

TOWN OF EASTON, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2012

TOWN OF EASTON, CONNECTICUT

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Independent Auditors' Report

Board of Finance
Town of Easton
Easton, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Easton, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Easton, Connecticut, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 on our consideration of the Town of Easton, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the budgetary comparison information on pages 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Easton, Connecticut's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have 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.

Blum, Shapiro & Company, P.C.

December 7, 2012

TOWN OF EASTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Management of the Town of Easton offers readers these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

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

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$62,719,763 (net assets). Of this amount, \$6,836,931 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$2,813,881. Substantially all of the increase is attributable to capital expenditures in excess of depreciation expense and an increase in investment income.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined deficit ending fund balance of \$(268,592). The deficit is attributable to capital projects that have not yet been permanently financed.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,795,019 or 9.5% of total general fund expenditures and transfers out.

Overview of the Basic Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$62,719,763 at the close of the most recent fiscal year.

A large portion of the Town's net assets (89%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, building improvements, machinery and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF EASTON NET ASSETS
JUNE 30, 2012 AND 2011**

	Governmental Activities	
	2012	2011
Current and other assets	\$ 12,545,813	\$ 11,778,630
Capital assets, net of accumulated depreciation	92,251,775	92,448,395
Total assets	104,797,588	104,227,025
Long-term debt outstanding	31,239,090	32,523,414
Other liabilities	10,838,735	11,797,729
Total liabilities	42,077,825	44,321,143
Net Assets:		
Invested in capital assets, net of debt	55,882,832	55,630,433
Unrestricted	6,836,931	4,275,449
Total Net Assets	\$ 62,719,763	\$ 59,905,882

None of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$6,836,931 may be used to meet the Town's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets for the Town as a whole.

**TOWN OF EASTON CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 2,214,792	\$ 1,834,112
Operating grants and contributions	2,459,793	2,574,110
General revenues:		
Property taxes	38,129,333	37,141,113
Grants and contributions not restricted to specific purposes	251,744	222,757
Investment income	281,849	238,911
Miscellaneous	261,739	44,219
Total revenues	<u>44,179,256</u>	<u>42,055,222</u>
Program expenses:		
General government	3,261,556	3,607,371
Public safety	3,772,713	4,080,618
Public works	3,175,031	3,300,634
Health and welfare	516,153	505,771
Education	27,954,061	27,090,890
Library	954,638	799,462
Parks and recreation	826,622	853,867
Interest expense	904,601	1,761,750
Total expenses	<u>41,365,375</u>	<u>42,000,363</u>
Increase in Net Assets	2,813,881	54,859
Net Assets - Beginning of Year	<u>59,905,882</u>	<u>59,851,023</u>
Net Assets - End of Year	<u>\$ 62,719,763</u>	<u>\$ 59,905,882</u>

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, governmental funds reported a combined deficit ending fund balance of \$(268,592), which is mainly attributed to the issuance of bond anticipation notes.

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was \$3,795,019. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 9.5% of total general fund expenditures and other financing uses, while total fund balance represents 10.4% of that same amount.

General Fund Budgetary Highlights

The most significant difference between the original budget and the final amended budget included additional appropriations of \$30,000 and budget transfers of \$71,088 from various departments to the transfers out account to purchase equipment. The Board of Finance made special appropriations to the Emergency Management, Senior Center, Town Attorney and Professional Services' budgets and transferred funds from police special service revenue to cover expenditures.

The following departments had positive budget variances as follows

- Debt Service in the amount of \$287,856 due to refunding of Bonds.
- The Public Works department in the amount of \$285,507 due to a very mild winter that saved funds in overtime and highway road salt.
- Fringe Benefits in the amount of \$177,000 due to increased percentage deductions and the election to accept "in lieu of" medical coverage.
- Board of Education returning funds of \$141,507.
- 660 Morehouse Road (Old SSS) in the amount of \$62,226 due to the very mild winter and increased reimbursements for utilities.
- Library in the amount of \$42,805 due to the savings from a very mild winter and one vacant position for part of the fiscal year.

Bonded Capital Projects Fund

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

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2012 is \$92,251,775 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, building improvements, machinery and equipment and vehicles.

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

- The construction of the new Animal Shelter Facility that is being funded by two (2) grants, STEAP and LOCIP and Town bonding.
- The remaining additions and deletions consisted of various equipment and vehicles for Town departments.

TOWN OF EASTON CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 19,028,656	\$ 19,028,656
Construction in progress	427,896	427,896
Land improvements	434,904	454,466
Buildings	52,785,406	53,668,877
Building improvements	1,269,239	1,304,789
Machinery and equipment	384,094	351,721
Vehicles	2,423,628	1,372,634
Infrastructure	15,497,952	15,839,356
Total	<u>\$ 92,251,775</u>	<u>\$ 92,448,395</u>

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

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$34,889,000. All of this debt comprises debt backed by the full faith and credit of the Town.

TOWN OF EASTON OUTSTANDING DEBT
General Obligation Bonds and Notes

	Governmental Activities	
	2012	2011
General obligation bonds - Town improvements	\$ 5,433,000	\$ 6,107,000
General obligation bonds - School improvements	21,028,000	22,522,000
General obligation bonds - Sewer improvements	304,000	326,000
Bond anticipation notes	8,124,000	8,500,000
Total	<u>\$ 34,889,000</u>	<u>\$ 37,455,000</u>

The Town is also obligated for a portion of the Regional School District No. 9 general obligation debt in the net amount of \$9,223,133.

On July 8, 2011, the Town issued \$8,124,000 of bond anticipation notes. These bond anticipation notes bear interest at 1.0% and mature on July 6, 2012 and are for elementary school construction and land acquisition.

During the fiscal year, the Town made bond principal payments of \$2,280,000 for school and general purpose debt.

The Town maintains an "AAA" credit rating from Standard and Poor's, for its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$265,022,233 which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budget and Rates

The following are some factors that were considered in preparing the Town's budget for the 2013 fiscal year:

- The unemployment rate for the Town is currently 5.7%. This compares favorably to the state's average unemployment rate of 8.2% and the national average rate of 7.6%.
- Inflationary trends in the region compare favorably to national indices.
- Town's elected and appointed officials considered Town-wide trends when setting the fiscal year 2013 budget. The Town decided that it was important to continue to support the school system and adopt a budget designed to promote long-term financial stability, conservative budgeting, and while at the same time, providing excellent services to our residents and taxpayers. In order to meet these objectives, work hours have been reduced in many departments and some services were reduced.
- At June 30, 2012, unassigned fund balance in the general fund was \$3,795,019.

