

TOWN OF SOUTH WINDSOR, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2014

TOWN OF SOUTH WINDSOR, CONNECTICUT

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Independent Auditors' Report

To the Town Council
Town of South Windsor, 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 South Windsor, Connecticut, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of South Windsor, 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 South Windsor, Connecticut, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 48 through 53 and the schedules of changes in net pension liability and related ratios, employer contributions and investment returns - Pension Trust Funds on pages 54 through 58 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 South Windsor, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of South Windsor, Connecticut, as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 11, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2013 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2014 on our consideration of the Town of South Windsor, 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 South Windsor, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 20, 2014

**TOWN OF SOUTH WINDSOR, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This discussion and analysis of the Town of South Windsor, Connecticut's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Total net position of our governmental activities at the end of the fiscal year was \$135,438,251, an increase of \$2,179,422 or 1.6% over the previous fiscal year. Of the Town's total net position at June 30, 2014, \$15,658,845 is unrestricted and may be used to meet the operating needs of the Town.
- On a government wide basis, revenues totaled \$125,742,312 while expenses equaled \$123,562,890.
- Total cost of all of the Town's government programs was \$2,179,422 less than the generated revenues. No new programs were added this year.
- The Town bonded \$6,320,000 to permanently fund a \$1,100,000 project to make necessary improvements to the high school; \$1,750,000 for the Dry Pit Pump Station project; \$1,370,000 for various school projects, and \$2,100,000 for road and drainage improvement. In addition, the Town issued \$6,320,000 in Bond Anticipation Notes to provide temporary financing for school projects and road and drainage improvements.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

- *Governmental Activities* - The Town's basic services are reported here, including education, public safety, public works, sanitation, culture and recreation, debt service and general administration. Property taxes, charges for services and state and federal grants finance these activities.

Fund Financial Statements

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

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

Government-Wide Financial Analysis

The Town's government-wide activities net position changed from a year ago, increasing from \$133,258,829 to \$135,438,251. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

TABLE 1
NET POSITION

	Governmental Activities	
	2014	2013
Current assets	\$ 33,042,144	\$ 31,824,454
Capital assets, net of accumulated depreciation	188,268,074	187,377,289
Total assets	<u>221,310,218</u>	<u>219,201,743</u>
Deferred outflows of resources	<u>1,286,248</u>	<u>1,111,569</u>
Long-term liabilities outstanding	12,628,417	12,091,075
Other liabilities	74,507,240	72,250,170
Total liabilities	<u>87,135,657</u>	<u>84,341,245</u>
Deferred inflows of resources	<u>22,558</u>	<u>2,713,238</u>
Net Position:		
Net investment in capital assets	119,779,406	117,808,001
Unrestricted	<u>15,658,845</u>	<u>15,450,828</u>
Total Net Position	<u>\$ 135,438,251</u>	<u>\$ 133,258,829</u>

TABLE 2
CHANGE IN NET POSITION

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 9,729,905	\$ 10,494,292
Operating grants and contributions	25,625,034	23,496,710
Capital grants and contributions	930,143	1,943,166
General revenues:		
Property taxes	87,371,201	81,643,855
Grants and contributions not restricted to specific purposes	1,929,166	1,515,179
Unrestricted investment earnings	156,863	130,745
Other general revenues		
Total revenues	<u>125,742,312</u>	<u>119,223,947</u>
Expenses:		
General government	4,744,705	4,834,624
Public safety	10,466,567	9,701,599
Public works	17,311,069	20,810,758
Human services	1,496,189	1,448,173
Culture and recreation	5,170,258	5,127,771
Education	82,765,300	79,644,193
Debt service	1,608,802	148,247
Total expenses	<u>123,562,890</u>	<u>121,715,365</u>
Increase (Decrease) in Net Position	<u>\$ 2,179,422</u>	<u>\$ (2,491,418)</u>

As noted above, total revenues were \$125,742,312 and the total cost of all programs and services was \$123,562,890. Our analysis below considers the operations of the fiscal year's governmental activities.

Governmental Activities

The Town's net position increased \$2,179,422 during the current fiscal year. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased by \$208,017 at June 30, 2014. Key elements of this decrease are as follows:

- An increase in Property Taxes resulting from a 5.8% increase in budgeted current tax revenue over the 2013 Fiscal Year, the mill rate of 29.43 increased to 34.90 (18.59%), and the sale of the Town's tax liens at 100% of the outstanding taxes and accrued interest.
- A decrease in Public Works operating costs to maintain buildings, vehicles and equipment, and capital expenditures for roads, bridges, and the sewer treatment plant.

Table 3 presents the cost of each of the Town's programs - general government, public safety, public works, human services, culture and recreation, education and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General government	\$ 4,744,705	\$ 4,834,624	\$ (3,130,112)	\$ (2,904,253)
Public safety	10,466,567	9,701,599	(10,290,314)	(9,462,133)
Public works	17,311,069	20,810,758	(11,862,093)	(14,148,580)
Human services	1,496,189	1,448,173	(1,299,584)	(1,279,924)
Culture and recreation	5,170,258	5,127,771	(3,498,898)	(3,319,594)
Education	82,765,300	79,644,193	(55,588,005)	(54,518,466)
Debt service	<u>1,608,802</u>	<u>148,247</u>	<u>(1,608,802)</u>	<u>(148,247)</u>
Total	\$ <u>123,562,890</u>	\$ <u>121,715,365</u>	\$ <u>(87,277,808)</u>	\$ <u>(85,781,197)</u>

Town Funds Financial Analysis

Governmental Funds

The Town's governmental funds (as presented in the balance sheet - Exhibit III) reported combined ending fund balances of \$11,554,136, inclusive of an unassigned fund balance of \$6,480,827.

The General Fund is the operating fund of the Town. Fund balance of the Town's General Fund increased by \$352,779 during the current fiscal year. At June 30, 2014, unassigned fund balance of the General Fund was \$5,238,041 while total fund balance was \$7,029,505.

The Town's collection rate in fiscal year 2014 was 98.6%, which is consistent with the collection rate over the past five fiscal years.

General Fund Budgetary Highlights

The approved Town budget (including education) for fiscal year 2013/2014 was \$102,934,462. Education expenses continued to be the largest component at 66.2%, followed by public safety at 7.5%, and public works at 6.6%.

The most significant variances between the final budget and actual expenditures were as follows:

- A positive variance of \$412,916 in the Municipal Revenue Sharing grants because receipts from the State exceeded the Town's budget.
- Positive variances of \$214,348 in the Public Works budgets due to a spending freeze instituted on December 9, 2013.
- A positive variance of \$350,827 in the Education budget due to cost containment efforts and the prefunding of pension and health insurance costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At June 30, 2014, the Town had \$188,268,074 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase (including additions and deductions) of \$890,785 over last year.

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

- The Construction in Progress of the school, road, and drainage projects funded during the year by bonds and bond anticipation notes.
- Depreciation expense in the amount of \$5,647,074.

TABLE 4
CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 17,266,366	\$ 17,266,366
Buildings	67,067,597	68,748,773
Improvements other than buildings	13,848,135	13,190,266
Furniture and equipment	5,984,367	5,904,496
Infrastructure	75,079,653	76,875,453
Construction in progress	9,021,956	5,391,935
Total	<u>\$ 188,268,074</u>	<u>\$ 187,377,289</u>

Long-Term Debt

At June 30, 2014, the Town had \$60,102,027 in bonds and notes outstanding versus \$57,920,648 last year as shown in Table 5. The modest increase is due to the amount bonded, in the fiscal year, exceeding the amount paid to retire debt service.

TABLE 5
OUTSTANDING DEBT

	Governmental Activities	
	2014	2013
General Obligation Bonds and Notes	<u>\$ 60,102,027</u>	<u>\$ 57,920,648</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2014/2015 adopted budget for the General Fund is \$106,267,103, an increase of \$3,332,641 (3.24%). The Town's elected and appointed officials considered many factors when adopting the budget, including the following:

- **Economic Conditions** - The Town Council recognized that the economy was slowly rebounding and felt it was a good time to add back infrastructure expenditures previously cut in prior years, while still maintaining a reasonable increase in taxes. South Windsor is a business friendly municipality which works hard to attract new development projects.
- **Unemployment Rate** - The unemployment rate was projected to slightly improve during the 2014/2015 fiscal year. The State's rate was 6.4% at October 31, 2014, which was higher than the U.S. unemployment rate of 5.8%.
- **Town Assessments** - The grand list of real and personal property has grown by 3.12% over the past three years. This increase has a positive impact on the amount to be raised by taxes, in order to maintain the same level of service for Town residents.
- **Capital Projects** - The biggest impact to the budget was the \$832,000 increase in the capital improvement budget. This budget increased from \$167,980 in the 2013/2014 adopted budget to \$1,000,000. The goal was to re-establish a reasonable baseline following several years of steady reductions.

Contacting the Town's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matthew B. Galligan, Town Manager, Town of South Windsor, 1540 Sullivan Avenue, South Windsor, Connecticut 06074.

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 23,069,796
Investments	76,324
Receivables, net	9,788,132
Inventory	42,155
Prepaid items	18,922
Other assets	26,215
Due from fiduciary funds	20,600
Capital assets not being depreciated	26,288,322
Capital assets being depreciated, net of accumulated depreciation	161,979,752
Total assets	<u>221,310,218</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	<u>1,286,248</u>
Liabilities:	
Accounts payable and accrued liabilities	5,089,752
Unearned revenue	1,218,665
Notes payable	6,320,000
Noncurrent liabilities:	
Due within one year	6,577,187
Due in more than one year	67,930,053
Total liabilities	<u>87,135,657</u>
Deferred Inflows of Resources:	
Advance property tax collections	<u>22,558</u>
Net Position:	
Net investment in capital assets	119,779,406
Unrestricted	<u>15,658,845</u>
Total Net Position	<u>\$ 135,438,251</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 4,744,705	\$ 1,221,156	\$ 222,531	\$ 170,906	\$ (3,130,112)
Public safety	10,466,567	94,031	82,222		(10,290,314)
Public works	17,311,069	4,285,579	404,160	759,237	(11,862,093)
Human services	1,496,189	87,797	108,808		(1,299,584)
Culture and recreation	5,170,258	1,635,322	36,038		(3,498,898)
Education	82,765,300	2,406,020	24,771,275		(55,588,005)
Interest on long-term debt	1,608,802				(1,608,802)
Total	<u>\$ 123,562,890</u>	<u>\$ 9,729,905</u>	<u>\$ 25,625,034</u>	<u>\$ 930,143</u>	<u>(87,277,808)</u>
General revenues:					
Property taxes					87,371,201
Grants and contributions not restricted to specific programs					1,929,166
Unrestricted investment earnings					156,863
Total general revenues					<u>89,457,230</u>
Change in net position					2,179,422
Net Position at Beginning of Year					<u>133,258,829</u>
Net Position at End of Year					<u>\$ 135,438,251</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General	Capital Projects Fund	Sewer Operating Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 16,158,229	\$	\$ 156,184	\$ 1,938,775	\$ 18,253,188
Investments				76,324	76,324
Receivables, net	5,206,331	3,687,324	583,842	293,544	9,771,041
Due from other funds	754,517	6,838,541		1,276,158	8,869,216
Other assets	18,722			42,355	61,077
Total Assets	<u>\$ 22,137,799</u>	<u>\$ 10,525,865</u>	<u>\$ 740,026</u>	<u>\$ 3,627,156</u>	<u>\$ 37,030,846</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 2,296,871	\$ 899,193	\$ 208,675	\$ 404,124	\$ 3,808,863
Due to other funds	8,114,699		130,232	603,685	8,848,616
Notes payable		6,320,000			6,320,000
Unearned revenue		53,088		1,165,577	1,218,665
Total liabilities	<u>10,411,570</u>	<u>7,272,281</u>	<u>338,907</u>	<u>2,173,386</u>	<u>20,196,144</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	4,674,166				4,674,166
Unavailable revenue - sewer use			583,842		583,842
Advance property tax collections	22,558				22,558
Total deferred inflows of resources	<u>4,696,724</u>	<u>-</u>	<u>583,842</u>	<u>-</u>	<u>5,280,566</u>
Fund balances:					
Nonspendable	18,722			42,355	61,077
Restricted				836,513	836,513
Committed		3,253,584		674,819	3,928,403
Assigned	1,772,742				1,772,742
Unassigned	5,238,041		(182,723)	(99,917)	4,955,401
Total fund balances	<u>7,029,505</u>	<u>3,253,584</u>	<u>(182,723)</u>	<u>1,453,770</u>	<u>11,554,136</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,137,799</u>	<u>\$ 10,525,865</u>	<u>\$ 740,026</u>	<u>\$ 3,627,156</u>	<u>\$ 37,030,846</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

