

TOWN OF EASTON, CONNECTICUT
FINANCIAL STATEMENTS

JUNE 30, 2013

TOWN OF EASTON, CONNECTICUT

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Independent Auditors' Report

Board of Finance
Town of Easton
Easton, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 2, 2013

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

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

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

Financial Highlights

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

Overview of the Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

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

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

TOWN OF EASTON NET POSITION JUNE 30, 2013 AND 2012

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

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

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

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

Financial Analysis of the Town's Funds

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

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

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

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

General Fund Budgetary Highlights

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

The following departments had positive budget variances as follows

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

Bonded Capital Projects Fund

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

Capital Assets and Debt Administration

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

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

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

TOWN OF EASTON CAPITAL ASSETS
(Net of Depreciation)

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

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

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

TOWN OF EASTON OUTSTANDING DEBT
General Obligation Bonds and Notes

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

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

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

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

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

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

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

Economic Factors and Next Year's Budget and Rates

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

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

Requests for Information

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

TOWN OF EASTON, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS

JUNE 30, 2013

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

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

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

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

Fund balances - total governmental funds	\$ (777,711)
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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	\$ 123,989,108	
Less accumulated depreciation	<u>(31,968,023)</u>	
Net capital assets		92,021,085

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

Net pension asset	203,315
Property tax receivables greater than 60 days	1,192,372
Interest receivable on property taxes	421,997
Bond issue costs	262,409
Receivable from the state for school construction projects	9,879

Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net position.

316,560

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

Bonds and notes payable	(24,790,000)
Compensated absences	(1,213,412)
Capital lease payable	(824,254)
Net OPEB obligation	(1,335,316)
Interest payable on bonds and notes	(156,539)
Unamortized bond premium	(475,330)
Heart and hypertension	<u>(829,357)</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u>64,025,698</u>
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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, 2013

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

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

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

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

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

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

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

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

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

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

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

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

The net revenue of the activities of the Internal Service Fund is reported with governmental activities	(250,561)
---	-----------

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>1,305,935</u>
--	---------------------

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2013

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

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2013

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

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

JUNE 30, 2013

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

TOWN OF EASTON, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

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

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

Receivables and Payables

Interfunds

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

Property Taxes and Other Receivables

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

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

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Fund Equity and Net Position

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

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

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

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

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

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

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

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

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

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

Estimates

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

Comparative Data/Reclassifications

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

B. Deficit Fund Balance

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

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

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

C. Capital Projects Authorizations

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

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

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

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

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

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

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

Cash Equivalents

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

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

Investments

As of June 30, 2013, 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	\$ 227,241	\$	\$ 227,241	\$
Agency Bonds	AAA	3,879,707		105,855	3,773,852
Corporate bonds	A	<u>154,817</u>	<u></u>	<u>154,817</u>	<u></u>
Total		4,261,765	\$ <u>-</u>	\$ <u>487,913</u>	\$ <u>3,773,852</u>
Other investments:					
Equities		79,548			
Mutual funds		<u>13,317,047</u>			
Total Investments		\$ 17,658,360			

N/A - Not applicable

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

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

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

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

4. RECEIVABLES

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

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

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

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

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

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

5. CAPITAL ASSETS

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

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

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

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

6. INTERFUND ACCOUNTS

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

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

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

Interfund transfers:

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

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

7. SHORT-TERM OBLIGATIONS - BOND ANTICIPATION NOTES

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

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

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

8. LONG-TERM DEBT

A. Changes in Long-Term Debt

Summary of Changes

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

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

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

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

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

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

B. Capital Leases

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

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

C. Heart and Hypertension

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

D. Legal Debt Limitation

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

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

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

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

Authorized/Unissued Bonds

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

9. FUND BALANCE

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

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

10. RISK MANAGEMENT

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

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

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

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

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

11. PENSION PLANS

A. Plan Description

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

Town of Easton Retirement Plan I and II

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

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

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

Classes of Employees Covered

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

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

C. Benefit Provisions

Contributions

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

Schedule of Employer Contributions and Net Pension Obligation

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
2008	\$ 360,000	\$ 257,959	139.6%	\$ 272,278	132.2%	\$ 321,584
2009	254,000	362,172	70.1	377,809	67.2	197,775
2010	554,000	687,975	80.5	698,146	79.4	53,629
2011	691,269	686,523	100.7	689,581	100.2	55,317
2012	640,421	441,339	145.1	444,724	144.0	251,014
2013	590,000	622,129	94.8	637,699	92.5	203,315