Requests for Information

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

TOWN OF EASTON, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,549,659
Investments	6,319,120
Receivables, net	1,521,188
Other assets	727,981
Bond issuance costs	176,851
Total current assets	<u>12,294,799</u>
Noncurrent assets:	
Capital assets:	
Assets not being depreciated	19,456,552
Assets being depreciated, net	72,795,223
Total capital assets	<u>92,251,775</u>
Net pension asset	251,014
Total noncurrent assets	<u>92,502,789</u>
Total assets	<u>104,797,588</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	1,713,051
Due to Regional School District No. 9	693,511
Unearned revenue	308,173
Bond anticipation notes	8,124,000
Total current liabilities	<u>10,838,735</u>
Noncurrent liabilities:	
Long-term liabilities due within one year	2,686,741
Long-term liabilities due in more than one year	28,552,349
Total noncurrent liabilities	<u>31,239,090</u>
Total liabilities	<u>42,077,825</u>
Net Assets:	
Invested in capital assets, net of related debt	55,882,832
Unrestricted	6,836,931
Total Net Assets	<u>\$ 62,719,763</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 3,261,556	\$ 720,918	\$ 15,495	\$ 580,006	\$ (1,945,137)
Public safety	3,772,713	518,421	17,245		(3,237,047)
Public works	3,175,031	395,874			(2,779,157)
Health and welfare	516,153	105,206	19,805		(391,142)
Education	27,954,061	39,509	2,407,248		(25,507,304)
Library	954,638	133,884			(820,754)
Parks and recreation	826,622	300,980			(525,642)
Interest and fiscal charges	904,601				(904,601)
Total Governmental Activities	<u>\$ 41,365,375</u>	<u>\$ 2,214,792</u>	<u>\$ 2,459,793</u>	<u>\$ 580,006</u>	<u>(36,110,784)</u>
General revenues:					
Property taxes					38,129,333
Grants and contributions not restricted to specific programs					251,744
Investment income					281,849
Miscellaneous					261,739
Total general revenues					<u>38,924,665</u>
Change in Net Assets					2,813,881
Net Assets - Beginning of Year					<u>59,905,882</u>
Net Assets - End of Year					<u>\$ 62,719,763</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>General</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 782,663	\$	\$ 481,879	\$ 1,943,623	\$ 3,208,165
Investments	5,442,923		105,465	770,732	6,319,120
Receivables:					
Property taxes	983,584				983,584
Accounts	143,288		42,830	58,134	244,252
Intergovernmental	181,201		544,280	2,500	727,981
Due from other funds	104,900				104,900
Total Assets	<u>\$ 7,638,559</u>	<u>\$ -</u>	<u>\$ 1,174,454</u>	<u>\$ 2,774,989</u>	<u>\$ 11,588,002</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 450,879	\$ 28,353	\$ 13,497	\$ 124,504	\$ 617,233
Accrued liabilities	878,097				878,097
Due to Regional School District No. 9	693,511				693,511
Due to other funds	316,541	104,900			421,441
Deferred revenue	1,122,312				1,122,312
Bond anticipation notes		8,124,000			8,124,000
Total liabilities	<u>3,461,340</u>	<u>8,257,253</u>	<u>13,497</u>	<u>124,504</u>	<u>11,856,594</u>
Fund balances:					
Restricted				157,778	157,778
Committed			1,160,957	2,525,664	3,686,621
Assigned	382,200				382,200
Unassigned	3,795,019	(8,257,253)		(32,957)	(4,495,191)
Total fund balances	<u>4,177,219</u>	<u>(8,257,253)</u>	<u>1,160,957</u>	<u>2,650,485</u>	<u>(268,592)</u>
Total Liabilities and Fund Balances	<u>\$ 7,638,559</u>	<u>\$ -</u>	<u>\$ 1,174,454</u>	<u>\$ 2,774,989</u>	<u>\$ 11,588,002</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2012

Reconciliation of the Balance Sheet - Governmental Funds

to the Statement of Net Assets:

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

Fund balances - total governmental funds	\$ (268,592)
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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	\$ 122,643,346	
Less accumulated depreciation	<u>(30,391,571)</u>	
Net capital assets		92,251,775

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not recorded in the funds:

Net pension asset	251,014
Property tax receivables greater than 60 days	799,989
Interest receivable on property taxes	293,352
Bond issue costs	176,851
Receivable from the state for school construction projects	14,960

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 assets.

567,121

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

Bonds and notes payable	(26,765,000)
Compensated absences	(999,495)
Capital lease payable	(964,042)
Net OPEB obligation	(1,121,432)
Interest payable on bonds and notes	(127,617)
Deferred charges on refunding	5,395
Unamortized bond premium	(521,296)
Heart and hypertension	<u>(873,220)</u>

Net Assets of Governmental Activities (Exhibit I)	\$ <u>62,719,763</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 37,864,061	\$	\$	\$	\$ 37,864,061
Intergovernmental	2,366,020		580,006	321,888	3,267,914
Charges for services	1,480,688	77,853		907,628	2,466,169
Investment income	243,904	141	16	37,788	281,849
Contributions			130	28,596	28,726
Total revenues	<u>41,954,673</u>	<u>77,994</u>	<u>580,152</u>	<u>1,295,900</u>	<u>43,908,719</u>
Expenditures:					
Current:					
General government	1,950,414			113,816	2,064,230
Public safety	2,532,072			87,810	2,619,882
Public works	1,839,025			276,813	2,115,838
Health and welfare	329,184			35,181	364,365
Education	26,784,954			309,609	27,094,563
Library	523,656			143,237	666,893
Parks and recreation	378,364			298,269	676,633
Employee benefits	3,234,146				3,234,146
Insurance	638,232				638,232
Debt service	3,446,341				3,446,341
Capital outlay		17,236	1,308,372	41,016	1,366,624
Total expenditures	<u>41,656,388</u>	<u>17,236</u>	<u>1,308,372</u>	<u>1,305,751</u>	<u>44,287,747</u>
Deficiency of Revenues over Expenditures	<u>298,285</u>	<u>60,758</u>	<u>(728,220)</u>	<u>(9,851)</u>	<u>(379,028)</u>
Other Financing Sources (Uses):					
Proceeds from sale of refunding bonds	6,810,000				6,810,000
Premium on refunded bonds	298,387				298,387
Payment to refunded bond escrow	(6,995,628)				(6,995,628)
Proceeds from capital leases			1,092,050		1,092,050
Transfers in	95,000		85,354	67,717	248,071
Transfers out	(138,805)			(109,266)	(248,071)
Net other financing sources	<u>68,954</u>	<u>-</u>	<u>1,177,404</u>	<u>(41,549)</u>	<u>1,204,809</u>
Net Change in Fund Balances	367,239	60,758	449,184	(51,400)	825,781
Fund Balances - Beginning of Year	<u>3,809,980</u>	<u>(8,318,011)</u>	<u>711,773</u>	<u>2,701,885</u>	<u>(1,094,373)</u>
Fund Balances - End of Year	<u>\$ 4,177,219</u>	<u>\$ (8,257,253)</u>	<u>\$ 1,160,957</u>	<u>\$ 2,650,485</u>	<u>\$ (268,592)</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 825,781
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,278,332
Depreciation expense	(1,468,951)

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

(6,001)

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

School building grant receipts	(5,175)
Increase in property tax receivable - accrual basis change	(18,953)
Increase in property tax interest and lien revenue	284,225
Net pension asset	195,697

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

Proceeds from sale of bonds	
Bond premium	(298,387)
Bond issuance costs	112,759
Deferred charges on refunding	2,606
Bond principal repayments	2,280,000
Proceeds from sale of refunding bonds	(6,810,000)
Payment to refunded bond escrow	6,995,628
Proceeds from capital lease	(1,092,050)

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

Net OPEB expense	(327,894)
Heart and hypertension claims	190,511
Compensated absences	57,177
Accrued interest payable	118,936
Amortization of bond premium	45,966
Amortization of bond issue costs	(18,527)
Capital lease payments	128,008

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

The net revenue of the activities of the Internal Service Fund is reported with governmental activities	344,193
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Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 2,813,881</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

JUNE 30, 2012

	Governmental Activities
	Internal Service Fund
Assets:	
Current asset:	
Cash	\$ 341,494
Due from other funds	316,541
Total assets	<u>658,035</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>90,914</u>
Net Assets:	
Unrestricted	\$ <u><u>567,121</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities Internal Service Fund
Operating Revenue:	
Premiums	\$ 2,246,080
Operating Expenses:	
Claims	1,741,497
Administration	160,808
Total operating expenses	<u>1,902,305</u>
Operating income	343,775
Nonoperating Revenue:	
Investment income	<u>418</u>
Change in Net Assets	344,193
Total Net Assets - Beginning of Year	<u>222,928</u>
Total Net Assets - End of Year	\$ <u><u>567,121</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Premiums received	\$ 2,121,050
Claim payments	(1,706,864)
Administrative payments	(160,808)
Net cash provided by operating activities	<u>253,378</u>
Cash Flows from Investing Activities:	
Income on investments	<u>418</u>
Net Increase in Cash	253,796
Cash - Beginning of Year	<u>87,698</u>
Cash - End of Year	<u><u>\$ 341,494</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 343,775
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Increase:	
Claims payable	34,633
Increase:	
Due from other funds	<u>(125,030)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 253,378</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

