of GASB Statements No. 10 and 30, which require 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 is based on the ultimate costs of settling the claim, which includes past experience data, inflation and other future economic and societal factors, and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

An analysis of the activity in the claims liability for the medical insurance fund is as follows:

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2011-2012	\$ 229,144	\$ 3,461,411	\$ 3,432,965	\$ 257,590
2012-2013	257,590	2,516,563	2,950,044	175,891

11. EMPLOYEE RETIREMENT FUND AND PENSION PLANS

Municipal Employees’ Retirement Fund

A. Plan Description

All permanent Town employees who work at least 20 hours a week, excluding teachers, participate in the Municipal Employees’ Retirement Fund (MERF). MERF is a cost-sharing, multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities.

Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

B. Funding Policy

Covered employees are required by State Statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The contribution requirements of the Town are established and may be amended by the State Retirement Commission.

The required and actual contribution for the years ended June 30, 2011, 2012 and 2013 were \$435,899, \$501,151 and \$505,605, respectively.

C. Teachers' Retirement

All teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Town withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$10,379,638 or 78% of the total Board of Education payroll of \$13,239,013.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The Town has recorded in the General Fund, intergovernmental revenue and education expenditures in the amount of \$2,206,516 as payments made by the State on-behalf of the Town's teachers. The Town does not have any liability for teacher pensions.

12. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

In addition to the pension benefits described in Note 11, certain employees retiring under the Town of Redding's Retiree Medical Program are provided post-employment benefits. The level of these benefits provided is as follows:

Police

Eligibility for Medical and Dental Coverage	Retirement on or after age 50 with 18 years of service.
Retiree/Spouse Cost of Medical and Dental Coverage	Town pays a share of cost until the retiree is eligible for Medicare. For retirees who retire after age 50 with 18 years of service, the retiree pays 50% of the cost for the retiree and spouse. For retirees who retire after the age 55 with 20 years of service, the retiree pays the same rate as active employees at the time of retirement (this amount is 11% of the premium beginning July 1, 2009 and 13% beginning July 1, 2010). For ages 65 and above, the retiree pays 100% of the cost.
Plan of Coverage	Anthem - fully insured medical and self-funded dental plans.

Highway

Eligibility for Medical and Dental Coverage	Retirement on or after age 62 with 18 years of service.
Retiree/Spouse Cost of Medical and Dental Coverage	Retiree pays 40% of the cost of insurance for the retiree only until age 65. For ages 65 and above, the retiree pays 100% of the cost.
Plan of Coverage	Anthem - fully insured medical and self funded dental plans.

Board of Education

The Board of Education provides certain post-retirement benefits to retirees through negotiated contracts. Eligibility for benefits is as follows:

Teachers

Eligibility for Medical, Dental and Life Coverage	Retirement under State of Connecticut Teachers Retirement Plan (age 50 with 30 years, age 55 with 25 years of 60 with 10 years).
Retiree/Spouse Cost of Medical Coverage	100% of the contribution, depending on the plan selected, up to age 65.
Plan of Coverage	Self-insured medical and dental plans.

BOE Support Staff and Custodians

Eligibility for Medical and Dental Coverage	Retirement with 15 years of service.
Retiree/Spouse Cost of Medical and Dental Coverage	Retiree pays full cost of insurance, spouse can continue coverage after retiree’s death.
Plan of Coverage	Self-insured medical and dental plans.

B. Membership

Membership in the plan consisted of the following at July 1, 2012:

	<u>Retiree Medical Program</u>
Number of retirees and eligible surviving spouses	11
Number of active participants	<u>241</u>
Total	<u><u>252</u></u>

C. Description of Actuarial Assumptions and Methods

The following is a summary of certain significant actuarial assumptions and other PERS information:

	<u>Retiree Medical Program</u>
Actuarial valuation date	July 1, 2012
Actuarial cost method	Project Unit Credit Cost
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%/annum
Medical inflation	9.0%, decreasing .5% per year

D. Annual OPEB Cost and Net OPEB Obligations

The Town's OPEB cost and net OPEB obligation for the current year were as follows:

	Retiree Medical Program
Annual required contribution	\$ 357,269
Interest on net OPEB obligation	69,565
Adjustment to annual required contribution	<u>(90,828)</u>
Annual OPEB cost	336,006
Contribution made	<u>21,284</u>
Increase in net OPEB obligation	314,722
Net OPEB obligation, July 1, 2012	<u>1,545,890</u>
Net OPEB Obligation, June 30, 2013	<u><u>\$ 1,860,612</u></u>

Schedule of Employer Contributions				
		Annual Required Contribution (ARC)	Actual Contribution	Percentage Contributed
6/30/11	\$	343,454	\$ (10,897)	(3)%
6/30/12		350,209	(5,729)	(2)
6/30/13		357,269	21,284	6

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year June 30, 2013 is presented below.

		Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/11	\$	331,569	\$ (10,897)	(3.0)%	\$ 1,206,547
6/30/12		333,614	(5,729)	(2.0)	1,545,890
6/30/13		336,006	21,284	6.0	1,860,612

Schedule of Funding Progress

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Underfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll ((b-a)/c)</u>
7/1/2008	\$ -	\$ 4,309,183	\$ 4,309,183	0%	\$ 13,985,304	30.8%
7/1/2010	-	3,218,377	3,218,377	0	16,198,598	19.8
7/1/2012	-	1,998,171	1,998,171	0	17,089,078	11.7

13. CONTINGENT LIABILITIES

There are various lawsuits and claims pending against the Town, the ultimate effect of which, if any, cannot presently be determined; however, the ultimate resolution of these matters is not expected to have a material adverse effect on the financial condition of the Town.

State and federal grants received by the Town are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although the Town's management believes such disallowance, if any, will be immaterial.

14. PRIOR YEAR RESTATEMENT

The Town's fund balance was restated to properly report advance tax collections from prior years. The restatement was the result of correcting an error in recognizing advanced tax collections in accordance with governmental accounting rules. Such rules require the Town to record cash received in advance for property taxes due in the following fiscal year. Previously an error was made in the amount of taxes to be recognized in advance and the fund balance was restated as follows:

As previously reported:

Fund Balance, June 30, 2012 \$6,514,368

As restated:

Fund Balance, June 30, 2012 \$5,373,699

TOWN OF REDDING, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Property Taxes:				
Property taxes, current and prior	\$ 44,308,686	\$ 44,308,686	\$ 45,171,346	\$ 862,660
Interest and lien fees	147,454	147,454	530,143	382,689
Total property taxes	<u>44,456,140</u>	<u>44,456,140</u>	<u>45,701,489</u>	<u>1,245,349</u>
Intergovernmental:				
Educational assistance grants:				
ECS grant	515,800	515,800	501,480	(14,320)
Adult education	459	459	441	(18)
Regional School District No. 9	171,933	171,933	183,295	11,362
Total educational assistance	<u>688,192</u>	<u>688,192</u>	<u>685,216</u>	<u>(2,976)</u>
Town assistance grants:				
In lieu of taxes - State property	183,933	183,933	182,825	(1,108)
In lieu of taxes - business inventory			59,471	59,471
Tax relief circuit breaker	21,650	21,650	21,740	90
Disability exemption			247	247
Veterans' exemption			1,039	1,039
Municipal video competition	12,819	12,819	36,646	23,827
Telephone access line grant	12,605	12,605	26,728	14,123
Mashantucket Pequot Grant	9,678	9,678	9,728	50
Unclassified Revenue			84,320	84,320
Total Town assistance grants	<u>240,685</u>	<u>240,685</u>	<u>422,744</u>	<u>182,059</u>
Total intergovernmental	<u>928,877</u>	<u>928,877</u>	<u>1,107,960</u>	<u>179,083</u>
Investment Income	<u>27,000</u>	<u>27,000</u>	<u>21,046</u>	<u>(5,954)</u>

(Continued on next page)

TOWN OF REDDING, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Charges for Services:				
Town clerk	\$ 227,500	\$ 227,500	\$ 306,953	\$ 79,453
Assessor	1,200	1,200	1,091	(109)
Conservation	5,000	5,000	10,630	5,630
Heritage Center	12,000	12,000	8,011	(3,989)
Planning Commission	1,200	1,200	14,992	13,792
Zoning Commission	24,500	24,500	30,537	6,037
Zoning Board of Appeals	700	700	1,500	800
Building inspection	150,000	150,000	151,850	1,850
Transfer station	175,000	175,000	163,207	(11,793)
Sanitarian	8,000	8,000	11,225	3,225
Parks and recreation	699,975	699,975	532,590	(167,385)
Fiber optics	17,193	17,193	13,865	(3,328)
Rental of Town property	7,605	7,605	7,606	1
Miscellaneous			6,159	6,159
Total charges for services	<u>1,329,873</u>	<u>1,329,873</u>	<u>1,259,125</u>	<u>(69,657)</u>
Sale of capital assets			<u>23,084</u>	<u>23,084</u>
Total Revenues	<u>\$ 46,741,890</u>	<u>\$ 46,741,890</u>	48,112,704	<u>\$ 1,370,814</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			2,206,516	
Special education excess cost grant is recorded gross for GAAP			232,521	
Proceeds from sale of refunding bonds			2,680,000	
Premium on refunding of bonds			<u>167,385</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 53,399,126</u>	