Actuarial Assumptions

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

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

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

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

Annual Pension Cost and Net Pension Asset

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

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

Schedule of Funding Progress

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

12. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

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

B. Funding Policy

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

C. Teachers' Retirement

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

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

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

D. Defined Contribution Plan

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

13. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

Town

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

Non-Union Employees and Highway/Public Works Employees

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

Police and Fire

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

Board of Education

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

Teachers

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

Other Board of Education Employees

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

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

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

C. Description of Actuarial Assumptions and Methods

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

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

Retirement Assumptions:

Town

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

Board of Education

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

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

D. Annual OPEB Cost and Net OPEB Obligations

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

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

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

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

Schedule of Funding Progress

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

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

Schedule of Employer Contributions

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

14. CONTINGENT LIABILITIES

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

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

TOWN OF EASTON, CONNECTICUT

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

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

(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, 2013

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

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

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

(Continued on next page)

TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

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

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TOWN OF EASTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Insurance	\$ 667,612	\$ -	\$ 667,612	\$ 661,276	\$ 6,336
Other-Contingency	125,000	(1,481)	123,519	-	123,519
Debt Service:					
Principal retirement	3,135,382		3,135,382	2,351,000	784,382
Interest			-	758,987	(758,987)
Fiscal agent fees			-	19,588	(19,588)
Total debt service	3,135,382	-	3,135,382	3,129,575	5,807
Total expenditures	40,604,351	540,227	41,144,578	40,118,379	1,026,199
Other Financing Uses:					
Transfers out:					
Dog fund	73,995		73,995	73,995	-
Capital nonrecurring		478,200	478,200	478,200	-
Total other financing uses	73,995	478,200	552,195	552,195	-
Total Expenditures and Other Financing Uses	\$ 40,678,346	\$ 1,018,427	\$ 41,696,773	40,670,574	\$ 1,026,199
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				1,500,644	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV				\$ 42,171,218	

TOWN OF EASTON, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 1,255,389	\$ 782,663
Investments	4,106,948	5,442,923
Property taxes receivable, net of allowance for uncollectible amounts	1,362,896	983,584
Accounts receivable	86,105	143,288
Intergovernmental receivable	406,979	181,201
Due from other funds	<u>519,721</u>	<u>104,900</u>
Total Assets	<u>\$ 7,738,038</u>	<u>\$ 7,638,559</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 858,727	\$ 450,879
Accrued liabilities	911,651	878,097
Due to Regional School District No. 9	528,798	693,511
Due to other funds	114,538	316,541
Deferred revenue	<u>1,373,824</u>	<u>1,122,312</u>
Total liabilities	<u>3,787,538</u>	<u>3,461,340</u>
Fund balance:		
Assigned for subsequent year's budget	145,000	145,000
Assigned for potential claims	140,000	140,000
Assigned for debt service	97,200	97,200
Unassigned	<u>3,568,300</u>	<u>3,795,019</u>
Total fund balance	<u>3,950,500</u>	<u>4,177,219</u>
Total Liabilities and Fund Balance	<u>\$ 7,738,038</u>	<u>\$ 7,638,559</u>

**TOWN OF EASTON, CONNECTICUT
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2013**

52

Grand List Year	Uncollected Taxes July 1, 2012	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2013
			Additions	Deductions			Taxes	Interest and Liens	Total	
2011	\$	\$ 38,154,402	\$ 30,006	\$ 85,491	\$	\$ 38,098,917	\$ 37,507,925	\$ 98,059	\$ 37,605,984	\$ 590,992
2010	525,001		1,510	6,598		519,913	156,252	28,705	184,957	363,661
2009	330,365		192	5,733	14,099	310,725	29,885	18,144	48,029	280,840
2008	138,512			99		138,413	(7,313)	38,562	31,249	145,726
2007	42,016		15,004			57,020	11,080	7,180	18,260	45,940
2006	23,512					23,512	6,094	1,819	7,913	17,418
2005	451					451			-	451
2004	2,042					2,042			-	2,042
2003	985					985			-	985
2002	768					768			-	768
2001	733					733			-	733
2000	302					302			-	302
1999	2,304					2,304			-	2,304
1998	435			65		370			-	370
1997	3,265			64		3,201			-	3,201
1996	7,223			60		7,163			-	7,163
Total	\$ 1,077,914	\$ 38,154,402	\$ 46,712	\$ 98,110	\$ 14,099	\$ 39,166,819	37,703,923	\$ 192,469	\$ 37,896,392	\$ 1,462,896