	Pension Trust Fund	Agency Funds
	<hr/>	<hr/>
Assets:		
Cash and cash equivalents	\$ 733,746	\$ 1,809,652
Investments, at fair value:		
Mutual funds	11,528,930	
Accounts receivable	19,199	
Prepaid benefits	<hr/> 51,167	<hr/>
Total assets	12,333,042	\$ <u><u>1,809,652</u></u>
Liability:		
Accounts payable	<hr/>	\$ <u><u>1,809,652</u></u>
Net Assets:		
Net assets held in trust for pension benefits	\$ <u><u>12,333,042</u></u>	

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 640,421
Plan members	179,562
Total contributions	<u>819,983</u>
Investment income:	
Net depreciation in fair value of investments	(599,295)
Interest and dividends	270,139
Net investment loss	<u>(329,156)</u>
Total net additions	490,827
Deductions:	
Benefits	<u>608,292</u>
Changes in Net Assets	(117,465)
Net Assets - Beginning of Year	<u>12,450,507</u>
Net Assets - End of Year	<u>\$ 12,333,042</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The Town also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

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

Receivables and Payables

Interfunds

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

Property Taxes and Other Receivables

For the government-wide financial statements, all trade, property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 8-20% of outstanding receivable balances at June 30, 2012, and are calculated based upon prior collections.

For the fund financial statements, property taxes receivable at June 30, 2012, which have not been collected within 60 days of June 30, have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 day period have been recorded as revenue.

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Fund Equity and Net Assets

In the government-wide financial statements, net assets are classified into the following categories:

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

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

Unrestricted Net Assets - This category presents the net assets of the Town which are not restricted.

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

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

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

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

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

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

Estimates

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

Comparative Data/Reclassifications

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

- The budget is recommended by the Board of Finance at a Town Meeting and, if accepted, is adopted prior to July 1.
- The Board of Finance is authorized to transfer budgeted amounts within and between departments and to approve the first additional appropriation for a department, not to exceed \$20,000, in any one year. Additional appropriations after the first or in excess of \$20,000 must be approved by vote of a Town Meeting. During the year, the Board of Finance or Town Meeting approved additional appropriations of \$246,699 from fund balance.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and Town Meeting approval.
- Generally, all unencumbered appropriations lapse at year end, except for those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Deficit Fund Balance

The following funds had fund balance deficits at June 30, 2012:

Major Fund:	
Bonded Capital Projects	\$ (8,257,253)
Nonmajor Funds:	
Senior Center	(800)
Solid Waste Program	(18,035)
Town Hall Grants	(924)
Senior Center Leasing Buyout	(4,817)
Senior Center Van	(8,381)

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

C. Capital Projects Authorizations

The following is a summary of major Capital Projects at June 30, 2012:

<u>Fund</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2012</u>
Capital Nonrecurring:				
Wells Hill bridge	\$ 729,324	\$ 6,020	\$ 617,160	\$ 112,164
Town improvement trust fund	49,518	21,987	41,966	7,552
Fire truck	1,117,420		504,063	613,357
EMS ambulance	281,400		276,106	5,294
Heat and smoke systems	6,500			6,500
Toth park pavilion	27,860		27,860	-
Senior center van	100,160	57,160	100,141	19
Band stand site	5,000		5,000	-
Fire code work	14,925		14,730	195
Subdivision funds	105,449		11,210	94,239
Planning and zoning town plans	52,250		47,599	4,651
Town garage	122,285		110,981	11,304
Highway salt shed	415,500		7,410	408,090
Unimproved Town Aid Roads	65,138		65,138	-
EMS defibrillator	65,355		64,260	1,095
EMS - Generator	10,375		7,522	2,853
Toth park	27,860		27,860	-
Revaluation	408,926	33,385	404,219	4,707
Telephone System Town Hall	6,500		6,495	5
Central Office Relocation SP Approp	19,500		19,244	256
Fire department breathing apparatus	77,500		77,353	147
Park and recreation veterans park	46,050		44,810	1,240
Park and recreation toth park - DEP	21,225	4,775	18,455	2,770
Morehouse Road Little League Fields	105,000		99,695	5,305
Senior center renovation	117,830		117,830	-
UST/Line upgrade	47,301		47,301	-
Highway trucks	88,700		87,936	764
Staples renovation	455,000		388,317	66,683
EMS building renovations	56,805		54,818	1,987
Town financials	4,800	3,814	3,814	986
Animal shelter	588,000	90,481	524,701	63,299
School buses lease - Easton portion	1,092,050	1,092,050	1,092,050	-
Town hall vault	5,000		4,942	58
paint abatement	84,300	(1,300)	60,189	24,111
	<u>\$ 6,420,806</u>	<u>\$ 1,308,372</u>	<u>\$ 4,981,175</u>	<u>\$ 1,439,631</u>

<u>Fund</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2012</u>
Bonded Capital Projects:				
Water main extension	\$ 363,164	\$	\$ 286,985	\$ 76,179
School building committee "2001"	31,239,088		31,195,429	43,659
Staples elementary	1,643,500		1,614,554	28,946
C.O. Bonding Authorization	370,858		370,442	416
South Park Avenue	6,450,000	17,236	6,226,581	223,419
Fire Supression	455,000		382,051	72,949
Dog Shelter	188,000			188,000
HKMS school building commission	11,168,617		11,164,486	4,131
	<u>\$ 51,878,227</u>	<u>\$ 17,236</u>	<u>\$ 51,240,528</u>	<u>\$ 637,699</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) 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 deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Statues. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. The Statutes require that each depository maintain segregated collateral (not

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$4,318,171 of the Town's bank balance of \$4,951,639 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,012,708
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>305,464</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 4,318,172</u>

Cash Equivalents

At June 30, 2012, the Town's cash equivalents amounted to \$1,158,422. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

Investments

As of June 30, 2012, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1-10	More Than 10
Interest bearing investments:					
U.S. Government					
Agency Bonds	N/A	\$ 5,442,923	\$	\$ 422,657	\$ 5,020,266
Corporate bonds	A	74,285		74,285	
Corporate bonds	A-	74,407		74,407	
Total		5,591,615	\$ -	\$ 571,349	\$ 5,020,266
Other investments:					
Equities		184,015			
Mutual funds		12,072,420			
Total Investments		\$ 17,848,050			

N/A - Not applicable

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

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

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

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2012, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Nonrecurring Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest*	\$	\$	\$	\$ -
Taxes	1,083,584			1,083,584
Accounts	143,288	42,830	77,333	263,451
Intergovernmental	181,201	544,280	2,500	727,981
Gross receivables	<u>1,408,073</u>	<u>587,110</u>	<u>79,833</u>	<u>2,075,016</u>
Less allowance for uncollectibles	<u>(100,000)</u>			<u>(100,000)</u>
Net Total Receivables	<u>\$ 1,308,073</u>	<u>\$ 587,110</u>	<u>\$ 79,833</u>	<u>\$ 1,975,016</u>

*Accrued interest on property taxes in the amount of \$293,352 is not included in the fund financial statements.