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	\$ 11,554,136
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 325,331,661	
Less accumulated depreciation	<u>(137,063,587)</u>	
Net capital assets		188,268,074

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	2,576,843
Interest receivable on property taxes	2,097,323
Assessments and user fee receivable	548,771
Interest receivable on assessments and user fees	35,071
Net OPEB asset	26,215

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

3,904,699

Long-term liabilities and deferred outflows of resources, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension obligation	(3,413,482)
Bonds and notes payable	(60,102,027)
Interest payable on bonds and notes	(351,889)
Compensated absences	(7,691,930)
Capital lease	(1,542,849)
Unamortized bond premium	(1,756,952)
Deferred charge on refunding	<u>1,286,248</u>

Net Position of Governmental Activities (Exhibit I)	<u><u>\$ 135,438,251</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2014

	General	Capital Projects Fund	Sewer Operating Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 86,482,924	\$	\$	\$	\$ 86,482,924
Intergovernmental	22,758,513	949,459		4,483,614	28,191,586
Charges for services	1,335,659	35,030	4,054,356	4,207,391	9,632,436
Investment earnings	38,898		98,763	13,294	150,955
Miscellaneous				288,393	288,393
Total revenues	<u>110,615,994</u>	<u>984,489</u>	<u>4,153,119</u>	<u>8,992,692</u>	<u>124,746,294</u>
Expenditures:					
Current:					
General government	3,348,175			90,375	3,438,550
Public safety	7,785,296			204,259	7,989,555
Public works	6,765,546		3,488,039	422,101	10,675,686
Human services	936,966			153,783	1,090,749
Culture and recreation	2,596,778			1,848,927	4,445,705
Insurance and sundry	6,630,836				6,630,836
Education	76,012,600			6,354,410	82,367,010
Debt service	5,483,521	114,914			5,598,435
Capital outlay		7,780,265			7,780,265
Total expenditures	<u>109,559,718</u>	<u>7,895,179</u>	<u>3,488,039</u>	<u>9,073,855</u>	<u>130,016,791</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,056,276</u>	<u>(6,910,690)</u>	<u>665,080</u>	<u>(81,163)</u>	<u>(5,270,497)</u>
Other Financing Sources (Uses):					
Issuance of general obligation bonds		6,320,000			6,320,000
Issuance of refunding bonds		6,615,000			6,615,000
Payments to bond escrow		(7,163,837)			(7,163,837)
Issuance of capital lease		480,552			480,552
Premium on bond issuance	68,173	663,751			731,924
Transfers in	60,310	1,100,379	23,000		1,183,689
Transfers out	(831,980)		(969,639)	(46,070)	(1,847,689)
Total other financing sources (uses)	<u>(703,497)</u>	<u>8,015,845</u>	<u>(946,639)</u>	<u>(46,070)</u>	<u>6,319,639</u>
Net Change in Fund Balances	352,779	1,105,155	(281,559)	(127,233)	1,049,142
Fund Balances at Beginning of Year	<u>6,676,726</u>	<u>2,148,429</u>	<u>98,836</u>	<u>1,581,003</u>	<u>10,504,994</u>
Fund Balances at End of Year	<u>\$ 7,029,505</u>	<u>\$ 3,253,584</u>	<u>\$ (182,723)</u>	<u>\$ 1,453,770</u>	<u>\$ 11,554,136</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2014

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

Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 1,049,142
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	6,543,463
Depreciation expense	(5,647,074)

In the statement of activities, only the gain 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 assets sold.

(5,604)

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

Property tax receivable - accrual basis change	193,450
Property tax interest and lien revenue - accrual basis change	694,827
Sewer user fees and assessment receivable - accrual basis change	98,714
Sewer user fees and assessment interest receivable - accrual basis change	3,119

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

Bond principal payments	2,550,000
Note payments	1,308,621
Issuance of bonds and notes	(6,320,000)
Issuance of refunding bonds	(6,615,000)
Premium on bonds	(68,172)
Capital lease payments	345,920
Issuance of capital lease	(480,552)
Payments to escrow agent	7,163,837
Premium on bonds refunded	(663,751)

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

Compensated absences	(129,816)
Accrued interest	8,393
Amortization of deferred charge on refunding	(94,158)
Amortization of bond premiums	221,963
Amortization of other costs	(351,106)
Net pension expense	662,399
Net OPEB expense	62,533

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

1,648,274

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 2,179,422</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2014

	<u>Governmental Activities Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 4,816,608
Accounts receivable	<u>17,091</u>
Total assets	<u>4,833,699</u>
Liabilities:	
Accounts and other payables	<u>929,000</u>
Net Position:	
Unrestricted	\$ <u><u>3,904,699</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities Internal Service Fund</u>
Operating Revenues:	
Charges for services	\$ 16,180,965
Operating Expenses:	
Employee benefits	<u>15,202,599</u>
Operating Income	978,366
Nonoperating Revenue:	
Income on investments	<u>5,908</u>
Income Before Transfers	984,274
Transfer In	<u>664,000</u>
Change in Net Position	1,648,274
Net Position at Beginning of Year	<u>2,256,425</u>
Net Position at End of Year	\$ <u><u>3,904,699</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Cash received from premiums - Town departments and agencies	\$ 16,180,965
Claims paid	(15,160,329)
Net cash provided by operating activities	<u>1,020,636</u>
Cash Flows from Noncapital Financing Activities:	
Contributions from other funds	664,000
Cash Flows from Investing Activities:	
Income from investments	<u>5,908</u>
Net Increase in Cash and Cash Equivalents	1,690,544
Cash and Cash Equivalents at Beginning of Year	<u>3,126,064</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,816,608</u></u>
Reconciliation of Operating Income to Net Cash Used in	
Operating Activities:	
Operating income	\$ <u>978,366</u>
Adjustments to reconcile operating loss to net cash used in	
operating activities:	
Increase in accounts receivable	(17,091)
Decrease in accounts and other payables	<u>59,361</u>
Total adjustments	<u>42,270</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,020,636</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2014

	Pension Trust Funds	Other Post Employment Benefit Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$	\$ 1,155,882	\$ 1,349,540
Investments:			
Mutual funds	34,773,423		
Accounts receivable			2,177
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>34,773,423</u>	<u>1,155,882</u>	<u>\$ 1,351,717</u>
Liabilities:			
Accounts payable and due to others			\$ 1,351,717
Due to other funds		20,600	
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>20,600</u>	<u>\$ 1,351,717</u>
Net Position:			
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 34,773,423</u>	<u>\$ 1,135,282</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
PENSION TRUST FUND AND OTHER POST EMPLOYMENT BENEFIT TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Pension Trust Funds	Other Post Employment Benefit Trust Fund
	<hr/>	<hr/>
Additions:		
Contributions:		
Employer	\$ 2,790,348	\$ 927,000
Plan members	555,619	
Total contributions	<hr/> 3,345,967 <hr/>	<hr/> 927,000 <hr/>
Investment earnings:		
Net appreciation in fair value of investments	<hr/> 4,960,150 <hr/>	
Total additions	<hr/> 8,306,117 <hr/>	<hr/> 928,947 <hr/>
Deductions:		
Benefits	2,335,969	664,000
Administration	<hr/> 119,300 <hr/>	<hr/> 21,650 <hr/>
Total deductions	<hr/> 2,455,269 <hr/>	<hr/> 685,650 <hr/>
Change in Net Position	5,850,848	243,297
Net Position - Beginning of Year, as Restated	<hr/> 28,922,575 <hr/>	<hr/> 891,985 <hr/>
Net Position - End of Year	\$ <hr/> 34,773,423 <hr/>	\$ <hr/> 1,135,282 <hr/>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of South Windsor (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 operates under a Town Council/Town Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and social services, parks and recreation, and education.

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 Town has no business-type activities.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the financial resources to be used for major capital asset construction and/or purchases.

The *Sewer Operating Fund* accounts for sewer use and assessment fees used to maintain sewer operations within the Town. The major sources of revenue for this fund is sewer assessments and use charges.

Additionally, the Town reports the following fund types:

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

The *Pension Trust Funds* account for the activities of the South Windsor Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Other Post Employment Benefit Trust Fund* accounts for the accumulated resources and payments associated with both Town and Board of Education health insurance benefits to former qualified employees.

The *Agency Funds* account 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. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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. Deposits and Investments

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

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

Investments for the Town are reported at fair value.

E. Receivables and Payables

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

Property taxes are levied on all assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Assessed values are established by the Town Assessor's Office at 70% of appraised value. The tax bills are payable in two installments, July and January. In accordance with State Statutes, the oldest outstanding tax is collected first. Delinquent taxes are charged with interest at the rate of 1.5% per month. Outstanding real estate tax accounts are automatically liened each year prior to June 30.

In the governmental fund financial statements property tax revenues are recognized when they become available. Available means due or past due and received within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue.

F. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 for equipment, \$50,000 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Roads	75
Bridges	50
Sewer collection pipes	75
Sewer collection manholes	75
Buildings	40
Improvements other than buildings	20
Machinery and equipment	5-20
Vehicles	6-20
Office equipment	10
Computer equipment	3

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

Town and noncertified Board of Education employees are granted vacation and sick leave and certified employees of the Board of Education are granted sick leave based upon length of employment. In the event of termination, employees are compensated for accumulated vacation and, depending on the terms of their union contract, sick time.

J. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

K. Fund Equity

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

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

Restricted Net Position - Restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has no assets under restriction.

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

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

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

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

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town Council). The Town Council may commit resources by resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.

Assigned Fund Balance - This balance represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

- Prior to March 15, the Board of Education submits to the Town Council a proposed budget for the year commencing July 1. Prior to March 22, the Town Manager submits to the Town Council a proposed operating budget for the general government for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. By April 15, the Town Council must have the Board of Education budget ready for public hearing and by April 22, the Town Council must have the general government budget ready for public hearing.
- By April 30, public hearings are conducted on the Board of Education budget and by May 7, public hearings are conducted on the general government budget.
- By May 15, the Town Council shall adopt the Board of Education budget and by May 22, the Town Council shall adopt the general government budget.
- The Town Manager may transfer unencumbered funds within a department budget. The Town Council may transfer unencumbered funds between departments and is authorized to make additional appropriations. There were no additional appropriations approved during the year.
- 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 and Town Council approval.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except 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, or no expenditure from or encumbrance of the appropriation has been made for three consecutive fiscal years.