TOWN OF REDDING, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Transfers and Additional Appropriations</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
General Government:					
Town meetings	\$ 1,500	\$	\$ 1,500	\$ 986	\$ 514
Board of selectmen	156,699	3,787	160,486	160,921	(435)
Probate court	3,400		3,400	1,914	1,486
Registrar's office	38,215	390	38,605	42,918	(4,313)
Controller's office	229,390	14,793	244,183	240,021	4,162
Independent audit	42,187		42,187	43,100	(913)
Assessor's office	151,678	2,709	154,387	141,103	13,284
Assessor's other	88,000		88,000	61,919	26,081
Board of assessment appeals	800		800	769	31
Tax collector	145,675	3,491	149,166	145,665	3,501
Town treasurer	22,826	312	23,138	21,075	2,063
Computer capability	45,000		45,000	40,540	4,460
Management services	28,453		28,453	26,518	1,935
Special legal	200,000		200,000	163,642	36,358
Town clerk	131,351	3,419	134,770	136,336	(1,566)
Annual town report	6,000		6,000	6,000	-
Board of ethics	425		425		425
Conservation	43,181	658	43,839	38,214	5,625
Heritage Center	156,188	3,399	159,587	147,957	11,630
Heritage center senior bus	36,771	791	37,562	26,138	11,424
Town planning commission	30,830		30,830	39,784	(8,954)
HVCEO	11,092		11,092	11,092	-
Zoning commission	74,179	1,748	75,927	66,355	9,572
Zoning board of appeals	1,700		1,700	1,656	44
Council of small towns	825		825	825	-
Land use services	96,915	2,484	99,399	113,906	(14,507)
Office of tree warden	500		500	230	270
Town office building	58,236	446	58,682	56,843	1,839
Old town house	5,500		5,500	3,843	1,657
Town office building annex	3,000		3,000	2,823	177
Community center	198,140	2,960	201,100	189,173	11,927
Police headquarters/communication center	27,000		27,000	35,280	(8,280)
Administrative services	741,000		741,000	732,715	8,285
Memorial Day observance	350		350	100	250
Cemeteries	8,000		8,000	8,160	(160)
Insurance	127,500		127,500	124,647	2,853
Miscellaneous				1,757	(1,757)
Agencies serving residents	5,000		5,000	1,478	3,522
Provision for contingencies	125,000	(111,000)	14,000		14,000
Total general government	<u>3,042,506</u>	<u>(69,613)</u>	<u>2,972,893</u>	<u>2,836,403</u>	<u>136,490</u>

(Continued on next page)

TOWN OF REDDING, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Transfers and Additional Appropriations</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Public Safety:					
Police Department - salaries and related expenses	\$ 1,275,988	\$ 166,203	\$ 1,442,191	\$ 1,412,893	\$ 29,298
Police Department - contractual services and expenses	127,850	3,667	131,517	163,044	(31,527)
Police Department - maintenance of vehicles	23,000		23,000	25,623	(2,623)
Volunteer fire companies	107,000		107,000	86,227	20,773
Building inspections	184,603	4,202	188,805	187,900	905
Communications Center	313,685	2,955	316,640	309,944	6,696
Dog licenses	58,452		58,452	52,895	5,557
Total public safety	<u>2,090,578</u>	<u>177,027</u>	<u>2,267,605</u>	<u>2,238,526</u>	<u>29,079</u>
Highway and Streets:					
Wages - regular, overtime and seasonal	833,300	22,936	856,236	760,098	96,138
General maintenance and repair	273,900		273,900	240,123	33,777
Snow removal and ice control	174,000		174,000	220,170	(46,170)
Equipment maintenance and repair	92,500		92,500	91,167	1,333
Town garage buildings	12,000		12,000	35,923	(23,923)
Total highway and streets	<u>1,385,700</u>	<u>22,936</u>	<u>1,408,636</u>	<u>1,347,481</u>	<u>61,155</u>
Transfer Station and Recycling:					
Salaries	169,289	3,469	172,758	184,791	(12,033)
General maintenance	142,950		142,950	158,807	(15,857)
Equipment maintenance	7,000		7,000	8,592	(1,592)
Total transfer station and recycling	<u>319,239</u>	<u>3,469</u>	<u>322,708</u>	<u>352,190</u>	<u>(29,482)</u>
Health and Social Services:					
Sanitarian inspection	88,344	1,223	89,567	85,158	4,409
Social services	21,000		21,000	22,003	(1,003)
Total health and social services	<u>109,344</u>	<u>1,223</u>	<u>110,567</u>	<u>107,161</u>	<u>3,406</u>
Mark Twain Library:					
Operations	423,000	-	423,000	423,000	-
Parks and Recreation:					
Field maintenance	96,480		96,480	69,536	26,944
Administration	196,905	3,664	200,569	210,373	(9,804)
Summer camp	221,156		221,156	202,090	19,066
Recreation programs	179,700		179,700	174,384	5,316
Topstone park	103,703		103,703	95,543	8,160
Tennis courts	10,385		10,385	8,561	1,824
Extended day service	158,016	1,969	159,985	175,497	(15,512)
Total parks and recreation	<u>966,345</u>	<u>5,633</u>	<u>971,978</u>	<u>935,984</u>	<u>35,994</u>