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 799,989	\$
Grant drawdowns not yet earned		297,499
Prepaid tuition	14,150	
Tax overpayments		7,213
Other		3,461
	<u> </u>	<u> </u>
Total Deferred/Unearned Revenue for Governmental Funds	\$ <u>814,139</u>	\$ <u>308,173</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 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	\$ 19,028,656	\$	\$	\$ 19,028,656
Construction in progress	427,896			427,896
Total capital assets not being depreciated	<u>19,456,552</u>	<u>-</u>	<u>-</u>	<u>19,456,552</u>
Capital assets being depreciated:				
Land improvements	611,769			611,769
Buildings	69,149,779			69,149,779
Building improvements	1,388,902	6,415		1,395,317
Machinery and equipment	1,331,807	68,896		1,400,703
Vehicles	4,097,574	1,198,493	(41,981)	5,254,086
Infrastructure	25,370,612	4,528		25,375,140
Total capital assets being depreciated	<u>101,950,443</u>	<u>1,278,332</u>	<u>(41,981)</u>	<u>103,186,794</u>
Less accumulated depreciation:				
Land improvements	(157,303)	(19,562)		(176,865)
Buildings	(15,480,902)	(883,471)		(16,364,373)
Building improvements	(84,113)	(41,965)		(126,078)
Machinery and equipment	(980,086)	(36,523)		(1,016,609)
Vehicles	(2,724,940)	(141,498)	35,980	(2,830,458)
Infrastructure	(9,531,256)	(345,932)		(9,877,188)
Total accumulated depreciation	<u>(28,958,600)</u>	<u>(1,468,951)</u>	<u>35,980</u>	<u>(30,391,571)</u>
Total capital assets being depreciated, net	<u>72,991,843</u>	<u>(190,619)</u>	<u>(6,001)</u>	<u>72,795,223</u>
Governmental Activities Capital Assets, Net	\$ <u>92,448,395</u>	\$ <u>(190,619)</u>	\$ <u>(6,001)</u>	\$ <u>92,251,775</u>

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

Governmental activities:	
General government	\$ 583,574
Public safety	76,476
Public works	118,860
Education	672,652
Library	<u>17,389</u>
Total Depreciation Expense - Governmental Activities	\$ <u>1,468,951</u>

6. INTERFUND ACCOUNTS

At June 30, 2012, the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 316,541
General Fund	Bonded Capital Projects	<u>104,900</u>
		\$ <u>421,441</u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Non-recurring Fund</u>	<u>Nonmajor Government Funds</u>	
Transfers out:				
General Fund	\$	\$ 71,088	\$ 67,717	\$ 138,805
Nonmajor governmental	<u>95,000</u>	<u>14,266</u>		<u>109,266</u>
Total Transfers Out	\$ <u>95,000</u>	\$ <u>85,354</u>	\$ <u>67,717</u>	\$ <u>248,071</u>

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

7. SHORT-TERM OBLIGATIONS - BOND ANTICIPATION NOTES

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

	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2012</u>
Bond Anticipation Notes:				
Elementary school construction	\$ 2,350,000	\$	\$ (68,500)	\$ 2,281,500
Land acquisition	<u>6,150,000</u>	<u></u>	<u>(307,500)</u>	<u>5,842,500</u>
Total	<u>\$ 8,500,000</u>	<u>\$ -</u>	<u>\$ (376,000)</u>	<u>\$ 8,124,000</u>

On July 8, 2011, the Town issued \$8,124,000 of bond anticipation notes. These bond anticipation notes bear interest at 1.0% and mature on July 6, 2012 and are for elementary school construction and land acquisition.

8. LONG-TERM DEBT

A. Changes in Long-Term Debt

Summary of Changes

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

	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds:									
General purpose:									
Improvement bond	6,730,000	10/15/01	10/15/21	3.25-4.75	\$ 336,500	\$	\$ 336,500	\$ -	\$ 336,500
Refunding bond	3,318,000	02/15/03	06/01/15	1.6-4.0	934,000		241,000	693,000	241,000
Improvement bond	1,424,000	07/15/10	07/15/25	1.0-3.375	1,424,000		94,000	1,330,000	94,000
Refunding bond (2001 issue)	3,739,500	05/28/09	10/15/21	3.0-5.0	3,412,500		2,500	3,410,000	2,500
Total general purpose					<u>6,107,000</u>	<u>-</u>	<u>674,000</u>	<u>5,433,000</u>	<u>674,000</u>
Schools:									
Improvement bond	10,370,000	10/15/01	10/15/21	3.25-4.75	518,500		518,500	-	518,500
Refunding bond	447,000	01/15/03	06/01/15	1.6-4.0	136,000		34,000	102,000	34,000
Improvement bond	9,600,000	11/01/05	11/01/25	3.75-5.0	7,200,000		7,200,000	-	480,000
Refunding bond (2001 issue)	5,765,500	05/28/09	10/15/21	3.0-5.0	5,257,500		2,500	5,255,000	2,500
Improvement bond	925,000	07/15/10	07/15/25	1.0-3.375	925,000		64,000	861,000	64,000
Refunding bond	8,485,000	06/01/11	06/01/25	2.0-5	8,485,000		485,000	8,000,000	485,000
Refunding bond (2005 issue)	6,810,000	02/09/12	11/01/25	2.0-4.0		6,810,000		6,810,000	
Total schools					<u>22,522,000</u>	<u>6,810,000</u>	<u>8,304,000</u>	<u>21,028,000</u>	<u>1,584,000</u>
Sewer:									
Improvement bond	326,000	07/15/10	07/15/25	1.0-3.375	326,000		22,000	304,000	22,000
Total bonds/notes					28,955,000	6,810,000	9,000,000	26,765,000	2,280,000
Deferred charge in refunding issue					87,211		92,606	(5,395)	
Bond premium					567,262		45,966	521,296	
Total bonds and related liabilities					<u>29,609,473</u>	<u>6,810,000</u>	<u>9,138,572</u>	<u>27,280,901</u>	<u>2,280,000</u>
Compensated absences					1,056,672		57,177	999,495	199,899
Capital lease						1,092,050	128,008	964,042	139,789
Heart and hypertension					1,063,731		190,511	873,220	67,053
Net OPEB obligation					<u>793,538</u>	<u>327,894</u>		<u>1,121,432</u>	
Total General Long-Term Obligations					<u>\$ 32,523,414</u>	<u>\$ 8,229,944</u>	<u>\$ 9,514,268</u>	<u>\$ 31,239,090</u>	<u>\$ 2,686,741</u>

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

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

<u>Year Ending June 30,</u>	<u>To Be Provided By State</u>		<u>Bonds</u>	
	<u>For</u> <u>Principal</u>	<u>For</u> <u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 5,081	\$ 586	\$ 1,975,000	\$ 909,944
2014	5,081	387	2,335,000	830,478
2015	4,798	188	2,330,000	758,081
2016			2,250,000	682,581
2017			2,250,000	604,725
2018			2,245,000	522,100
2019			2,230,000	447,700
2020			2,205,000	373,700
2021			2,195,000	292,175
2022			2,175,000	206,781
2023			1,320,000	138,431
2024			1,310,000	91,313
2025			1,290,000	44,038
2026			655,000	10,200
Total	\$ <u>14,960</u>	\$ <u>1,161</u>	\$ <u>26,765,000</u>	\$ <u>5,912,247</u>

In addition to the above recorded amounts, the Town participates with the Town of Redding in providing a regional high school for students residing in each town. Accordingly, the outstanding debt and related interest expense of Regional School District No. 9 (the District) is shared by Easton and Redding based upon the respective number of students attending from each town. Total outstanding debt of the District at June 30, 2012, which matures through 2026, amounted to \$21,230,000. The Town's share of the debt, net of the related grant, was \$9,223,133.

Prior Year Defeasance of Debt

In prior years, the Town had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2012, \$6,720,000 of bonds outstanding is considered defeased.

Current Year Refunding

On February 9, 2012, the Town issued \$6,810,000 in General Obligation Refunding Bonds with interest rates of 2.0 - 4.0% to advance refund \$6,720,000 of outstanding 2005 bonds with interest rates of 4.0 - 5.0%. This advance refunding was undertaken to reduce total debt service payments by \$809,423 and resulted in a net present value savings of \$789,730. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased.