B. Fund Deficits

The Sewer Operating Fund and Recreation Fund had a fund balance deficit as of June 30, 2014 in the amount of \$182,723 and \$78,349, respectively. This deficit will be funded with future charges for services.

C. Budget Overruns

The sewer operating fund had the following lines over budget: overtime, \$42,483, maintenance contracts, \$28,544, other purchase services \$43,404, and debt service \$2,227.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by 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 Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$24,601,984 of the Town’s bank balance of \$26,410,950 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 13,564,983
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>11,037,001</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 24,601,984</u>

Cash Equivalents

At June 30, 2014, the Town's cash equivalents amounted to \$1,697,162. 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.

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAAm
Cutwater Asset Management	AAAm

Investments

Investments as of June 30, 2014 in all funds are as follows:

Investment Type	Fair Value
Mutual funds	\$ 34,773,423

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

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

Concentration of Credit Risk - The Town's investment policy does not specify a limit for an investment in any one issuer.

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. At June 30, 2014, the Town had no 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 year-end for the Town's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Operating Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 2,516,251	\$	\$ 35,071	\$	\$ 2,551,322
Taxes	3,722,700				3,722,700
Accounts	233,932	55,477	544,101	34,711	868,221
Intergovernmental	8,599	3,631,847		278,101	3,918,547
Special assessments			4,670		4,670
Gross receivables	<u>6,481,482</u>	<u>3,687,324</u>	<u>583,842</u>	<u>312,812</u>	<u>11,065,460</u>
Less allowance for uncollectibles:					
Taxes	(856,223)				(856,223)
Accrued interest on taxes	<u>(418,928)</u>				<u>(418,928)</u>
Net Total Receivables	<u>\$ 5,206,331</u>	<u>\$ 3,687,324</u>	<u>\$ 583,842</u>	<u>\$ 312,812</u>	<u>\$ 9,790,309</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 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	\$ 17,266,366	\$	\$	\$ 17,266,366
Construction in progress	5,391,935	4,001,077	(371,056)	9,021,956
Total capital assets not being depreciated	<u>22,658,301</u>	<u>4,001,077</u>	<u>(371,056)</u>	<u>26,288,322</u>
Capital assets being depreciated:				
Buildings	127,851,704			127,851,704
Improvements other than buildings	19,915,893	1,204,218		21,120,111
Furniture and equipment	16,548,814	1,248,411	(170,563)	17,626,662
Infrastructure	131,984,049	460,813		132,444,862
Total capital assets being depreciated	<u>296,300,460</u>	<u>2,913,442</u>	<u>(170,563)</u>	<u>299,043,339</u>
Less accumulated depreciation for:				
Buildings	(59,102,931)	(1,681,176)		(60,784,107)
Improvements other than buildings	(6,725,627)	(546,349)		(7,271,976)
Furniture and equipment	(10,644,318)	(1,162,936)	164,959	(11,642,295)
Infrastructure	(55,108,596)	(2,256,613)		(57,365,209)
Total accumulated depreciation	<u>(131,581,472)</u>	<u>(5,647,074)</u>	<u>164,959</u>	<u>(137,063,587)</u>
Total capital assets being depreciated, net	<u>164,718,988</u>	<u>(2,733,632)</u>	<u>(5,604)</u>	<u>161,979,752</u>
Governmental Activities Capital Assets, Net	<u>\$ 187,377,289</u>	<u>\$ 1,267,445</u>	<u>\$ (376,660)</u>	<u>\$ 188,268,074</u>

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

Governmental activities:	
General Government	\$ 126,629
Public Safety	594,743
Public Works	2,799,648
Culture and recreation	354,594
Human Services	17,826
Education	<u>1,753,634</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,647,074</u>

Construction Commitments

The Town has active construction projects as of June 30, 2014. At year end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Orchard Hill SRTS	\$ 244,815	\$ 34,532
Road Improvement Projects	4,804,692	1,161,033
School Roof Replacements	977,077	532,593

The commitments are being financed by General Fund appropriations, permanent financing and participation in the State's Clean Water Fund Program.

6. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, transactions were processed through the General Fund on behalf of other funds. A summary of interfund balances as of June 30, 2014 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 603,685
General Fund	Sewer Fund	130,232
Capital Projects Funds	General Fund	6,838,541
General Fund	Fiduciary Fund	20,600
Nonmajor Governmental Funds	General Fund	<u>1,276,158</u>
Total		<u>\$ 8,869,216</u>

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

Interfund transfers:

	Transfers In				Total Transfers Out
	General Fund	Capital Projects	Sewer Operating	Internal Service	
Transfers out:					
General Fund	\$	\$ 167,980	\$	\$ 664,000	\$ 831,980
Sewer Assessment	37,240	932,399			969,639
Nonmajor Governmental	23,070		23,000		46,070
Total Transfers In	\$ 60,310	\$ 1,100,379	\$ 23,000	\$ 664,000	\$ 1,847,689

Transfers are for regularly reoccurring operational transactions.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

A schedule of long-term liabilities outstanding at June 30, 2014 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Bonds and notes payable	\$ 57,920,648	\$ 12,935,000	\$ (10,753,621)	\$ 60,102,027	\$ 4,365,035
Premiums	1,246,992	731,923	(221,963)	1,756,952	
	59,167,640	13,666,923	(10,975,584)	61,858,979	4,365,035
Capital leases	1,408,217	480,552	(345,920)	1,542,849	348,454
Compensated absences	7,562,114	150,685	(20,869)	7,691,930	1,863,698
Net OPEB obligation	36,318		(36,318)	-	
Net pension obligation	4,075,881		(662,399)	3,413,482	
Total Governmental Activities Long-Term Liabilities	\$ 72,250,170	\$ 14,298,160	\$ (12,041,090)	\$ 74,507,240	\$ 6,577,187

Bonds and notes payable at June 30, 2014 comprise the following:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2014
General Purpose:					
Refunding bond	6/4/2008	3/15/2015	1.85-1.99%	\$ 1,486,700	\$ 189,000
Refunding bond	5/12/2009	9/1/2018	3.0-5.0%	2,478,000	309,000
Improvement bond	2/22/2011	2/15/2031	4.0-5.0%	9,650,000	1,000,000
Refunding bond	3/13/2012	8/1/2025	2.0-4.0%	15,185,000	15,185,000
Improvement bond	2/15/2012	2/15/2022	1.0-2.0%	2,000,000	1,600,000
Improvement bond	2/19/2014	2/15/2034	2.0-5.0%	2,100,000	2,100,000
Refunding bond	6/4/2014	8/15/2022	2.0-5.0%	4,222,000	4,222,000
Schools:					
Refunding bond	6/4/2008	3/15/2015	1.85-1.99%	3,823,300	161,000
Improvement bond	2/15/2009	2/15/2024	3.00-5.00%	4,820,000	700,000
Refunding bond	5/12/2009	9/1/2018	3.0-5.0%	6,897,000	866,000
Improvement bond	2/19/2014	2/15/2034	2.0-5.0%	2,470,000	2,470,000
Refunding bond	6/4/2014	8/15/2022	2.0-5.0%	2,393,000	2,393,000
Sewer:					
Clean Water Note Vernon wastewater treatment plant upgrade	1/1/2002	7/1/2021	2%	800,000	314,103
	12/31/1997	12/31/2016	2%	482,056	70,639
Clean Water Note Pleasant Valley	11/30/2005	5/31/2025	2%	402,727	237,357
Clean Water Note Submersible pump station	12/28/2006	7/1/2026	2%	1,568,029	1,011,518
Clean Water Note	10/31/2012	12/30/2032	2%	27,516,583	25,523,410
Improvement bond	2/19/2014	2/15/2034	2.0-5.0%	1,750,000	1,750,000
Total					\$ <u>60,102,027</u>

The following is a schedule of future debt service requirements as of June 30, 2014:

Fiscal Year Ending	Principal Payments	Interest Payments	Total Debt Service
2015	\$ 4,365,035	\$ 1,546,547	\$ 5,911,582
2016	4,366,982	1,495,137	5,862,119
2017	4,764,916	1,333,757	6,098,673
2018	3,532,966	1,196,437	4,729,403
2019	3,420,981	1,101,622	4,522,603
2020-2024	16,845,949	3,992,653	20,838,602
2025-2029	14,486,650	1,945,542	16,432,192
2030-2034	8,318,548	438,862	8,757,410
	<u>\$ 60,102,027</u>	<u>\$ 13,050,557</u>	<u>\$ 73,152,584</u>

Debt service expenditures were funded by the General Fund and the Sewer Operating Fund.

The Town issued \$6,320,000 of general obligation bonds on February 11, 2014 for various capital improvement projects.

General Obligation Bonds - Advance Refunding 2014

On June 4, 2014, the Town issued \$6,615,000 in general obligation bonds, with an average interest rate of 4.00% to refund outstanding bonds with an average rate of 4.00%. The bonds refunded were as follows: \$1,495,000 of outstanding 2009 Series A refunding bonds, \$1,900,000 of outstanding 2009 Series B refunding bonds and \$3,500,000 of outstanding 2011 general obligation bonds. The net proceeds of \$7,163,837 (after payment of issuance costs of \$75,224) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net assets. The transaction generated a cash flow savings of \$238,777 and a present value savings of \$205,080.

The Town has 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 Town's financial statements. At June 30, 2014, \$6,895,000 of the defeased debt is outstanding.

General Obligation Bonds - Advance Refunding

In prior years, the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2014, \$4,150,000 of the defeased debt is outstanding and \$4,487,111 is the balance remaining in escrow.

Legal Debt Limit

The Town's indebtedness does not exceed the legal debt limitations as established by the 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	\$ 194,029,931	\$ 24,608,082	\$ 169,421,849
Schools	388,059,863	6,590,000	381,469,863
Sewers	323,383,219	40,630,439	282,752,780
Urban renewal	280,265,456		280,265,456
Pension deficit	258,706,575		258,706,575

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$603,648,675.

Authorized and unissued debt is as follows:

	<u>Authorized</u>	<u>Bonds and BANS Issued</u>	<u>Grants</u>	<u>Authorized but Unissued Debt</u>
Water Pollution Control Facility	\$ 47,000,000	\$ 27,516,583	\$ 7,760,005	\$ 11,723,412
Storm Albert Debris Management and Removal Services	8,000,000	3,220,000	4,776,918	3,082

Capital Leases

The Town has entered into lease agreements for the purchase of various data processing equipment and copiers, public works equipment, a voicemail system, a minibus, communication equipment and vehicles. The annual payments for the agreements are provided for by annual general fund appropriations.

Capital leases that are currently capitalized under the category of machinery and equipment were as follows:

Cost	\$ 2,928,104
Accumulated depreciation	<u>(628,223)</u>
Net Leased Equipment	<u>\$ 2,299,881</u>

The 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 lease, and the present value of the future minimum lease payments at June 30, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 407,716
2016	346,909
2017	337,287
2018	225,077
2019	186,003
2020-2024	217,770
Less amount representing interest	<u>(177,913)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,542,849</u>

Bond Anticipation Notes

The Town issued bond anticipation notes on February 19, 2014 maturing on February 18, 2015 for \$6,320,000. The current interest rate on the notes is 1.00% and is recorded as a liability in the Capital Projects Fund. The following is a schedule of bond anticipation note activity for the fiscal year ended June 30, 2014:

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance 7/1/2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2014</u>
South Windsor High							
School Improvements	2/20/2013	2/19/2014	1.25%	\$ 1,100,000	\$	\$ (1,100,000)	\$ -
Dry Pit Pump Stations Projects	2/20/2013	2/19/2014	1.25%	1,750,000		(1,750,000)	-
Storm Alfred Debris Management and Removal	2/20/2013	2/19/2014	1.25%	1,220,000		(1,220,000)	-
Various School Projects	2/20/2013	2/19/2014	1.25%	3,935,000		(3,935,000)	-
Various School Projects	2/19/2014	2/18/2015	1.00%		4,420,000		4,420,000
Road and Drainage Improvements	2/20/2013	2/19/2014	1.25%	2,100,000		(2,100,000)	-
Road and Drainage Improvements	2/19/2014	2/18/2015	1.00%		1,900,000		1,900,000
Total				<u>\$ 10,105,000</u>	<u>\$ 6,320,000</u>	<u>\$ (10,105,000)</u>	<u>\$ 6,320,000</u>

8. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

The Town is the administrator of two single-employer, defined benefit pension plans, the Town Plan and Board of Education Plan. Plan provisions are established and amended by the Town Council and Board of Education. The first plan includes the following groups of Town employees: management, police union, Town Hall union, highway union, pollution union, library and dispatchers' union. The second plan covers Board of Education management, custodians, secretaries and nurses. The two pension plans are part of the Town's financial reporting entity and are accounted for as pension trust funds. The plans do not issue separate, stand-alone financial reports.