Property taxes receivable considered available:

June 30, 2012

(183,595)

June 30, 2013

170,524

Property Tax Revenues

\$ 37,690,852

TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2013

53

Special Revenue Funds									
	Education Grants	Easton Day	Police Donations	Police Grants	Senior Center	Agriculture Land Preservation	Cemetery Fund	Dog Fund	D.A.R.E.
ASSETS									
Cash	\$ 15,867	\$ 4,552	\$ 7,845	\$ 149,085	\$	\$ 66,017	\$ 18,017	\$ 156,056	\$ 49,199
Investments									
Accounts receivable					5,849			2,363	
Total Assets	<u>\$ 15,867</u>	<u>\$ 4,552</u>	<u>\$ 7,845</u>	<u>\$ 149,085</u>	<u>\$ 5,849</u>	<u>\$ 66,017</u>	<u>\$ 18,017</u>	<u>\$ 158,419</u>	<u>\$ 49,199</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 12,370	\$	\$	\$	10,018	\$	\$	6,269	\$
Due to other funds					2,603				
Unearned revenue					2,999				
Total liabilities	<u>12,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,620</u>	<u>-</u>	<u>-</u>	<u>6,269</u>	<u>-</u>
Fund Balances:									
Restricted	3,497		7,845	149,085					
Committed		4,552				66,017	18,017	152,150	49,199
Unassigned					(9,771)				
Total fund balance	<u>3,497</u>	<u>4,552</u>	<u>7,845</u>	<u>149,085</u>	<u>(9,771)</u>	<u>66,017</u>	<u>18,017</u>	<u>152,150</u>	<u>49,199</u>
Total Liabilities and Fund Balances	<u>\$ 15,867</u>	<u>\$ 4,552</u>	<u>\$ 7,845</u>	<u>\$ 149,085</u>	<u>\$ 5,849</u>	<u>\$ 66,017</u>	<u>\$ 18,017</u>	<u>\$ 158,419</u>	<u>\$ 49,199</u>

(Continued on next page)

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

JUNE 30, 2013

56

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	\$ 148,647	\$	\$ 258,697	\$ 784,162	\$ 7,866	\$ 105,705	\$ 16,893	\$ 6,601	\$ 38,348
Investments			769,962						
Accounts receivable	<u>1,301</u>	<u>33,133</u>			<u>11,262</u>		<u>41</u>		<u>125</u>
Total Assets	<u>\$ 149,948</u>	<u>\$ 33,133</u>	<u>\$ 1,028,659</u>	<u>\$ 784,162</u>	<u>\$ 19,128</u>	<u>\$ 105,705</u>	<u>\$ 16,934</u>	<u>\$ 6,601</u>	<u>\$ 38,473</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 6,149	\$ 43,798	\$	\$	\$ 3,425	\$	\$	\$	\$ 165
Due to other funds		7,928							
Unearned revenue									
Total liabilities	<u>6,149</u>	<u>51,726</u>	<u>-</u>	<u>-</u>	<u>3,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165</u>
Fund Balances:									
Restricted									
Committed	143,799		1,028,659	784,162	15,703	105,705	16,934	6,601	38,308
Unassigned		(18,593)							
Total fund balance	<u>143,799</u>	<u>(18,593)</u>	<u>1,028,659</u>	<u>784,162</u>	<u>15,703</u>	<u>105,705</u>	<u>16,934</u>	<u>6,601</u>	<u>38,308</u>
Total Liabilities and Fund Balances	<u>\$ 149,948</u>	<u>\$ 33,133</u>	<u>\$ 1,028,659</u>	<u>\$ 784,162</u>	<u>\$ 19,128</u>	<u>\$ 105,705</u>	<u>\$ 16,934</u>	<u>\$ 6,601</u>	<u>\$ 38,473</u>