B. Capital Leases

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

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the leases and the present value of the future minimum lease payments reflected at June 30, 2012:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 163,172
2014	163,172
2015	163,172
2016	163,172
2017	383,225
	<u>1,035,913</u>
Less amount representing interest	<u>(71,871)</u>
Present Value of Future Minimum Lease Payment	<u>\$ 964,042</u>

C. Heart and Hypertension

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

D. Legal Debt Limitation

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 85,185,718	\$ 11,458,500	\$ 73,727,218
Schools	170,371,436	32,540,732	137,830,704
Sewers	141,976,196	304,000	141,672,196
Urban renewal	123,046,037		123,046,037
Pension deficit	113,580,957		113,580,957

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$265,022,233 or seven times the base for debt limitation computation.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$14,960 for bond principal is reflected as deductions in the computation of net indebtedness.

Authorized/Unissued Bonds

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

9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2012 are as follows:

	<u>General Fund</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Restricted for:					
Grants	\$	\$		\$ 148,216	\$ 148,216
Education				9,562	9,562
Committed to:					
Capital projects			1,160,957		1,160,957
General government				917,996	917,996
Public safety				387,063	387,063
Health and welfare				37,721	37,721
Library				1,024,771	1,024,771
Parks and recreation				158,113	158,113
Assigned:					
Subsequent year's budget	145,000				145,000
Potential claims	140,000				140,000
Debt service	97,200				97,200
Unassigned	<u>3,795,019</u>	<u>(8,257,253)</u>		<u>(32,957)</u>	<u>(4,495,191)</u>
Total Fund Balances	\$ <u>4,177,219</u>	\$ <u>(8,257,253)</u>	\$ <u>1,160,957</u>	\$ <u>2,650,485</u>	\$ <u>(268,592)</u>

10. RISK MANAGEMENT

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

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

The medical claims fund is substantially funded by the Town's general fund based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which includes past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

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

		Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2010-2011	\$	57,355	\$ 1,876,406	\$ 1,877,480	\$ 56,281
2011-2012		56,281	1,741,497	1,706,864	90,914

11. PENSION PLANS

A. Plan Description

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

Town of Easton Retirement Plan I and II

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

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

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

Classes of Employees Covered

As of July 1, 2011, the plan's membership consisted of:

Retires and beneficiaries currently receiving benefits	51
Terminated members entitled to benefits but not yet receiving them	38
Current active members	<u>100</u>
Total	<u><u>189</u></u>

C. Benefit Provisions

Contributions

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

Schedule of Employer Contributions and Net Pension Obligation

Year Ended June 30,	Actual Contribution	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (Obligation)
2007	\$ 415,000	\$ 320,622	129.4%	\$ 328,924	126.2%	\$ 233,862
2008	360,000	257,959	139.6	272,278	132.2	321,584
2009	254,000	362,172	70.1	377,809	67.2	197,775
2010	554,000	687,975	80.5	698,146	79.4	53,629
2011	691,269	686,523	100.7	689,581	100.2	55,317
2012	640,421	441,339	145.1	444,724	144.0	251,014

Actuarial Assumptions

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

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

Actuarial valuation date	July 1, 2011
Actuarial cost method	Frozen Entry Age
Amortization method	Level Dollar
Remaining amortization periods	8.3
Asset valuation methods	Fair Value

Actuarial Assumptions:

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

Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 441,339
Interest on net pension asset	(3,872)
Adjustment to annual required contribution	<u>7,257</u>
Annual pension cost	444,724
Contributions made	<u>640,421</u>
Increase in net pension asset	195,697
Net pension asset - July 1, 2011	<u>55,317</u>
Net Pension Asset - June 30, 2012	<u>\$ 251,014</u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/06	\$ 10,393,040	\$ 10,919,909	\$ 526,869	95.2%	\$ 3,457,793	15.24%
7/1/07	12,148,662	11,932,419	(216,243)	101.8	3,653,568	(5.92)
7/1/08	11,594,133	12,353,716	759,583	93.9	3,976,807	19.10
7/1/09	9,129,252	12,922,832	3,793,580	70.6	4,192,636	90.48
7/1/10	10,177,663	13,910,263	3,732,600	73.2	4,481,747	83.28
7/1/11	12,450,507	14,493,708	2,043,201	85.9	4,167,096	49.03

12. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

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

B. Funding Policy

Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 7% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF

for the years ended June 30, 2012, 2011 and 2010 were \$322,474, \$257,231 and \$168,227, respectively, equal to the required contributions for each year.

C. On-Behalf Payments

The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Town's teachers was \$1,515,506.

13. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

Town

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

Non-Union Employees and Highway/Public Works Employees

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

Police and Fire

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

Board of Education

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

Teachers

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

Other Board of Education Employees

Eligibility for Medical, Dental and Life Coverage	Retirement on or after attaining age 55 with 5 years of service or after 25 years of service.
Retiree/Spouse Cost of Medical Coverage	Retiree pays full cost of insurance, spouse can continue coverage after retiree's death.
Plan of Coverage	Self-insured medical plan. Medicare supplement plan coverage on or after age 65.
Retiree/Spouse Cost of Dental Coverage	Retiree pays full cost of insurance.
Life Insurance Benefit	None.

B. Membership

Membership in the plan consisted of the following at July 1, 2010:

	<u>Town of Easton Retiree Medical Benefit Plan</u>
Number of retirees and eligible surviving spouses	7
Number of active participants	241
Total	<u>248</u>

C. Description of Actuarial Assumptions and Methods

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

	Town of Easton Retiree Medical Plan
Actuarial valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit Cost
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%/annum
Projected salary increases	n/a

Retirement Assumptions:

Town

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

Board of Education

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

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

D. Annual OPEB Cost and Net OPEB Obligations

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

	Town of Easton Retiree Medical Benefit Plan
Annual required contribution	\$ 329,788
Interest on net OPEB obligation	35,709
Adjustment to annual required contribution	(46,624)
Annual OPEB cost	318,873
Contribution made	(9,021)
Increase in net OPEB obligation	309,852
Net OPEB obligation, July 1, 2011	793,538
Net OPEB Obligation, June 30, 2012	\$ <u>1,103,390</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ending June 30, 2012 is presented below. Data is only presented for two fiscal years as it is only the second year of implementation.

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

Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Underfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 2,777,663	\$ 2,777,663	-%	\$ 12,665,797	21.9%
7/1/10	-	2,623,470	2,623,470	-	12,712,616	20.6%

14. CONTINGENT LIABILITIES

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

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

TOWN OF EASTON, CONNECTICUT

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Property Taxes:				
Property taxes, current and prior	\$ 37,854,342	37,854,342	\$ 37,624,913	\$ (229,429)
Interest and lien fees	100,000	100,000	151,588	51,588
Telephone access	48,000	48,000	87,560	39,560
Total property taxes	<u>38,002,342</u>	<u>38,002,342</u>	<u>37,864,061</u>	<u>(138,281)</u>
Intergovernmental:				
Educational assistance:				
Special education and education cost share	593,868	593,868	591,500	(2,368)
School building grant	5,269	5,269	5,569	300
Other	12,174	12,174	-	(12,174)
Total educational assistance	<u>611,311</u>	<u>611,311</u>	<u>597,069</u>	<u>(14,242)</u>
Town assistance:				
Town aid roads	113,430	113,430	113,610	180
Infrastructure	615,613	615,613	26,000	(589,613)
In lieu of tax loss - boats	4,814	4,814	-	(4,814)
Elderly tax relief	37,360	37,360	39,626	2,266
Tax relief for the totally disabled			75	75
State owned property	58,831	58,831	58,855	24
Manufacturing			528	528
Municipal revenue sharing			528	528
Mashantucket Pequot grant	8,652	8,652	5,760	(2,892)
Civil preparedness	4,800	4,800	-	(4,800)
Property tax relief (veterans)	8,247	8,247	6,762	(1,485)
Miscellaneous	15,000	15,000	1,701	(13,299)
Total town assistance	<u>866,747</u>	<u>866,747</u>	<u>253,445</u>	<u>(613,302)</u>
Total intergovernmental	<u>1,478,058</u>	<u>1,478,058</u>	<u>850,514</u>	<u>(627,544)</u>
Investment Income	<u>315,000</u>	<u>315,000</u>	<u>243,904</u>	<u>(71,096)</u>
Charges for Services:				
Town clerk	175,000	175,000	183,546	8,546
Building inspection fees and permits	120,000	120,000	101,844	(18,156)
Health department	15,000	15,000	23,615	8,615
Planning and zoning	10,000	10,000	14,662	4,662
Conservation commission	5,000	5,000	6,092	1,092
Police department	100,000	100,000	404,185	304,185
First selectman	80,000	80,000	81,841	1,841
Municipal building leases	340,450	340,450	367,986	27,536