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TOWN OF REDDING, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Transfers and Additional Appropriations</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Employee Benefits	\$ 2,524,900	\$ 47,844	\$ 2,572,744	\$ 2,557,585	\$ 15,159
Capital Outlay:					
Selectmen's general maintenance	7,000		7,000	7,037	(37)
Debt Service:					
Debt retirement	1,548,105		1,548,105	1,548,105	-
Interest payments	676,692	(900)	675,792	650,603	25,189
Total debt service	<u>2,224,797</u>	<u>(900)</u>	<u>2,223,897</u>	<u>2,198,708</u>	<u>25,189</u>
Total town expenditures	<u>13,093,409</u>	<u>187,619</u>	<u>13,281,028</u>	<u>13,004,075</u>	<u>276,953</u>
Education:					
Redding Board of Education:					
General instruction	10,972,019	107,894	11,079,913	11,059,977	19,936
Kindergarten	14,000	(2,000)	12,000	11,686	314
Humanities	78,113	(5,744)	72,369	52,879	19,490
Integrated language arts	52,410	(3,289)	49,121	38,999	10,122
Curriculum	11,403	167	11,570	24,741	(13,171)
Industrial technology	10,511		10,511	10,506	5
Science/math technology	39,085	(4,302)	34,783	30,658	4,125
Physical education/health	14,492		14,492	15,010	(518)
Student activity co-curricular	87,485	(4,090)	83,395	69,759	13,636
Special services	31,210	5,483	36,693	40,628	(3,935)
Special education	4,387,911	(12,837)	4,375,074	4,334,515	40,559
Guidance	3,060		3,060	2,117	943
Health services	215,740	(5,383)	210,357	191,949	18,408
Psychological services	17,950	(1,000)	16,950	12,640	4,310
Speech services	10,400		10,400	1,923	8,477
Educational media services	55,567	(7,025)	48,542	37,038	11,504
Technology plan	427,769	(6,000)	421,769	453,611	(31,842)
Board of Education	115,900	(8,338)	107,562	106,631	931
Central administration	537,370		537,370	537,370	-
Magnet school	77,604		77,604	60,374	17,230
School administration	1,275,016	(20,137)	1,254,879	1,246,761	8,118
Operation/maintenance physical plant	2,201,239	(33,398)	2,167,841	2,238,728	(70,887)
Student transportation	995,297		995,297	1,054,430	(59,133)
Food service	4,000		4,000	2,621	1,379
Total Redding Board of Education	<u>21,635,551</u>	<u>-</u>	<u>21,635,551</u>	<u>21,635,551</u>	<u>-</u>
Regional School District No. 9	<u>11,908,076</u>	<u>-</u>	<u>11,908,076</u>	<u>11,908,076</u>	<u>-</u>
Total Education	<u>33,543,627</u>	<u>-</u>	<u>33,543,627</u>	<u>33,543,627</u>	<u>-</u>
Total Expenditures	<u>46,637,036</u>	<u>187,619</u>	<u>46,824,655</u>	<u>46,547,702</u>	<u>276,953</u>

(Continued on next page)

TOWN OF REDDING, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Transfers and Additional Appropriations</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Other Financing Uses:					
Transfers out:					
Reserve Fund for CNRE	\$ 104,856	\$ _____	\$ 104,856	\$ 104,856	\$ _____
Total Expenditures and Other Financing Uses	<u>\$ 46,741,892</u>	<u>\$ 187,619</u>	<u>\$ 46,929,511</u>	46,652,558	<u>276,953</u>
Budgetary expenditures are different than GAAP expenditures because:					
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted				2,206,516	
Special education excess cost grant is recorded gross for GAAP				232,521	
Payment to bond escrow agent				2,780,959	
Bond issuance costs				66,426	
Prior year encumbrances are reported in current year for financial reporting purposes				73,685	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes.				<u>(180,519)</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV				<u>\$ 51,832,146</u>	