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

JUNE 30, 2013

	Special Revenue Funds								Total Nonmajor Governmental Funds
	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	
ASSETS									
Cash	\$ 1,960	\$	\$ 28,768	\$ 15,421	\$ 8,280	\$	\$ 1,903	\$ 11,589	\$ 1,901,478
Investments									769,962
Accounts receivable			2,723	38		1,840			58,675
Total Assets	<u>\$ 1,960</u>	<u>\$ -</u>	<u>\$ 31,491</u>	<u>\$ 15,459</u>	<u>\$ 8,280</u>	<u>\$ 1,840</u>	<u>\$ 1,903</u>	<u>\$ 11,589</u>	<u>\$ 2,730,115</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 50	\$	\$	\$	\$	\$ 495	\$ 850	\$ 2,072	\$ 85,661
Due to other funds		4,817				12,450			27,798
Unearned revenue									2,999
Total liabilities	<u>50</u>	<u>4,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,945</u>	<u>850</u>	<u>2,072</u>	<u>116,458</u>
Fund Balances:									
Restricted			31,491						191,918
Committed	1,910			15,459	8,280		1,053	9,517	2,466,025
Unassigned		(4,817)				(11,105)			(44,286)
Total fund balance	<u>1,910</u>	<u>(4,817)</u>	<u>31,491</u>	<u>15,459</u>	<u>8,280</u>	<u>(11,105)</u>	<u>1,053</u>	<u>9,517</u>	<u>2,613,657</u>
Total Liabilities and Fund Balances	<u>\$ 1,960</u>	<u>\$ -</u>	<u>\$ 31,491</u>	<u>\$ 15,459</u>	<u>\$ 8,280</u>	<u>\$ 1,840</u>	<u>\$ 1,903</u>	<u>\$ 11,589</u>	<u>\$ 2,730,115</u>

TOWN OF EASTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

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	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	\$ 222,122	\$	\$	\$ 42,549	\$ 98,959	\$	\$	\$	\$
Charges for services								15,734	
Investment income						163	61		
Contributions			700						7,186
Total revenues	<u>222,122</u>	<u>-</u>	<u>700</u>	<u>42,549</u>	<u>98,959</u>	<u>163</u>	<u>61</u>	<u>15,734</u>	<u>7,186</u>
Expenditures:									
Current:									
General government					107,930		3,975		
Public safety			2,301					105,612	5,748
Public works									
Health and welfare									
Education	228,187								
Library									
Parks and recreation									
Capital outlay									
Total expenditures	<u>228,187</u>	<u>-</u>	<u>2,301</u>	<u>-</u>	<u>107,930</u>	<u>-</u>	<u>3,975</u>	<u>105,612</u>	<u>5,748</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,065)</u>	<u>-</u>	<u>(1,601)</u>	<u>42,549</u>	<u>(8,971)</u>	<u>163</u>	<u>(3,914)</u>	<u>(89,878)</u>	<u>1,438</u>
Other Financing Sources (Uses):									
Transfers out									
Transfers in								88,391	
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,391</u>	<u>-</u>
Net Change in Fund Balances	(6,065)	-	(1,601)	42,549	(8,971)	163	(3,914)	(1,487)	1,438
Fund Balances - Beginning of Year	<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>
Fund Balances - End of Year	\$ <u>3,497</u>	\$ <u>4,552</u>	\$ <u>7,845</u>	\$ <u>149,085</u>	\$ <u>(9,771)</u>	\$ <u>66,017</u>	\$ <u>18,017</u>	\$ <u>152,150</u>	\$ <u>49,199</u>

(Continued on next page)

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

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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
Revenues:									
Intergovernmental	\$	\$	\$	\$ 1,310	\$	\$	\$	\$	\$
Charges for services	300,515	290,499	11,912		108,863		2,628		
Investment income			15,337	1,650		389		17	
Contributions	18,794								1,910
Total revenues	<u>319,309</u>	<u>290,499</u>	<u>27,249</u>	<u>2,960</u>	<u>108,863</u>	<u>389</u>	<u>2,628</u>	<u>17</u>	<u>1,910</u>
Expenditures:									
Current:									
General government				3					
Public safety						44,910			
Public works		291,057							
Health and welfare					33,599				1,323
Education									
Library			23,361						
Parks and recreation	300,824								
Capital outlay									
Total expenditures	<u>300,824</u>	<u>291,057</u>	<u>23,361</u>	<u>3</u>	<u>33,599</u>	<u>44,910</u>	<u>-</u>	<u>-</u>	<u>1,323</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,485</u>	<u>(558)</u>	<u>3,888</u>	<u>2,957</u>	<u>75,264</u>	<u>(44,521)</u>	<u>2,628</u>	<u>17</u>	<u>587</u>
Other Financing Sources (Uses):									
Transfers out	(16,051)				(95,000)				
Transfers in									
Net other financing sources (uses)	<u>(16,051)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,434	(558)	3,888	2,957	(19,736)	(44,521)	2,628	17	587
Fund Balances - Beginning of Year	<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>
Fund Balances - End of Year	\$ 143,799	\$ (18,593)	\$ 1,028,659	\$ 784,162	\$ 15,703	\$ 105,705	\$ 16,934	\$ 6,601	\$ 38,308