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Fire marshal	\$ 40	\$ 40	\$ -	\$ (40)
Parks and recreation	29,541	29,541	18,579	(10,962)
Region 9 tuition	10,169	10,169	31,827	21,658
BOE tuition	11,979	11,979	7,682	(4,297)
Recycling bins			777	777
Highway department	1,500	1,500	1,271	(229)
Other	<u>21,857</u>	<u>21,857</u>	<u>236,781</u>	<u>214,924</u>
Total charges for services	<u>920,536</u>	<u>920,536</u>	<u>1,480,688</u>	<u>560,152</u>
Total Revenues	<u>40,715,936</u>	<u>40,715,936</u>	<u>40,439,167</u>	<u>(276,769)</u>
Other Financing Sources:				
Sale of capital assets			1,031	1,031
Transfer in - EMS	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>
Total other financing sources	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>\$ 40,810,936</u>	<u>\$ 40,810,936</u>	<u>40,534,167</u>	<u>\$ (276,769)</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut				
State Teachers' Retirement System for Town teachers are not budgeted			1,515,506	
Premium on refunding bonds			298,387	
Proceeds from sale of refunding bonds			<u>6,810,000</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>\$ 49,158,060</u>	

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Additional Appropriations and Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
General Government:					
Town clerk	\$ 153,301	\$ 2,183	\$ 155,484	\$ 155,480	\$ 4
First selectman	155,780	1,842	157,622	148,583	9,039
Probate court	4,625		4,625	4,625	-
Registrar of voters	63,437	704	64,141	44,001	20,140
Board of finance	6,500		6,500	3,441	3,059
Auditors	37,300		37,300	35,000	2,300
Treasurer	177,981	3,461	181,442	180,500	942
Assessor	104,423	2,515	106,938	106,361	577
Board of assessment appeals	800		800	673	127
Tax collector	93,885		93,885	90,813	3,072
Town attorney	90,000	11,000	101,000	100,038	962
Planning and zoning commission	109,131		109,131	101,660	7,471
Zoning board of appeals	7,412		7,412	6,156	1,256
Building department	93,491	2,289	95,780	94,047	1,733
Technology computer	25,854		25,854	21,766	4,088
Town Hall	136,061		136,061	108,668	27,393
Communication dispatchers	228,746		228,746	211,850	16,896
Commission for the elderly	52,371	1,263	53,634	53,289	345
Senior center	165,554	1,153	166,707	166,707	-
SSS building	376,323		376,323	314,097	62,226
Cemetery	2,432		2,432	2,425	7
Public celebrations	450		450	234	216
Total general government	<u>2,085,857</u>	<u>26,410</u>	<u>2,112,267</u>	<u>1,950,414</u>	<u>161,853</u>
Public Safety:					
Police department	1,408,561	262,667	1,671,228	1,667,177	4,051
Fire department	806,282	(46,016)	760,266	749,374	10,892
Fire marshal	28,200		28,200	20,832	7,368
Emergency management	8,712	12,000	20,712	20,039	673
Firehouse rent	41,000		41,000	41,000	-
Conservation commission	36,270		36,270	33,650	2,620
Total public safety	<u>2,329,025</u>	<u>228,651</u>	<u>2,557,676</u>	<u>2,532,072</u>	<u>25,604</u>
Public Works:					
Recycling	128,567		128,567	115,582	12,985
Highway department	1,947,484	6,719	1,954,203	1,684,326	269,877
Street lights	1,432		1,432	1,187	245
Engineering and professional services	39,330	1,000	40,330	37,930	2,400
Total public works	<u>2,116,813</u>	<u>7,719</u>	<u>2,124,532</u>	<u>1,839,025</u>	<u>285,507</u>
Health and Welfare:					
Health director	65,017	8,178	73,195	72,917	278
EMS commission	268,986		268,986	254,386	14,600
Welfare	4,120		4,120	1,881	2,239
Total health and welfare	<u>338,123</u>	<u>8,178</u>	<u>346,301</u>	<u>329,184</u>	<u>17,117</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Additional Appropriations and Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Education:					
Easton Board of Education:					
General instruction	\$ 7,084,883	\$ (10,449)	\$ 7,074,434	\$ 7,020,831	\$ 53,603
Kindergarten	11,126	(800)	10,326	8,296	2,030
Humanities	20,313	668	20,981	19,789	1,192
Integrated language arts	31,205	(1,002)	30,203	29,779	424
Curriculum	59,931	(8,997)	50,934	41,131	9,803
Science/math technology	25,674	7,572	33,246	31,144	2,102
Physical education/health	4,671	(211)	4,460	4,457	3
Special services	32,580		32,580	43,931	(11,351)
Special education	3,330,774	(54,258)	3,276,516	3,230,917	45,599
Guidance	7,281	26	7,307	8,887	(1,580)
Health services	172,277	794	173,071	168,597	4,474
Psychological services	12,100	1,705	13,805	10,010	3,795
Speech services	16,600		16,600	3,663	12,937
Educational media services	61,362	571	61,933	58,059	3,874
Technology plan	311,306		311,306	376,335	(65,029)
Board of education	71,540		71,540	117,676	(46,136)
Central administration	529,034		529,034	529,034	-
School administration	972,389	(645)	971,744	944,193	27,551
physical plant	1,449,567	1,372	1,450,939	1,331,599	119,340
Student transportation	754,492	63,654	818,146	842,216	(24,070)
Food service	3,300		3,300	354	2,946
Total Easton Board of Education	14,962,405	-	14,962,405	14,820,898	141,507
Regional School District No. 9	10,448,550		10,448,550	10,448,550	-
Total education	25,410,955	-	25,410,955	25,269,448	141,507
Library	559,789	6,671	566,460	523,656	42,804
Parks and Recreation:					
Parks and recreation commission	359,373	2,773	362,146	339,883	22,263
Tree warden	39,280		39,280	38,481	799
Total parks and recreation	398,653	2,773	401,426	378,364	23,062
Employee Benefits:					
Pensions	1,004,604	20,000	1,024,604	1,024,515	89
Fringe benefits	1,987,174	(7,076)	1,980,098	1,802,123	177,975
Social Security and Medicare	420,970		420,970	407,508	13,462
Total employee benefits	3,412,748	12,924	3,425,672	3,234,146	191,526

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Insurance	\$ 647,818	\$ -	\$ 647,818	\$ 638,232	\$ 9,586
Other-Contingency	125,000	(117,715)	7,285	-	7,285
Debt Service:					
Principal retirement	3,621,438		3,621,438	2,348,500	1,272,938
Interest			-	965,437	(965,437)
Fiscal agent fees			-	19,645	(19,645)
Total debt service	3,621,438	-	3,621,438	3,333,582	287,856
Total expenditures	41,046,219	175,611	41,221,830	40,028,123	1,193,707
Other Financing Uses:					
Transfers out:					
Dog fund	67,717		67,717	67,717	-
Capital nonrecurring		71,088	71,088	71,088	-
Total other financing uses	67,717	71,088	138,805	138,805	-
Total Expenditures and Other Financing Uses	\$ 41,113,936	\$ 246,699	\$ 41,360,635	40,166,928	\$ 1,193,707
Budgetary expenditures are different than GAAP expenditures because:					
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted				1,515,506	
Payment to refunded bond escrow				6,995,628	
Issuance costs on bond refunding				112,759	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV				\$ 48,790,821	