Management of the plans rests with the Pension Committee, which consists of nine members. The Pension Committee is comprised of the Town Manager, Finance Director, the Mayor or designee, two members of the Town Council appointed by the Town Council, two Town employees appointed by the Town Manager, and two committee members representing the Town Board of Education. The Pension Committee members appointed by the Town Council are appointed for two-year terms, except that the terms shall expire concurrent with their term of office or when they leave their council position.

As of January 1, 2014, the plans' membership consisted of:

	Town Plan	Board of Education Plan
Retirees and beneficiaries currently receiving benefits	94	58
Terminated members entitled to benefits but not yet receiving them	5	15
Inactive participants	16	6
Current active members	73	82
Total	188	161

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The pension trust funds' financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contractual requirements, and investment income is recognized when earned. Expenses (benefits and administration) are recognized when due and payable in accordance with the terms of each plan.

Valuation of Investments

Investments are valued at fair value, based upon quoted market prices. Securities traded on national exchanges are valued at the last reported sales price.

Benefit Provisions

Town Plan

Employees become eligible to participate in the plan upon completing one year of continuous service, attaining age 21 and agreeing in writing to make required employee contributions. Police officers are 100% vested after completing ten years of continuous service. Highway, dispatchers, pollution union, town hall, management and library employees are 100% vested after completing five years of continuous service.

Board of Education Plan

Employees become eligible to participate in the plan upon completing one year of continuous service, attaining age 21 and agreeing in writing to make required employee contributions. Employees are 100% vested after completing five years of continuous service.

C. Funding Policy

Employer Contributions

The Town is required to contribute amounts necessary to fund benefits. The Town's contributions to both plans are actuarially determined on an annual basis using the Entry Age Normal Cost Method. For both plans, administrative costs are generally financed through investment earnings.

Employee Contributions

Required employee contribution rates under the Town Plan are 7.75% of covered payroll for police employees and 4.5% for all other employees. Participants in the Board of Education Plan contribute 4.5% of covered payroll.

D. Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Targeted Allocation</u>	
	<u>Town</u>	<u>Board of Education</u>
Insurance company general account	5%	4%
Insurance company pooled separate account	1%	1%
Cash & equivalents	2%	8%
Equity mutual funds	61%	59%
Bond mutual funds	31%	28%

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments for the Town and Board of Education plans, net of pension plan investment expense, were 16.37% and 16.90%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the Town

In accordance with GASB No. 67, the components of the net pension liability of the Town and Board of Education plans at June 30, 2014, were as follows:

	<u>Town</u>	<u>Board of Education</u>
Total pension liability	\$ 36,193,548	\$ 12,627,232
Plan fiduciary net position	<u>22,654,346</u>	<u>12,119,077</u>
Net Pension Liability	<u>\$ 13,539,202</u>	<u>\$ 508,155</u>
Plan fiduciary net position as a percentage of the total pension liability	63%	96%

The Town's net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

Actuarial Assumptions

The total pension liability for the Town and Board of Education plans were determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.0%, average, including inflation
Investment rate of return	6.98% and 7.50% for the Town and Board of Education, respectively, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) was 7.50%.

Discount Rate:

The discount rate used to measure the total pension liability for the Town and Board of Education plans was 6.98% and 7.50%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate for the Town and Board of Education plans was adjusted as of June 30, 2014 from 8.0% to 6.98% and 7.50%, respectively. This adjustment was the result of bringing the discount rates in accordance with GASB Statement No. 67.

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

The following presents the net pension liability of the Town and Board of Education, calculated using the discount rate of 6.98% and 7.50%, respectively, as well as what the Town and Board of Education's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.98% and 6.50%, respectively) or 1 percentage point higher (7.98% and 8.50%, respectively) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Town's Net Pension Liability	\$ 17,238,184	\$ 13,539,202	\$ 10,183,205
Board of Education's Net Pension (Asset) Liability	1,676,174	508,155	(560,970)

F. Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Town's Retirement System for the current year were as follows:

	<u>Town</u>	<u>Board of Education</u>
Annual required contribution	\$ 1,686,734	\$ 450,378
Interest on net pension obligation	251,914	74,156
Adjustment to annual required contribution	(258,993)	(76,240)
Annual pension cost	1,679,655	448,294
Contributions made	1,867,793	922,555
Decrease in net pension obligation	(188,138)	(474,261)
Net Pension Obligation, Beginning of Year	3,148,925	926,956
Net Pension Obligation, End of Year	\$ <u>2,960,787</u>	\$ <u>452,695</u>

G. Trend Information

Town Pension Plan				
Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 1,216,274	\$ 826,338	67.9%	\$ 2,100,033
6/30/10	1,568,913	963,169	61.4	2,705,777
6/30/11	1,494,889	1,278,427	85.5	2,922,239
6/30/12	1,576,927	1,343,147	85.2	3,156,019
6/30/13	1,690,900	1,697,994	100.4	3,148,925
6/30/14	1,679,655	1,867,793	111.2	2,960,787

Board of Education Plan				
Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 427,013	\$ 354,000	82.9%	\$ 1,098,712
6/30/10	520,295	432,575	83.1	1,186,432
6/30/11	484,390	407,333	84.1	1,263,489
6/30/12	478,466	752,056	157.2	1,004,214
6/30/13	441,030	518,288	117.5	926,956
6/30/14	448,294	955,255	213.1	452,695

H. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Town Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
1/1/08	\$ 13,426,371	\$ 21,185,349	\$ (7,758,978)	63.4%	\$ 4,962,230	(156.4)%
1/1/09	12,424,948	23,350,652	(10,925,704)	53.2	5,239,328	(208.5)
1/1/10	14,433,589	24,622,308	(10,188,719)	58.6	5,427,342	(187.7)
1/1/11	15,778,240	26,743,578	(10,965,338)	59.0	5,337,789	(205.4)
1/1/12	17,001,457	29,038,451	(12,036,994)	58.5	5,352,711	(224.9)
1/1/13	18,502,417	31,008,924	(12,506,507)	59.7	4,749,846	(263.3)

Board of Education						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
1/1/08	\$ 7,209,802	\$ 7,697,888	\$ (488,086)	93.7%	\$ 3,321,753	(14.7)%
1/1/09	6,670,839	8,534,681	(1,863,842)	78.2	3,512,067	(53.1)
1/1/10	7,867,409	9,162,890	(1,295,481)	85.8	3,652,821	(35.5)
1/1/11	8,394,835	9,941,840	(1,547,005)	84.4	3,419,019	(45.2)
1/1/12	9,116,329	10,655,240	(1,538,911)	85.6	3,012,321	(51.1)
1/1/13	9,688,718	11,326,679	(1,637,961)	85.5	3,058,477	(53.6)

I. Combining Statements

Schedule of Plan Assets

	<u>Town Plan</u>	<u>Board of Education Plan</u>	<u>Total</u>
Assets:			
Investments, at fair value:			
Mutual funds	\$ 22,654,346	\$ 12,119,077	\$ 34,773,423
Net Position Held in Trust for Pension Benefits	\$ 22,654,346	\$ 12,119,077	\$ 34,773,423

Schedule of Changes in Plan Net Assets

	<u>Town Plan</u>	<u>Board of Education Plan</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 1,867,793	\$ 922,555	\$ 2,790,348
Employee	357,692	197,927	555,619
Total contributions	2,225,485	1,120,482	3,345,967
Investment income:			
Net investment gains	3,279,002	1,681,148	4,960,150
Total additions	5,504,487	2,801,630	8,306,117
Deductions:			
Benefits	1,680,365	655,604	2,335,969
Administration	75,832	43,468	119,300
Total deductions	1,756,197	699,072	2,455,269
Changes in Net Position	3,748,290	2,102,558	5,850,848
Net Position - July 1, 2013, As Restated	18,906,056	10,016,519	28,922,575
Net Position - June 30, 2014	\$ 22,654,346	\$ 12,119,077	\$ 34,773,423

Defined Contribution Plan

A. Plan Description

The Town is the administrator of a single-employer, defined contribution pension plan, the Town of South Windsor Employee Benefit Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan covers Town nonbargaining unit employees, members of the Police Union hired after July 1, 2005 and members of the Public Works, Community Service officers and Pollution Control unions hired after July 1, 2008.

B. Plan Provisions

Town nonbargaining unit employees, members of the Police Union hired after July 1, 2005 and members of the Public Works, Community Service Officers and Pollution Control Unions hired after July 1, 2008 who have completed a 12-month period of service shall be eligible to participate in the Plan at the beginning of the payroll period next commencing thereafter. There is no minimum age requirement. For Police, Public Works, Community Service Officers and Pollution Control Union members, benefits vest 20% per year, reaching 100% after five years of participation. For Town nonbargaining unit employees, benefits vest 100% upon eligibility of the employee. Plan provisions and the authority to amend the provisions are established by the Town Council.

C. Contribution Requirements and Contributions Made

The employer contribution for members of the Police Union hired after July 1, 2005 and Public Works, Community Service Officers and Pollution Control Unions hired after July 1, 2008 is 6.0% of earnings. The total Town contribution during the year ended June 30, 2014 for these groups was \$44,316 and represented 6.0% of covered payroll. The employees' contributions were \$50,590 and represented the required 6.0% of covered payroll plus any additional contributions up to the IRS allowable maximum. The employer contribution for Town management group employees is 12.07% of earnings. The total Town contribution during the year ended June 30, 2014 for this group was \$324,738 and represented 12.07% of covered payroll. The employees' required contributions were \$121,070 and represented 4.5% of covered payroll. The authority to establish and amend contribution requirements is by the Town Council.

D. Employer and Employee Obligations

Members are required to contribute between 4.5% and 6.0% of their annual earnings. The Town is required to contribute between 6.0% and 12.07% of the members' annual earnings.

E. Teachers' Retirement

All Town of South Windsor Board of Education certified employees 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 Board of Education 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 \$31,873,528 or 58.8% of the total Board of Education total payroll of \$54,157,747.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2014, the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$7,885,360 as payments made by the State of Connecticut on behalf of the Town.

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.