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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, 2013

	Special Revenue Funds								Total Nonmajor Governmental Funds
	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	
Revenues:									
Intergovernmental	\$ 9,067	\$	\$ 2,500	\$	\$	\$ 23,933	\$	\$	\$ 301,481
Charges for services				2,615				37,060	868,785
Investment income					942				18,559
Contributions									28,590
Total revenues	<u>9,067</u>	<u>-</u>	<u>2,500</u>	<u>2,615</u>	<u>942</u>	<u>23,933</u>	<u>-</u>	<u>37,060</u>	<u>1,217,415</u>
Expenditures:									
Current:									
General government	5,599		743	1,479		26,657			146,386
Public safety									158,571
Public works									291,057
Health and welfare	634		2,500						38,056
Education									228,187
Library									23,361
Parks and recreation								44,291	345,115
Capital outlay							850		850
Total expenditures	<u>6,233</u>	<u>-</u>	<u>3,243</u>	<u>1,479</u>	<u>-</u>	<u>26,657</u>	<u>850</u>	<u>44,291</u>	<u>1,231,583</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,834</u>	<u>-</u>	<u>(743)</u>	<u>1,136</u>	<u>942</u>	<u>(2,724)</u>	<u>(850)</u>	<u>(7,231)</u>	<u>(14,168)</u>
Other Financing Sources (Uses):									
Transfers out									(111,051)
Transfers in									88,391
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,660)</u>
Net Change in Fund Balances	2,834	-	(743)	1,136	942	(2,724)	(850)	(7,231)	(36,828)
Fund Balances - Beginning 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>
Fund Balances - End of Year	\$ 1,910	\$ (4,817)	\$ 31,491	\$ 15,459	\$ 8,280	\$ (11,105)	\$ 1,053	\$ 9,517	\$ 2,613,657

TOWN OF EASTON, CONNECTICUT

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2013</u>
ASSETS							
Cash:							
Performance and road bonds	\$ 1,752,536	\$		\$	184,400	\$	1,568,136
Student activity	<u>57,116</u>		<u>117,202</u>		<u>114,579</u>		<u>59,739</u>
Total Assets	\$ <u><u>1,809,652</u></u>	\$	<u><u>117,202</u></u>	\$	<u><u>298,979</u></u>	\$	<u><u>1,627,875</u></u>
LIABILITIES							
Accounts payable:							
Performance and road bonds	\$ 1,752,536	\$		\$	184,400	\$	1,568,136
Student activity	<u>57,116</u>		<u>117,202</u>		<u>114,579</u>		<u>59,739</u>
Total Liabilities	\$ <u><u>1,809,652</u></u>	\$	<u><u>117,202</u></u>	\$	<u><u>298,979</u></u>	\$	<u><u>1,627,875</u></u>

TOWN OF EASTON, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2013

Total Tax Collections (including interest and lien fees):

For the year ended June 30, 2013:

Town of Easton \$ 37,896,392

Reimbursement for Revenue Loss:

Tax relief for elderly freeze 37,211

Base for Debt Limitation Computation \$ 37,933,603

	<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	\$ 85,350,607	\$	\$	\$	\$
4 1/2 times base		170,701,214			
3 3/4 times base			142,251,011		
3 1/4 times base				123,284,210	
3 times base					113,800,809
	<u>85,350,607</u>	<u>170,701,214</u>	<u>142,251,011</u>	<u>123,284,210</u>	<u>113,800,809</u>
Total debt limitation					
	<u>85,350,607</u>	<u>170,701,214</u>	<u>142,251,011</u>	<u>123,284,210</u>	<u>113,800,809</u>
Indebtedness:					
Bonds payable	4,747,000	19,761,000	282,000		
Bonds anticipation notes payable	5,774,605	1,973,395			
Authorized, unissued debt	183,000	23,059			
Easton portion of Regional School District No. 9 bonds		7,998,710			
School building grants		(9,879)			
	<u>10,704,605</u>	<u>29,746,285</u>	<u>282,000</u>	<u>-</u>	<u>-</u>
Net indebtedness					
	<u>10,704,605</u>	<u>29,746,285</u>	<u>282,000</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Indebtedness	\$ <u>74,646,002</u>	\$ <u>140,954,929</u>	\$ <u>141,969,011</u>	\$ <u>123,284,210</u>	\$ <u>113,800,809</u>

The total of the above net indebtedness amounts to \$ 40,732,890

In no event shall total indebtedness exceed \$265,535,221 or seven times the base for debt limitation computation.