TOWN OF EASTON, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 782,663	\$ 46,312
Investments	5,442,923	7,010,417
Property taxes receivable	983,584	704,623
Accounts receivable	143,288	64,832
Intergovernmental receivable	181,201	186,955
Due from other funds	<u>104,900</u>	
Total Assets	<u>\$ 7,638,559</u>	<u>\$ 8,013,139</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 450,879	\$ 903,682
Accrued liabilities	878,097	616,975
Due to Regional School District No. 9	693,511	617,810
Due to other funds	316,541	1,291,511
Deferred revenue	<u>1,122,312</u>	<u>773,181</u>
Total liabilities	<u>3,461,340</u>	<u>4,203,159</u>
Fund balance:		
Assigned for subsequent year's budget	145,000	303,000
Assigned for potential claims	140,000	140,000
Assigned for debt service	97,200	97,200
Unassigned	<u>3,795,019</u>	<u>3,269,780</u>
Total fund balance	<u>4,177,219</u>	<u>3,809,980</u>
Total Liabilities and Fund Balance	<u>\$ 7,638,559</u>	<u>\$ 8,013,139</u>

**TOWN OF EASTON, CONNECTICUT
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2012**

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Grand List Year	Uncollected Taxes	Current Year	Lawful Corrections		Transfers to Suspense	Adjusted Taxes	Collections			Uncollected Taxes	
	July 1, 2011	Levy	Additions	Deductions		Collectible	Taxes	Interest and Liens	Total	June 30, 2012	
2010	\$	\$ 38,069,886	\$ 24,150	\$ 60,557	\$	\$ 38033479	\$ 37,508,478	\$ 83,000	\$ 37,591,478	\$ 525,001	
2009		452,027	2,109	14,038		440,098	109,733	28,887	138,620	330,365	
2008		191,246	1,906	8,747	11,872	172,533	34,021	25,093	59,114	138,512	
2007		57,132		4,727	215	52,190	10,174	4,014	14,188	42,016	
2006		31,184		4,596		26,588	3,076	7,699	10,775	23,512	
2005		11,258		5,165	63	6,030	5,579	946	6,525	451	
2004		6,991		4,883	73	2,035	(7)		(7)	2,042	
2003		3,138		2,153		985			-	985	
2002		2,460		1,692		768			-	768	
2001		4,174		3,441		733			-	733	
2000		3,408		3,106		302			-	302	
1999		5,192		2,888		2,304			-	2,304	
1998		3,177		2,742		435			-	435	
1997		6,934		3,669		3,265			-	3,265	
1996		10,732		3,509		7,223			-	7,223	
1995		9,077		3,407		5,670			-	5,670	
Total	\$	<u>798,130</u>	\$ <u>38,069,886</u>	\$ <u>28,165</u>	\$ <u>129,320</u>	\$ <u>12,223</u>	\$ <u>38,754,638</u>	37,671,054	\$ <u>149,639</u>	\$ <u>37,820,693</u>	\$ <u>1,083,584</u>
Refunds adjustment							(44,102)				
Property taxes receivable considered available:											
June 30, 2011							(188,859)				
June 30, 2012							<u>183,595</u>				
Property Tax Revenues							\$ <u>37,621,688</u>				

TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2012

Special Revenue Funds

	<u>Education Grants</u>	<u>Easton Day</u>	<u>Police Donations</u>	<u>Police Grants</u>	<u>Senior Center</u>	<u>Agriculture Land Preservation</u>	<u>Cemetery Fund</u>	<u>Dog Fund</u>	<u>D.A.R.E.</u>
ASSETS									
Cash	\$ 20,057	\$ 4,552	\$ 9,446	\$ 106,536	\$ 12,750	\$ 65,854	\$ 21,931	\$ 155,666	\$ 48,011
Investments									
Accounts receivable								1,175	
Due from other governments	<u>2,500</u>								
Total Assets	<u>\$ 22,557</u>	<u>\$ 4,552</u>	<u>\$ 9,446</u>	<u>\$ 106,536</u>	<u>\$ 12,750</u>	<u>\$ 65,854</u>	<u>\$ 21,931</u>	<u>\$ 156,841</u>	<u>\$ 48,011</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	<u>\$ 12,995</u>				<u>\$ 13,550</u>			<u>\$ 3,204</u>	<u>\$ 250</u>
Fund Balances:									
Restricted	9,562		9,446	106,536					
Committed		4,552				65,854	21,931	153,637	47,761
Unassigned					(800)				
Total fund balance	<u>9,562</u>	<u>4,552</u>	<u>9,446</u>	<u>106,536</u>	<u>(800)</u>	<u>65,854</u>	<u>21,931</u>	<u>153,637</u>	<u>47,761</u>
Total Liabilities and Fund Balances	<u>\$ 22,557</u>	<u>\$ 4,552</u>	<u>\$ 9,446</u>	<u>\$ 106,536</u>	<u>\$ 12,750</u>	<u>\$ 65,854</u>	<u>\$ 21,931</u>	<u>\$ 156,841</u>	<u>\$ 48,011</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2012

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Special Revenue Funds									
	Park and Recreation Activity Fund	Solid Waste Program	Library	Open Space	EMS Special Services	Police Asset	Records Preservation	Paine Barn Fund	Social Service
ASSETS									
Cash	\$ 146,103	\$	\$ 254,039	\$ 781,205	\$ 30,571	\$ 157,681	\$ 14,306	\$ 6,584	\$ 38,508
Investments			770,732						
Accounts receivable		47,530			6,706				
Due from other governments									
Total Assets	<u>\$ 146,103</u>	<u>\$ 47,530</u>	<u>\$ 1,024,771</u>	<u>\$ 781,205</u>	<u>\$ 37,277</u>	<u>\$ 157,681</u>	<u>\$ 14,306</u>	<u>\$ 6,584</u>	<u>\$ 38,508</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 4,738	\$ 65,565	\$	\$	\$ 1,838	\$ 7,455	\$	\$	\$ 787
Fund Balances:									
Restricted									
Committed	141,365		1,024,771	781,205	35,439	150,226	14,306	6,584	37,721
Unassigned		(18,035)							
Total fund balance	<u>141,365</u>	<u>(18,035)</u>	<u>1,024,771</u>	<u>781,205</u>	<u>35,439</u>	<u>150,226</u>	<u>14,306</u>	<u>6,584</u>	<u>37,721</u>
Total Liabilities and Fund Balances	<u>\$ 146,103</u>	<u>\$ 47,530</u>	<u>\$ 1,024,771</u>	<u>\$ 781,205</u>	<u>\$ 37,277</u>	<u>\$ 157,681</u>	<u>\$ 14,306</u>	<u>\$ 6,584</u>	<u>\$ 38,508</u>

(Continued on next page)

TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2012

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	Special Revenue Funds								Total
	Town Hall Grants	Senior Center Leasing Buyout	Miscellaneous Grants	Town Clerk Community Fee	Land Acquisition	Senior Center Van	9/11 Memorial Fund	Field Usage Fund	Nonmajor Governmental Funds
ASSETS									
Cash	\$ -	\$	\$ 29,511	\$ 14,323	\$ 7,338	\$	\$ 1,903	\$ 16,748	\$ 1,943,623
Investments									770,732
Accounts receivable			2,723						58,134
Due from other governments									2,500
Total Assets	\$ -	\$ -	\$ 32,234	\$ 14,323	\$ 7,338	\$ -	\$ 1,903	\$ 16,748	\$ 2,774,989
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 924	\$ 4,817				\$ 8,381			\$ 124,504
Fund Balances:									
Restricted			32,234						157,778
Committed				14,323	7,338		1,903	16,748	2,525,664
Unassigned	(924)	(4,817)				(8,381)			(32,957)
Total fund balance	(924)	(4,817)	32,234	14,323	7,338	(8,381)	1,903	16,748	2,650,485
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 32,234	\$ 14,323	\$ 7,338	\$ -	\$ 1,903	\$ 16,748	\$ 2,774,989

TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

55

	Special Revenue Funds								
	Education Grants	Easton Day	Police Donations	Police Grants	Senior Center	Agriculture Land Preservation	Cemetery Fund	Dog Fund	D.A.R.E.
Revenues:									
Intergovernmental	\$ 294,673	\$	\$	\$ 17,245	\$ 81,591	\$	\$	\$ 11,191	\$
Charges for services									
Investment income						122	59		
Contributions			300			200			7,912
Total revenues	294,673	-	300	17,245	81,591	322	59	11,191	7,912
Expenditures:									
Current:									
General government					81,591				
Public safety			172	-				52,877	6,150
Public works									
Health and welfare									
Education	309,609								
Library									
Parks and recreation									
Capital outlay									
Total expenditures	309,609	-	172	-	81,591	-	-	52,877	6,150
Excess (Deficiency) of Revenues Over Expenditures	(14,936)	-	128	17,245	-	322	59	(41,686)	1,762
Other Financing Sources (Uses):									
Transfers out								(14,266)	
Transfers in								67,717	
Net other financing sources (uses)	-	-	-	-	-	-	-	53,451	-
Net Change in Fund Balances	(14,936)	-	128	17,245	-	322	59	11,765	1,762
Fund Balances - Beginning of Year	24,498	4,552	9,318	89,291	(800)	65,532	21,872	141,872	45,999
Fund Balances - End of Year	\$ 9,562	\$ 4,552	\$ 9,446	\$ 106,536	\$ (800)	\$ 65,854	\$ 21,931	\$ 153,637	\$ 47,761

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TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

58

	Special Revenue Funds								
	Park and Recreation Activity Fund	Solid Waste Program	Library	Open Space	EMS Special Services	Police Asset	Records Preservation	Paine Barn Fund	Social Service
Revenues:									
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$	\$
Charges for services	238,551	279,368	133,884		102,745				
Investment income			35,546	1,650		395		16	
Contributions	9,609								5,050
Total revenues	248,160	279,368	169,430	1,650	102,745	395	-	16	5,050
Expenditures:									
Current:									
General government							(1,707)		
Public safety						28,611			
Public works		276,813							
Health and welfare					31,332				3,678
Education									
Library			143,237						
Parks and recreation	271,167								
Capital outlay									
Total expenditures	271,167	276,813	143,237	-	31,332	28,611	(1,707)	-	3,678
Excess (Deficiency) of Revenues Over Expenditures	(23,007)	2,555	26,193	1,650	71,413	(28,216)	1,707	16	1,372
Other Financing Sources (Uses):									
Transfers out					(95,000)				
Transfers in									
Net other financing sources (uses)	-	-	-	-	(95,000)	-	-	-	-
Net Change in Fund Balances	(23,007)	2,555	26,193	1,650	(23,587)	(28,216)	1,707	16	1,372
Fund Balances - Beginning of Year	164,372	(20,590)	998,578	779,555	59,026	178,442	12,599	6,568	36,349
Fund Balances - End of Year	\$ 141,365	\$ (18,035)	\$ 1,024,771	\$ 781,205	\$ 35,439	\$ 150,226	\$ 14,306	\$ 6,584	\$ 37,721

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TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds								Total
	Town Hall Grants	Senior Center Leasing Buyout	Miscellaneous Grants	Town Clerk Community Fee	Land Acquisition	Senior Center Van	9/11 Memorial Fund	Field Usage Fund	Nonmajor Governmental Funds
Revenues:									
Intergovernmental	\$ 9,970	\$	\$	\$	\$	\$	\$	\$	\$ 321,888
Charges for services				1,693		14,755		43,850	907,628
Investment income									37,788
Contributions							5,525		28,596
Total revenues	<u>9,970</u>	<u>-</u>	<u>-</u>	<u>1,693</u>	<u>-</u>	<u>14,755</u>	<u>5,525</u>	<u>43,850</u>	<u>1,295,900</u>
Expenditures:									
Current:									
General government	11,236		2,172			20,524			113,816
Public safety									87,810
Public works									276,813
Health and welfare	171								35,181
Education									309,609
Library									143,237
Parks and recreation								27,102	298,269
Capital outlay							41,016		41,016
Total expenditures	<u>11,407</u>	<u>-</u>	<u>2,172</u>	<u>-</u>	<u>-</u>	<u>20,524</u>	<u>41,016</u>	<u>27,102</u>	<u>1,305,751</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,437)</u>	<u>-</u>	<u>(2,172)</u>	<u>1,693</u>	<u>-</u>	<u>(5,769)</u>	<u>(35,491)</u>	<u>16,748</u>	<u>(9,851)</u>
Other Financing Sources (Uses):									
Transfers out									(109,266)
Transfers in									67,717
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,549)</u>
Net Change in Fund Balances	(1,437)	-	(2,172)	1,693	-	(5,769)	(35,491)	16,748	(51,400)
Fund Balances - Beginning of Year	<u>513</u>	<u>(4,817)</u>	<u>34,406</u>	<u>12,630</u>	<u>7,338</u>	<u>(2,612)</u>	<u>37,394</u>	<u>-</u>	<u>2,701,885</u>
Fund Balances - End of Year	<u>\$ (924)</u>	<u>\$ (4,817)</u>	<u>\$ 32,234</u>	<u>\$ 14,323</u>	<u>\$ 7,338</u>	<u>\$ (8,381)</u>	<u>\$ 1,903</u>	<u>\$ 16,748</u>	<u>2,650,485</u>

TOWN OF EASTON, CONNECTICUT

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash:				
Performance and road bonds	\$ 1,123,596	\$ 628,940	\$	\$ 1,752,536
Student activity	<u>47,099</u>	<u>189,115</u>	<u>179,098</u>	<u>57,116</u>
Total Assets	\$ <u><u>1,170,695</u></u>	\$ <u><u>818,055</u></u>	\$ <u><u>179,098</u></u>	\$ <u><u>1,809,652</u></u>
LIABILITIES				
Accounts payable:				
Performance and road bonds	\$ 1,123,596	\$ 628,940	\$	\$ 1,752,536
Student activity	<u>47,099</u>	<u>189,115</u>	<u>179,098</u>	<u>57,116</u>
Total Liabilities	\$ <u><u>1,170,695</u></u>	\$ <u><u>818,055</u></u>	\$ <u><u>179,098</u></u>	\$ <u><u>1,809,652</u></u>

TOWN OF EASTON, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2012

Total Tax Collections (including interest and lien fees):

For the year ended June 30, 2012:

Town of Easton \$ 37,820,693

Reimbursement for Revenue Loss:

Tax relief for elderly freeze 39,626

Base for Debt Limitation Computation \$ 37,860,319

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 85,185,718	\$	\$	\$	\$
4 1/2 times base		170,371,436			
3 3/4 times base			141,976,196		
3 1/4 times base				123,046,037	
3 times base					<u>113,580,957</u>
Total debt limitation	<u>85,185,718</u>	<u>170,371,436</u>	<u>141,976,196</u>	<u>123,046,037</u>	<u>113,580,957</u>
Indebtedness:					
Bonds payable	5,433,000	21,028,000	304,000		
Bonds anticipation notes payable	5,842,500	2,281,500			
Authorized, unissued debt	183,000	23,059			
Easton portion of Regional School District No. 9 bonds		9,223,133			
School building grants		<u>(14,960)</u>			
Net indebtedness	<u>11,458,500</u>	<u>32,540,732</u>	<u>304,000</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Indebtedness	<u>\$ 73,727,218</u>	<u>\$ 137,830,704</u>	<u>\$ 141,672,196</u>	<u>\$ 123,046,037</u>	<u>\$ 113,580,957</u>

The total of the above net indebtedness amounts to: \$ 44,303,232

In no event shall total indebtedness exceed \$265,022,233 or seven times the base for debt limitation computation.