9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2014 are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Sewer Operating Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 42,355	\$ 42,355
Prepaid items	18,722				18,722
Restricted for:					
Education				16,242	16,242
Public safety				128,869	128,869
Public works				236,507	236,507
Health and welfare				454,895	454,895
Committed to:					
General government		1,525,426		332,662	1,858,088
Public safety				26,219	26,219
Public works		1,728,158			1,728,158
Culture and recreation				165,575	165,575
Education				150,363	150,363
Assigned to:					
Subsequent year's budget	1,000,000				1,000,000
General government	64,559				64,559
Public safety	7,641				7,641
Public works	12,259				12,259
Health and welfare	1,498				1,498
Culture and recreation	4,128				4,128
Education	682,657				682,657
Unassigned	<u>5,238,041</u>	<u></u>	<u>(182,723)</u>	<u>(99,917)</u>	<u>4,955,401</u>
Total Fund Balances	<u>\$ 7,029,505</u>	<u>\$ 3,253,584</u>	<u>\$ (182,723)</u>	<u>\$ 1,453,770</u>	<u>\$ 11,554,136</u>

Encumbrances of \$772,742 are contained in the above table in the assigned categories of the General Fund and \$27,402 and \$8,403 in the committed category of the Sewer Operating fund and non major governmental funds, respectively.

10. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts; public official liabilities; police liability; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain the risk for the Town and Board of Education employees' medical claims. This fund is reported as an Internal Service Fund. During the year, deductibles paid by the Town were insignificant. Settled claims have not exceeded insurance in any of the past three years. There were no significant reductions in insurance coverage from amounts held the prior year.

A third party administers the medical insurance plan for which the Town pays a fee. The Town has purchased a stop loss policy for total claims in any one year exceeding an aggregate of 120% of expected claims and for individual claims exceeding \$150,000.

The medical insurance 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
Medical Insurance Fund:				
2012-2013	\$ 988,327	\$ 14,721,247	\$ 14,839,935	\$ 869,639
2013-2014	869,639	15,202,599	15,143,238	929,000

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

The Town is also a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence and purchases reinsurance above that amount to the limit of liability of \$10 million per occurrence.

11. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with various collective bargaining agreements, provides retiree medical benefits for the lifetime of the retired member and covered dependents. The plan is a single-employer plan that covers Police, Town, Teachers and Board of Education employees as further defined in collective bargaining agreements and other written materials. Eligibility and premium sharing information is detailed in the various collective bargaining agreements. The Town does not issue separate stand-alone financial statements for the plan.

At July 1, 2013, plan membership consisted of the following:

Active members	844
Retired members	65
Spouses of retired members	<u>27</u>
Total Participants	<u><u>936</u></u>

B. Funding Policy

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis. The Town has established a trust fund to irrevocably segregate assets to fund the liability associated with the postemployment benefits, which is reported as a trust fund in accordance with GASB guidelines. The contribution requirements of plan members and the Town have also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums. The funding strategy for postemployment obligations are based on the following:

Teachers and Administrators

- Those individuals retired under the Connecticut State Teachers Retirement system shall be eligible to receive health benefits for self and spouse.
- Earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.
- 100% of premium is paid by retiree.

Board of Education SWESS (Support Staff), BOE Non-Union, BOE Custodians/Maintenance, BOE Food-Service Staff and BOE Nurses

- A retired member shall be eligible to continue health benefits (medical only for Custodians/Maintenance and Nurses) for self and spouse.
- Retirement date is the later of age 62 or the completion of 10 years of service. Early retirement is the first of any month within 10 years of Normal Retirement Date.
- Nurses must be at least age 55 with 10 years of continuous service as a school nurse.
- 100% of premium is paid by retiree.

Police

- Completion of 25 years of service or attainment of age 50.
- The Town contributes 75% of the cost of the health insurance for members hired before July 1, 2006. Members hired after July 1, 2006 have the option of continuing medical benefits at their own expense. The retiree shall contribute the remainder of the cost. Coverage is pre-65 only.
- In the event of an employee's death in the line of duty, the Town shall contribute 100% of the health insurance cost coverage for spouse and dependents. Such contribution shall not exceed a period of 12 months.

Town Hall Union and Non-Bargaining (Management and Library)

- Retired employees with at least 10 years of service shall be eligible to continue health coverage at the Town's group rates.
- Retirement eligibility is age 62 for Town Hall and Management employees and age 65 for the Library.
- 100% of premium is paid by retiree.

Town (Pollution Union, Dispatchers and Public Works)

- Retired employees with attainment of age 60 may continue health coverage at the Town group rates.
- 100% of premium is paid by retiree.

Annual OPEB Cost and Net OPEB Obligations

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

Annual required contribution (ARC)	\$ 864,000
Interest on OPEB obligation	2,905
Adjustment to annual required contribution	<u>(2,438)</u>
Annual OPEB cost	864,467
Contributions made	<u>927,000</u>
Decrease in net OPEB obligation	(62,533)
Net OPEB obligation, beginning of year	<u>36,318</u>
Net OPEB Asset, End of Year	\$ <u><u>(26,215)</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 is presented below:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$ 699,903	\$ 658,000	94%	\$ 35,799
6/30/2013	864,519	864,000	99	36,318
6/30/2014	864,467	927,000	107	(26,215)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ -	\$ 5,906,000	\$ 5,906,000	0.0%	N/A	N/A
7/1/2011	488,000	8,021,000	7,533,000	6.1	N/A	N/A
7/1/2013	839,000	9510,000	8,671,000	8.8	51,316,000	16.9%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/2012	\$ 700,000	94%
6/30/2013	864,000	100%
6/30/2014	864,000	107%

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used with level percentage amortization over 25 years for police and 30 years for all other employees. The actuarial assumptions include a 7.5% rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

12. CONTINGENT LIABILITIES

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by counsel to be likely to result in a judgment or judgments that would materially affect the Town's financial position.

13. RESTATEMENT

The Pension Trust Funds beginning net position was restated to change its fiscal year end date from December 31 to June 30 due to the implementation of the new pension standards. The impact of this restatement on the Pension Trust Funds net position is as follows:

Beginning Net Position, as reported - December 31, 2012	\$ 28,528,489
Restatement	<u>394,086</u>
Beginning Net Position, as Restated - June 30, 2013	<u><u>\$ 28,922,575</u></u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Property Taxes:				
Current taxes	\$ 85,137,629	\$ 85,137,629	\$ 84,266,163	\$ (871,466)
Delinquent taxes	600,000	600,000	809,323	209,323
Supplemental motor vehicles	500,000	500,000	838,681	338,681
Interest	300,000	300,000	458,754	158,754
Liens	4,000	4,000	5,048	1,048
Housing authority - PILOT (in lieu of taxes)	20,000	20,000	58,671	38,671
Telephone access relief	40,000	40,000	46,284	6,284
Total property taxes	<u>86,601,629</u>	<u>86,601,629</u>	<u>86,482,924</u>	<u>(118,705)</u>
Intergovernmental:				
State assistance - education:				
Education equalization	13,045,470	13,045,470	12,877,884	(167,586)
Other assistance:				
FEMA Reimbursements			16,815	16,815
Elderly tax freeze	3,000	3,000	3,840	840
State in lieu of taxes			56,236	56,236
DOT Elderly Transportation			33,444	33,444
Elderly tax relief	125,300	125,300	148,281	22,981
State sundry grants			26,554	26,554
Youth service grants	20,000	20,000	22,734	2,734
Manufacturer's equipment and machinery			412,916	412,916
Municipal grants-in-aid	1,181,405	1,181,405	1,258,566	77,161
Veterans' exemption	14,000	14,000	15,883	1,883
Total intergovernmental	<u>14,389,175</u>	<u>14,389,175</u>	<u>14,873,153</u>	<u>483,978</u>
Charges for Services:				
Building permits	600,000	600,000	489,681	(110,319)
Probate court rentals	4,000	4,000	7,615	3,615
Town Clerk fees	475,000	475,000	507,598	32,598
Planning and zoning fees	5,000	5,000	15,167	10,167
General government sundry	100,000	100,000	128,402	28,402
Police	26,000	26,000	25,546	(454)
Recycling rebate			72,744	72,744
Educational rentals	10,000	10,000		(10,000)
Engineering permits	2,000	2,000	6,420	4,420
Zoning board of appeals	2,000	2,000	780	(1,220)
Refuse and recycling	157,418	157,418	68,624	(88,794)
Fire Marshal fees	75,000	75,000	13,082	(61,918)
Total charges for services	<u>1,456,418</u>	<u>1,456,418</u>	<u>1,335,659</u>	<u>(120,759)</u>
Investment Earnings	<u>25,000</u>	<u>25,000</u>	<u>38,898</u>	<u>13,898</u>
Other Revenues:				
Cancellation of prior year encumbrances			10,483	10,483
Total Revenues	<u>102,472,222</u>	<u>102,472,222</u>	<u>102,741,117</u>	<u>268,895</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Other Financing Sources:				
Transfers in:				
Sewer Operating	\$ 37,240	\$ 37,240	\$ 37,240	\$ -
Library funds	25,000	25,000	23,070	(1,930)
Fund balance appropriation	<u>400,000</u>	<u>400,000</u>	<u> </u>	<u>(400,000)</u>
Total other financing sources	<u>462,240</u>	<u>462,240</u>	<u>60,310</u>	<u>(401,930)</u>
Total Revenues and Other Financing Sources	<u>\$ 102,934,462</u>	<u>\$ 102,934,462</u>	102,801,427	<u>\$ (133,035)</u>
Budgetary revenues are different from GAAP revenues because:				
Cancellation of prior year encumbrances are recognized as budgetary revenue			(10,483)	
State on-behalf payments			7,885,360	
Premium on bond issuance			<u>68,173</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>\$ 110,744,477</u>	

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over) Under</u>
General Government:				
Legislative:				
Town Council	\$ 210,033	\$ 210,033	\$ 201,467	\$ 8,566
Boards and Commissions:				
Human relations commission	2,500	2,500	815	1,685
Historic district commission	1,000	1,000	673	327
Public building commission	520	1,699	2	2
South Windsor redevelopment	1,000	1,000	295	705
Inland/wetlands - conservation	5,525	5,525	2,911	2,614
Land preservation advisory	300	300		300
Open space task force	500	500	175	325
Park and recreation commission	4,500	4,500	3,973	527
Planning and zoning	7,150	8,838	8,838	-
Zoning board of appeals	2,500	2,500	2,381	119
Economic development coordinator	4,500	4,500	4,009	491
Total boards and commissions	<u>29,995</u>	<u>32,862</u>	<u>25,767</u>	<u>7,095</u>
Judicial:				
Probate court	<u>13,238</u>	<u>13,238</u>	<u>8,383</u>	<u>4,855</u>
Elections:				
Registrar of voters	<u>146,581</u>	<u>161,819</u>	<u>160,356</u>	<u>1,463</u>
Executive:				
Town manager	314,677	324,018	324,018	-
Human resources	63,711	61,769	61,769	-
Total executive	<u>378,388</u>	<u>385,787</u>	<u>385,787</u>	<u>-</u>
Community Development:				
Planning department	223,772	223,772	221,730	2,042
Building department	213,957	213,957	194,557	19,400
Total community development	<u>437,729</u>	<u>437,729</u>	<u>416,287</u>	<u>21,442</u>
Finance:				
Assessor	280,924	273,787	272,984	803
Collector of revenue	215,671	209,855	209,779	76
Finance office	343,804	402,654	402,412	242
Total finance	<u>840,399</u>	<u>886,296</u>	<u>885,175</u>	<u>1,121</u>
Recording and Reporting:				
Town clerk	<u>217,803</u>	<u>217,803</u>	<u>209,806</u>	<u>7,997</u>
Law:				
Town attorney	<u>175,000</u>	<u>231,402</u>	<u>231,401</u>	<u>1</u>
Central Services:				
Town Hall	282,880	282,880	276,080	6,800
Information technology	662,511	668,511	580,500	88,011
Total quality management implementation	1,500	1,500		1,500
Media	28,970	28,970	13,573	15,397
Total central services	<u>975,861</u>	<u>981,861</u>	<u>870,153</u>	<u>111,708</u>
Total general government	<u>3,425,027</u>	<u>3,558,830</u>	<u>3,394,582</u>	<u>164,248</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over) Under</u>
Public Safety:				
Police Protection:				
Police administration	\$ 409,492	\$ 417,303	\$ 417,296	\$ 7
Operations	3,323,501	3,365,675	3,365,672	3
Support services	1,759,001	1,761,912	1,745,436	16,476
Community services	151,696	157,485	156,948	537
Total police protection	<u>5,643,690</u>	<u>5,702,375</u>	<u>5,685,352</u>	<u>17,023</u>
Fire Protection:				
Fire marshal	184,619	184,654	171,974	12,680
Volunteer fire department	760,962	790,962	790,962	-
Hydrants and water lines	750,800	744,522	744,522	-
Total fire protection	<u>1,696,381</u>	<u>1,720,138</u>	<u>1,707,458</u>	<u>12,680</u>
Other protection:				
Street lights	<u>409,500</u>	<u>372,058</u>	<u>371,511</u>	<u>547</u>
Total public safety	<u>7,749,571</u>	<u>7,794,571</u>	<u>7,764,321</u>	<u>30,250</u>
Public Works:				
Administration:				
Management	<u>139,492</u>	<u>139,492</u>	<u>139,037</u>	<u>455</u>
Engineering:				
Technical support	<u>399,475</u>	<u>399,475</u>	<u>398,089</u>	<u>1,386</u>
Street Services:				
Highway maintenance	2,157,305	2,213,305	2,196,967	16,338
Fleet services	823,021	800,148	749,380	50,768
Total street services	<u>2,980,326</u>	<u>3,013,453</u>	<u>2,946,347</u>	<u>67,106</u>
Public Buildings:				
Building maintenance	<u>1,348,137</u>	<u>1,377,518</u>	<u>1,245,811</u>	<u>131,707</u>
Pollution Control:				
Refuse and recycling	<u>1,963,968</u>	<u>1,934,587</u>	<u>1,920,893</u>	<u>13,694</u>
Total public works	<u>6,831,398</u>	<u>6,864,525</u>	<u>6,650,177</u>	<u>214,348</u>
Human Services:				
Conservation of Health:				
Environmental health	122,658	122,658	113,311	9,347
Visiting nurse community care	17,825	17,825	4,803	13,022
Total conservation of health	<u>140,483</u>	<u>140,483</u>	<u>118,114</u>	<u>22,369</u>
Human service programs:				
Administration	174,955	171,844	171,550	294
Youth and family services	257,294	235,696	230,597	5,099
Adult and senior services	329,949	338,443	337,097	1,346
Mini-bus service	55,692	71,905	71,903	2
Sheltered workshops	4,624	4,624	2,697	1,927
Total human services programs	<u>822,514</u>	<u>822,512</u>	<u>813,844</u>	<u>8,668</u>
Total human services	<u>962,997</u>	<u>962,995</u>	<u>931,958</u>	<u>31,037</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over) Under</u>
Culture and Recreation:				
Recreation administration	\$ 1,611,514	\$ 1,611,514	\$ 1,556,385	\$ 55,129
Library	1,022,624	1,022,624	1,026,664	(4,040)
Total culture and recreation	<u>2,634,138</u>	<u>2,634,138</u>	<u>2,583,049</u>	<u>51,089</u>
Education	<u>68,123,940</u>	<u>68,123,940</u>	<u>67,773,113</u>	<u>350,827</u>
Insurance and Benefits:				
Municipal insurance:				
Insurance - casualty	<u>246,321</u>	<u>246,321</u>	<u>238,820</u>	<u>7,501</u>
Pension Contributions:				
Pension	2,090,440	2,090,440	2,073,125	17,315
Social security	945,298	902,754	902,754	-
Total pension contributions	<u>3,035,738</u>	<u>2,993,194</u>	<u>2,975,879</u>	<u>17,315</u>
Health and life insurance	<u>2,991,272</u>	<u>2,991,272</u>	<u>2,964,122</u>	<u>27,150</u>
Workers' compensation	<u>449,710</u>	<u>415,575</u>	<u>415,575</u>	<u>-</u>
Unemployment compensation	<u>30,000</u>	<u>2,176</u>	<u>2,176</u>	<u>-</u>
Total insurance and benefits	<u>6,753,041</u>	<u>6,648,538</u>	<u>6,596,572</u>	<u>51,966</u>
Other:				
Contingency	115,000	6,000		6,000
South Windsor patriotic commission	13,500	13,500	13,424	76
Cemeteries	3,000	3,000	3,000	-
Wood Memorial Library	7,500	7,500	7,500	-
Total other	<u>139,000</u>	<u>30,000</u>	<u>23,924</u>	<u>6,076</u>
Debt Service:				
Principal	3,697,485	3,697,485	3,697,485	-
Interest	1,785,885	1,787,460	1,787,460	-
Total debt service	<u>5,483,370</u>	<u>5,484,945</u>	<u>5,484,945</u>	<u>-</u>
Total expenditures	102,102,482	102,102,482	101,202,641	899,841
Other Financing Uses:				
Transfer out	<u>831,980</u>	<u>831,980</u>	<u>831,980</u>	<u>-</u>
Total	<u>\$ 102,934,462</u>	<u>\$ 102,934,462</u>	102,034,621	<u>\$ 899,841</u>

Budgetary expenditures are different from GAAP expenditures because:

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

Accrued payroll not budgeted

State on-behalf payments

Net bond issuance costs are not budgeted for

396,686

76,455

7,885,360

(1,424)

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 110,391,698

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - SEWER OPERATING FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 4,203,535	\$ 4,203,535	\$ 4,037,844	\$ (165,691)
Intergovernmental revenue	58,135	58,135		(58,135)
Investment income	400	400	48	(352)
Miscellaneous	78,000	78,000	115,227	37,227
Total revenues	<u>4,340,070</u>	<u>4,340,070</u>	<u>4,153,119</u>	<u>(186,951)</u>
Expenditures:				
Full time salaries	811,452	788,739	781,537	7,202
Overtime	38,049	38,049	80,532	(42,483)
Longevity	1,820	1,675	1,675	-
Employee benefits	504,477	481,999	481,999	-
Office supplies	1,000	1,258	1,258	-
Operating material	64,000	70,680	70,680	-
Motor vehicle supplies	20,990	13,428	13,428	-
Uniforms and clothing	7,500	6,062	6,062	-
Fleet and equipment repair	48,450	134,981	134,981	-
Advertising		306	306	-
Professional	155,788	151,039	151,039	-
Rental and leases	17,520	20,706	20,706	-
Utilities	524,700	493,590	493,590	-
Maintenance contracts	318,900	443,923	472,467	(28,544)
Repair and maintenance equipment	29,700	18,409	18,409	-
Fees and memberships	1,395	425	425	-
Recruitment and training	8,880	25,980	25,980	-
Other purchase services	300,000	295,685	339,089	(43,404)
Department equipment	225,000	213,096	213,096	-
Boards and Commissions - Office supplies	50	50		50
Boards and Commissions - Advertising	650	649	527	122
Debt service	313,810	193,402	195,629	(2,227)
Total expenditures	<u>3,394,131</u>	<u>3,394,131</u>	<u>3,503,415</u>	<u>(109,284)</u>
Excess of Revenues over Expenditures	945,939	945,939	649,704	(296,235)
Other Financing Uses:				
Transfers in	23,700	23,700	23,000	(700)
Transfers out	(969,639)	(969,639)	(969,639)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(296,935)	<u>\$ (296,935)</u>
Fund Balance - July 1, 2013			110,993	
Fund Balance - June 30, 2014			<u>\$ (185,942)</u>	

Reconciliation to GAAP Basis

	Revenues	Expenditures
Balance, Budgetary Basis - June 30, 2014	\$ 4,153,119	\$ 3,503,415
Accrued payroll not budgeted		7,359
Encumbrances outstanding at June 30, 2013 liquidated and cancelled during the year ended June 30, 2014		4,667
Encumbrances charged to budgetary expenditures during the year ended June 30, 2014		(27,402)
Balance, GAAP Basis - June 30, 2014	<u>\$ 4,153,119</u>	<u>\$ 3,488,039</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TOWN PLAN

LAST FISCAL YEAR

	2014
Total pension liability:	
Service cost	\$ 344,193
Interest	2,494,478
Changes of assumptions	3,396,197
Benefit payments, including refunds of member contributions	(1,680,365)
Administrative expense	(75,832)
Net change in total pension liability	4,478,671
Total pension liability - beginning	31,714,877
Total pension liability - ending	36,193,548
Plan fiduciary net position:	
Contributions - employer	1,867,793
Contributions - member	357,692
Net investment income	3,279,002
Benefit payments, including refunds of member contributions	(1,680,365)
Administrative expense	(75,832)
Net change in plan fiduciary net position	3,748,290
Plan fiduciary net position - beginning	18,906,056
Plan fiduciary net position - ending	22,654,346
Net Pension Liability - Ending	\$ 13,539,202
Plan fiduciary net position as a percentage of the total pension liability	62.59%
Covered-employee payroll	\$ 4,749,846
Net pension liability as a percentage of covered-employee payroll	285.05%

Notes to Schedule:

Changes of assumptions. In 2014, amounts reported as changes of assumptions resulted from the change in the discount rate from 8% to 6.98%.

TOWN OF SOUTH WINDSOR, CONNECTICUT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
BOARD OF EDUCATION PLAN

LAST FISCAL YEAR

	<u>2014</u>
Total pension liability:	
Service cost	\$ 225,029
Interest	920,994
Changes of assumptions	543,345
Benefit payments, including refunds of member contributions	(655,604)
Administrative expense	(43,468)
Net change in total pension liability	<u>990,296</u>
Total pension liability - beginning	<u>11,636,936</u>
Total pension liability - ending	<u><u>12,627,232</u></u>
Plan fiduciary net position:	
Contributions - employer	922,555
Contributions - member	197,927
Net investment income	1,681,148
Benefit payments, including refunds of member contributions	(655,604)
Administrative expense	(43,468)
Net change in plan fiduciary net position	<u>2,102,558</u>
Plan fiduciary net position - beginning	<u>10,016,519</u>
Plan fiduciary net position - ending	<u><u>12,119,077</u></u>
Net Pension Liability - Ending	\$ <u><u>508,155</u></u>
Plan fiduciary net position as a percentage of the total pension liability	95.98%
Covered-employee payroll	\$ 3,085,477
Net pension liability as a percentage of covered-employee payroll	16.47%

Notes to Schedule:

Changes of assumptions. In 2014, amounts reported as changes of assumptions resulted from the change in the discount rate from 8% to 7.50%.

TOWN OF SOUTH WINDSOR, CONNECTICUT

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TOWN PLAN

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarially determined contribution	\$ 671,577	\$ 890,470	\$ 998,869	\$ 1,105,236	\$ 1,220,118	\$ 1,573,634	\$ 1,500,972	\$ 1,583,496	\$ 1,697,994	\$ 1,686,734
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>419,000</u>	<u>606,632</u>	<u>668,914</u>	<u>826,338</u>	<u>963,169</u>	<u>1,278,427</u>	<u>1,343,147</u>	<u>1,697,994</u>	<u>1,867,793</u>
Contribution Deficiency (Excess)	<u>\$ 671,577</u>	<u>\$ 471,470</u>	<u>\$ 392,237</u>	<u>\$ 436,322</u>	<u>\$ 393,780</u>	<u>\$ 610,465</u>	<u>\$ 222,545</u>	<u>\$ 240,349</u>	<u>\$ -</u>	<u>\$ (181,059)</u>
Covered-employee payroll	\$ 4,350,189	\$ 4,629,455	\$ 4,744,942	\$ 4,771,476	\$ 4,962,230	\$ 5,239,328	\$ 5,427,342	\$ 5,337,789	\$ 5,352,711	\$ 4,749,846
Contributions as a percentage of covered-employee payroll	0.00%	9.05%	12.78%	14.02%	16.65%	18.38%	23.56%	25.16%	31.72%	39.32%

Notes to Schedule

Valuation date: January 1, 2014

Measurement date: June 30, 2014

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level percentage of payroll, open

Remaining amortization period 10 years

Asset valuation method 5-year smoothed market

Salary increases 3.0%, average, including inflation

Turnover All employees who do not meet membership requirements under the plan are excluded from funding. Terminations prior to retirement are discounted in advance in accordance with a scale based on attained ages.

Investment rate of return In the 2014 actuarial valuation, investment rate of return used was 7.5%. All other years above used a 8.0% investment rate of return.

Retirement age In the 2014 actuarial valuation, expected retirement ages of plan members were calculated to closely reflect actual experience, dependent upon position.

Disability Disability among active lives is discounted in advance according to a scale based on attained ages.

Spouse Benefits 80% of all participants are assumed to be married. Wives are assumed to be one year younger than their husbands.

Mortality RP-2000 Mortality Table, un projected, for males and females as applicable.

TOWN OF SOUTH WINDSOR, CONNECTICUT

SCHEDULE OF EMPLOYER CONTRIBUTIONS
BOARD OF EDUCATION PLAN

LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 385,615	\$ 419,238	\$ 998,869	\$ 483,721	\$ 429,319	\$ 522,765	\$ 487,057	\$ 481,339	\$ 443,288	\$ 450,378
Contributions in relation to the actuarially determined contribution	<u>172,738</u>	<u>321,299</u>	<u>457,461</u>	<u>833,712</u>	<u>354,000</u>	<u>432,575</u>	<u>407,333</u>	<u>752,056</u>	<u>518,288</u>	<u>922,555</u>
Contribution Deficiency (Excess)	<u>\$ 212,877</u>	<u>\$ 97,939</u>	<u>\$ 541,408</u>	<u>\$ (349,991)</u>	<u>\$ 75,319</u>	<u>\$ 90,190</u>	<u>\$ 79,724</u>	<u>\$ (270,717)</u>	<u>\$ (75,000)</u>	<u>\$ (472,177)</u>
Covered-employee payroll	\$ 2,773,089	\$ 2,791,381	\$ 2,764,749	\$ 3,232,684	\$ 3,321,753	\$ 3,512,067	\$ 3,652,821	\$ 3,419,019	\$ 3,012,321	\$ 3,085,477
Contributions as a percentage of covered-employee payroll	6.23%	11.51%	16.55%	25.79%	10.66%	12.32%	11.15%	22.00%	17.21%	29.90%

Notes to Schedule

Valuation date: January 1, 2014

Measurement date: June 30, 2014

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age
Amortization method Level percentage of payroll, open
Remaining amortization period 10 years
Asset valuation method 5-year smoothed market
Salary increases 3.0%, average, including inflation

Turnover All employees who do not meet membership requirements under the plan are excluded from funding. Terminations prior to retirement are discounted in advance in accordance with a scale based on attained ages.

Investment rate of return In the 2014 actuarial valuation, investment rate of return used was 7.5%. All other years above used a 8.0% investment rate of return.

Retirement age In the 2014 actuarial valuation, expected retirement ages of plan members were calculated to closely reflect actual experience, dependent upon position.

Disability Disability among active lives is discounted in advance according to a scale based on attained ages.

Spouse Benefits 80% of all participants are assumed to be married. Wives are assumed to be one year younger than their husbands.

Mortality RP-2000 Mortality Table, un projected, for males and females as applicable.

TOWN OF SOUTH WINDSOR, CONNECTICUT**SCHEDULE OF INVESTMENT RETURNS****LAST FISCAL YEAR****2014**

Annual money-weighted rate of return, net of investment expense:

Town Plan	16.37%
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Board of Education Plan	16.90%
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TOWN OF SOUTH WINDSOR, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 16,158,229	\$ 15,010,269
Property taxes receivable (net of allowance of \$856,223 and \$759,673, respectively)	2,866,477	2,543,256
Intergovernmental receivables	8,599	200,421
Other accounts receivable	2,331,255	1,450,479
Due from other funds	754,517	3,729,481
Prepaid items	<u>18,722</u>	<u>17,508</u>
Total Assets	<u>\$ 22,137,799</u>	<u>\$ 22,951,414</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,296,871	\$ 2,028,412
Due to other funds	8,114,699	10,128,835
Unearned revenue	-	106,203
Total liabilities	<u>10,411,570</u>	<u>12,263,450</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	4,674,166	3,785,889
Advance property tax collections	22,558	225,349
Total deferred inflows of resources	<u>4,696,724</u>	<u>4,011,238</u>
Fund balance:		
Nonspendable	18,722	17,508
Assigned	1,772,742	1,616,470
Unassigned	5,238,041	5,042,748
Total fund balance	<u>7,029,505</u>	<u>6,676,726</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 22,137,799</u>	<u>\$ 22,951,414</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2014

Grand List	Uncollected Taxes July 1, 2013	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2014
		Additions	Deductions			Taxes	Interest	Total	
2012	\$ 87,479,779	\$ 64,942	\$ 1,265,071	\$	\$ 86,279,650	\$ 85,042,713	\$ 215,112	\$ 85,257,825	\$ 1,236,937
2011	1,086,502	844	20,875		1,066,471	477,602	116,629	594,231	588,869
2010	439,917		1,882		438,035	152,338	60,544	212,882	285,697
2009	280,770	102	679		280,193	59,245	31,572	90,817	220,948
2008	280,514		1		280,513	21,580	17,889	39,469	258,933
2007	201,994	115	660		201,449	4,092	5,033	9,125	197,357
2006	172,048		118		171,930	2,827	2,960	5,787	169,103
2005	151,211		249		150,962	2,434	3,488	5,922	148,528
2004	80,870		56		80,814	1,837	5,100	6,937	78,977
2003	78,835				78,835	1,628	3,251	4,879	77,207
2002	74,865				74,865	862	1,909	2,771	74,003
2001	84,827				84,827		731	731	84,827
2000	79,702				79,702	7	163	170	79,695
1999	140,349		234		140,115	51	1,928	1,979	140,064
1998	81,884		329		81,555			-	81,555
1997	68,641			68,641	-			-	-
	<u>\$ 90,782,708</u>	<u>\$ 66,003</u>	<u>\$ 1,290,154</u>	<u>\$ 68,641</u>	<u>\$ 89,489,916</u>	<u>\$ 85,767,216</u>	<u>\$ 466,309</u>	86,233,525	<u>\$ 3,722,700</u>

Property taxes receivable considered available:

June 30, 2013

(159,863)

June 30, 2014

289,643

Total Property Tax Revenue

\$ 86,363,305

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Funds						
	Town Aid Road	Animal Control	Town Hall Grants	Public Works Funds	Police Funds	Fees in Lieu of Open Space	Library
ASSETS							
Cash and cash equivalents	\$	\$	\$	\$	\$ 1,317	\$	\$ 89,251
Investments							76,324
Receivables:							
Accounts receivable							
Grants and contracts receivable							
Due from other funds	359,707	21,328	106,360	87,867	125,555	269,019	
Other assets							
Total Assets	\$ 359,707	\$ 21,328	\$ 106,360	\$ 87,867	\$ 126,872	\$ 269,019	\$ 165,575
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 123,200	\$ 13,932	\$ 1,314	\$	\$	\$	\$
Due to other funds							
Unearned revenue							
Total liabilities	123,200	13,932	1,314	-	-	-	-
Fund Balances:							
Nonspendable							
Restricted	236,507		105,046	87,867	126,872		
Committed		7,396				269,019	165,575
Unassigned							
Total fund balances	236,507	7,396	105,046	87,867	126,872	269,019	165,575
Total Liabilities and Fund Balances	\$ 359,707	\$ 21,328	\$ 106,360	\$ 87,867	\$ 126,872	\$ 269,019	\$ 165,575

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Funds					
	Recreation	BOE	Education Grants	Cafeteria	BOE Accommodation	High School Athletic Association
ASSETS						
Cash and cash equivalents	\$ 1,082,319	\$ 102,771	\$ 273,862	\$ 294,085	\$ 94,970	\$
Investments						
Receivables:						
Accounts receivable					460	
Grants and contracts receivable			210,313	67,788		
Due from other funds						16,405
Other assets				42,355		
Total Assets	<u>\$ 1,082,319</u>	<u>\$ 102,771</u>	<u>\$ 484,175</u>	<u>\$ 404,228</u>	<u>\$ 95,430</u>	<u>\$ 16,405</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 45,568	\$ 44,215	\$ 121,039	\$ 51,045	\$	\$ 776
Due to other funds	127,272	16,575	302,781	283,706		
Unearned revenue	987,828		44,113	48,690	84,946	
Total liabilities	<u>1,160,668</u>	<u>60,790</u>	<u>467,933</u>	<u>383,441</u>	<u>84,946</u>	<u>776</u>
Fund Balances:						
Nonspendable				42,355		
Restricted			16,242			
Committed		41,981			10,484	15,629
Unassigned	(78,349)			(21,568)		
Total fund balances	<u>(78,349)</u>	<u>41,981</u>	<u>16,242</u>	<u>20,787</u>	<u>10,484</u>	<u>15,629</u>
Total Liabilities and Fund Balances	<u>\$ 1,082,319</u>	<u>\$ 102,771</u>	<u>\$ 484,175</u>	<u>\$ 404,228</u>	<u>\$ 95,430</u>	<u>\$ 16,405</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Funds							
	Human Services Fund	Community Use of Buildings	Fire Marshall Fund	Lead Poison Prevention	Regional Animal Shelter	IT Reserve Fund	Interfund Eliminations	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$	\$	\$	\$	\$ 200	\$	\$	\$ 1,938,775
Investments								76,324
Receivables:								
Accounts receivable		14,983						15,443
Grants and contracts receivable								278,101
Due from other funds	271,285	70,153	1,997	5,528	18,623	63,643	(141,312)	1,276,158
Other assets								42,355
Total Assets	<u>\$ 271,285</u>	<u>\$ 85,136</u>	<u>\$ 1,997</u>	<u>\$ 5,528</u>	<u>\$ 18,823</u>	<u>\$ 63,643</u>	<u>\$ (141,312)</u>	<u>\$ 3,627,156</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 168	\$ 2,867	\$	\$	\$	\$	\$	\$ 404,124
Due to other funds	14,663						(141,312)	603,685
Unearned revenue								1,165,577
Total liabilities	<u>14,831</u>	<u>2,867</u>		<u>-</u>	<u>-</u>		<u>(141,312)</u>	<u>2,173,386</u>
Fund Balances:								
Nonspendable								42,355
Restricted	256,454		1,997	5,528				836,513
Committed		82,269			18,823	63,643		674,819
Unassigned								(99,917)
Total fund balances	<u>256,454</u>	<u>82,269</u>	<u>1,997</u>	<u>5,528</u>	<u>18,823</u>	<u>63,643</u>	<u>-</u>	<u>1,453,770</u>
Total Liabilities and Fund Balances	<u>\$ 271,285</u>	<u>\$ 85,136</u>	<u>\$ 1,997</u>	<u>\$ 5,528</u>	<u>\$ 18,823</u>	<u>\$ 63,643</u>	<u>\$ (141,312)</u>	<u>\$ 3,627,156</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2014

		Special Revenue Funds					
	Town Aid Road	Animal Control	Town Hall Grants	Public Works Funds	Police	Fees in Lieu of Open Space	Library
Revenues:							
Intergovernmental	\$ 380,375	\$	\$ 17,718	\$	\$ 23,228	\$	\$ 18,480
Charges for services and assessments		27,822	22,709		80,554		22,610
Investment earnings					2		13,174
Miscellaneous				51,674			17,558
Total revenues	<u>380,375</u>	<u>27,822</u>	<u>40,427</u>	<u>51,674</u>	<u>103,784</u>	<u>-</u>	<u>71,822</u>
Expenditures:							
Current:							
General government			8,895				
Public safety		30,329			141,202		
Public works	274,839		15,717	131,545			
Human services							
Culture and recreation							48,156
Education							
Total expenditures	<u>274,839</u>	<u>30,329</u>	<u>24,612</u>	<u>131,545</u>	<u>141,202</u>	<u>-</u>	<u>48,156</u>
Excess (Deficiency) of Revenues over Expenditures	105,536	(2,507)	15,815	(79,871)	(37,418)	-	23,666
Other Financing Uses:							
Transfer out							(23,070)
Net Change in Fund Balance	105,536	(2,507)	15,815	(79,871)	(37,418)	-	596
Fund Balances at Beginning of Year	<u>130,971</u>	<u>9,903</u>	<u>89,231</u>	<u>167,738</u>	<u>164,290</u>	<u>269,019</u>	<u>164,979</u>
Fund Balances at End of Year	<u>\$ 236,507</u>	<u>\$ 7,396</u>	<u>\$ 105,046</u>	<u>\$ 87,867</u>	<u>\$ 126,872</u>	<u>\$ 269,019</u>	<u>\$ 165,575</u>

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TOWN OF SOUTH WINDSOR, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

Special Revenue Funds

	Recreation	BOE	Education Grants	Cafeteria	BOE Accommodations	High School Athletics Association
Revenues:						
Intergovernmental	\$	\$	\$	\$	\$	\$
Charges for services and assessments	1,539,968	119,809	3,581,054	426,977	1,036,513	1,145,638
Investment earnings				118		
Miscellaneous						
Total revenues	<u>1,539,968</u>	<u>119,809</u>	<u>3,581,054</u>	<u>1,463,608</u>	<u>1,145,638</u>	<u>31,573</u>
Expenditures:						
Current:						
General government						
Public safety						
Public works						
Human services						
Culture and recreation	1,797,448					
Education		113,346	3,581,054	1,428,096	1,140,454	53,549
Total expenditures	<u>1,797,448</u>	<u>113,346</u>	<u>3,581,054</u>	<u>1,428,096</u>	<u>1,140,454</u>	<u>53,549</u>
Excess (Deficiency) of Revenues over Expenditures	(257,480)	6,463	-	35,512	5,184	(21,976)
Other Financing Uses:						
Transfer out	<u>(23,000)</u>					
Net Change in Fund Balance	(280,480)	6,463	-	35,512	5,184	(21,976)
Fund Balances at Beginning of Year	<u>202,131</u>	<u>35,518</u>	<u>16,242</u>	<u>(14,725)</u>	<u>5,300</u>	<u>37,605</u>
Fund Balances at End of Year	<u>\$ (78,349)</u>	<u>\$ 41,981</u>	<u>\$ 16,242</u>	<u>\$ 20,787</u>	<u>\$ 10,484</u>	<u>\$ 15,629</u>

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TOWN OF SOUTH WINDSOR, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds						Interfund Eliminations	Total Nonmajor Governmental Funds
	Human Services Fund	Community Use of Buildings	Fire Marshall Fund	Lead Poison Prevention	Regional Animal Shelter	IT Reserve Fund		
Revenues:								
Intergovernmental	\$ 30,782	\$	\$ 2,500	\$ 2,500	\$	\$	\$	\$ 4,483,614
Charges for services and assessments	105,708	74,487						4,207,391
Investment earnings								13,294
Miscellaneous	90,080				37,581	91,500		288,393
Total revenues	<u>226,570</u>	<u>74,487</u>	<u>2,500</u>	<u>2,500</u>	<u>37,581</u>	<u>91,500</u>	<u>-</u>	<u>8,992,692</u>
Expenditures:								
Current:								
General government	1,885					79,595		90,375
Public safety			503		32,225			204,259
Public works								422,101
Human services	152,792			991				153,783
Culture and recreation	3,323							1,848,927
Education		37,911						6,354,410
Total expenditures	<u>158,000</u>	<u>37,911</u>	<u>503</u>	<u>991</u>	<u>32,225</u>	<u>79,595</u>	<u>-</u>	<u>9,073,855</u>
Excess (Deficiency) of Revenues over Expenditures	68,570	36,576	1,997	1,509	5,356	11,905	-	(81,163)
Other Financing Uses:								
Transfer out								(46,070)
Net Change in Fund Balance	68,570	36,576	1,997	1,509	5,356	11,905	-	(127,233)
Fund Balances at Beginning of Year	<u>187,884</u>	<u>45,693</u>	<u>-</u>	<u>4,019</u>	<u>13,467</u>	<u>51,738</u>	<u>-</u>	<u>1,581,003</u>
Fund Balances at End of Year	<u>\$ 256,454</u>	<u>\$ 82,269</u>	<u>\$ 1,997</u>	<u>\$ 5,528</u>	<u>\$ 18,823</u>	<u>\$ 63,643</u>	<u>\$ -</u>	<u>\$ 1,453,770</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - RECREATION FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues:				
Charges for services:				
Day camp	\$ 466,386	\$ 466,386	\$ 218,780	\$ (247,606)
Veterans' memorial park	314,175	314,175	285,275	(28,900)
4th R Revenue	837,350	837,350	590,246	(247,104)
Outdoor	40,575	40,575	32,778	(7,797)
Indoor	209,337	209,337	202,637	(6,700)
Social/cultural	165,547	165,547	163,498	(2,049)
Recreation facilities	39,949	39,949	46,754	6,805
Miscellaneous			170	170
Total revenues	<u>2,073,319</u>	<u>2,073,319</u>	<u>1,540,138</u>	<u>(533,181)</u>
Expenditures:				
Current:				
Day camp	458,784	458,784	437,950	20,834
4th R Personal Services	831,949	828,170	616,354	211,816
Veterans' memorial park	325,623	302,623	286,786	15,837
Outdoor	40,542	40,542	26,523	14,019
Indoor	206,779	206,779	203,460	3,319
Social/cultural	170,901	174,679	174,679	-
Recreation facilities	38,651	38,652	34,781	3,871
Contingency	30,000	30,000		30,000
Total expenditures	<u>2,103,229</u>	<u>2,080,229</u>	<u>1,780,533</u>	<u>299,696</u>
Deficiency of Revenues over Expenditures	(29,910)	(6,910)	(240,395)	(233,485)
Other Financing Sources (Uses):				
Transfers out		(23,000)	(23,000)	-
Utilization of fund balance	29,910	29,910		(29,910)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(263,395)</u>	<u>\$ (263,395)</u>
Fund Balance - June 30, 2013			<u>214,669</u>	
Fund Balance - June 30, 2014			<u>\$ (48,726)</u>	

Reconciliation to GAAP Basis

	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis - June 30, 2014	\$ 1,540,138	\$ 1,780,533
Accrued payroll not budgeted		12,625
Encumbrances outstanding at June 30, 2013 liquidated and cancelled during the year ended June 30, 2014	(170)	12,693
Encumbrances charged to budgetary expenditures during the year ended June 30, 2014		(8,403)
Balance, GAAP Basis - June 30, 2014	<u>\$ 1,539,968</u>	<u>\$ 1,797,448</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

JUNE 30, 2014

	<u>Student Activities</u>	<u>Performance Bonds</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 555,896	\$ 793,644	\$ 1,349,540
Accounts receivable	<u>2,177</u>	<u></u>	<u>2,177</u>
Total assets	<u>\$ 558,073</u>	<u>\$ 793,644</u>	<u>\$ 1,351,717</u>
Liabilities:			
Accounts payable	\$ 20,728	\$	\$ 20,728
Due to others	<u>537,345</u>	<u>793,644</u>	<u>1,330,989</u>
Total liabilities	<u>\$ 558,073</u>	<u>\$ 793,644</u>	<u>\$ 1,351,717</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
School Activities Fund				
Assets:				
Cash and cash equivalents	\$ 489,297	\$ 1,034,579	\$ 967,980	\$ 555,896
Accounts receivable	<u>-</u>	<u>2,177</u>	<u></u>	<u>2,177</u>
Total assets	<u>\$ 489,297</u>	<u>\$ 1,036,756</u>	<u>\$ 967,980</u>	<u>\$ 558,073</u>
Liabilities:				
Accounts payable	\$ 6,239	\$ 20,728	\$ 6,239	\$ 20,728
Due to others	<u>483,058</u>	<u>1,016,028</u>	<u>961,741</u>	<u>537,345</u>
Total liabilities	<u>\$ 489,297</u>	<u>\$ 1,036,756</u>	<u>\$ 967,980</u>	<u>\$ 558,073</u>
Performance Bond Fund				
Assets:				
Cash and cash equivalents	<u>\$ 598,228</u>	<u>\$ 295,445</u>	<u>\$ 100,029</u>	<u>\$ 793,644</u>
Liabilities:				
Due to others	<u>\$ 598,228</u>	<u>\$ 295,445</u>	<u>\$ 100,029</u>	<u>\$ 793,644</u>
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,087,525	\$ 1,330,024	\$ 1,068,009	\$ 1,349,540
Accounts receivable	<u>-</u>	<u>2,177</u>	<u></u>	<u>2,177</u>
Total assets	<u>\$ 1,087,525</u>	<u>\$ 1,332,201</u>	<u>\$ 1,068,009</u>	<u>\$ 1,351,717</u>
Liabilities:				
Accounts payable	\$ 6,239	\$ 20,728	\$ 6,239	\$ 20,728
Due to other groups	<u>1,081,286</u>	<u>1,311,473</u>	<u>1,061,770</u>	<u>1,330,989</u>
Total liabilities	<u>\$ 1,087,525</u>	<u>\$ 1,332,201</u>	<u>\$ 1,068,009</u>	<u>\$ 1,351,717</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

FOR THE YEAR ENDED JUNE 30, 2014

Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2014	\$ 86,233,525
Tax relief for the elderly	<u>2,000</u>
BASE	<u><u>\$ 86,235,525</u></u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 194,029,931	\$	\$	\$	\$
4-1/2 times base		388,059,863			
3-3/4 times base			323,383,219		
3-1/4 times base				280,265,456	
3 times base					258,706,575
Total debt limitation	<u>194,029,931</u>	<u>388,059,863</u>	<u>323,383,219</u>	<u>280,265,456</u>	<u>258,706,575</u>
Indebtedness:					
Bonds and notes payable	24,605,000	6,590,000	1,750,000		
CWF notes payable			27,157,027		
Authorized, unissued bonds	<u>3,082</u>	<u></u>	<u>11,723,412</u>	<u></u>	<u></u>
Total indebtedness	<u>24,608,082</u>	<u>6,590,000</u>	<u>40,630,439</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u><u>\$ 169,421,849</u></u>	<u><u>\$ 381,469,863</u></u>	<u><u>\$ 282,752,780</u></u>	<u><u>\$ 280,265,456</u></u>	<u><u>\$ 258,706,575</u></u>

Note 1: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$603,648,675).