



Charles Heaven & Co.  
Certified Public Accountants

**TOWN OF WASHINGTON  
AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL FINANCIAL DATA  
JUNE 30, 2012**

**Town of Washington**  
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Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Washington, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town of Washington's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Washington, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the Town of Washington, Connecticut's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 3 through 15 and 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington, Connecticut's basic financial statements as a whole. The combining and individual nonmajor fund financial statements, and supplemental 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 supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Charles Keenan & Co., CPAs*

November 29, 2012

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2012**

This Annual Financial Report is compiled using the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Washington, focus on our most important, or “major” funds, including the general fund.

Fund statements measure and report the “operating results” of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. Since showing budgetary compliance has always been an important part of governmental accountability, our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether the Town of Washington’s financial position has improved or deteriorated as a result of the year’s operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of our government’s activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of the Town of Washington in its entirety, including the year’s operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services requested of us;
- See how we finance the programs you have asked for – through user fees and other program revenues versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, schools, parks, and other infrastructure assets;
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

- **Management’s Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the government’s financial activities. The MD&A provides an objective and easily readable analysis of the Town’s financial activities based on currently known facts, decisions, or conditions.

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Management's Discussion and Analysis  
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**The MD&A**

- ❑ Includes comparisons of the current year to the prior year based on government-wide information;
- ❑ Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- ❑ Analyzes significant changes in fund and major budget variances;
- ❑ Describes capital asset and long-term debt activity during the year;
- ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

**\* Basic Financial Statements**

- ***Government-Wide Financial Statements*** are designed to provide readers with a broad overview of the Town of Washington's finances in a manner similar to private-sector business.

Government-wide financial statements include a *statement of net assets* that presents information on all of the Town's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Washington is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. The government-wide financial statements present functions of the Town of Washington that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) do not appear as we have no business-type activities. The governmental activities of the Town of Washington include general government, public safety, highways (public works), sanitation, social services, health, parks and recreation, education, other, and interest on long-term debt.

Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements.

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net assets are reported as capital assets net of related debt, restricted, and unrestricted. The Judea Cemetery Perpetual Care Principal is reported as restricted net assets, nonexpendable since only the earnings may be used to maintain the Cemetery.

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Expenses presented are reduced by program revenues, resulting in a measurement of "net (expense) revenue" for each of the government's functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net assets for the period. Extraordinary items are significant transactions or other events that are either unusual or infrequent and are not within the control of management.

- **Fund Financial Statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

*Governmental fund* financial statements include financial data for the general fund, special revenue and capital project funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the revenue and expenditure information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental funds* to compare their shorter-term impact with the longer-term effect of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Washington maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the town aid road fund, the capital non-recurring expenditure fund, and the land acquisition open space fund, all of which are considered to be major funds. Data from the other seven 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 of Washington 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.



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Management's Discussion and Analysis  
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*Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement 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.

Fund financial statements are presented for the primary government. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used for our own programs. For these funds a statement of fiduciary net assets and a statement of changes in fiduciary net assets is presented.

Separate columns are shown for the general fund and for the other major governmental funds, the capital non-recurring expenditure fund, the land acquisition open space fund, and the town aid road fund. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds. Other funds that we believe are particularly important to you are also reported as a major fund. Non-major funds are reported in the aggregate in a separate column.

Governmental fund balances are segregated into nonspendable, restricted for, committed to, assigned for, and unassigned in accordance with the Governmental Accounting Standards Board Statement No. 54.

➤ Notes to the Financial Statements

- Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.

➤ Required Supplementary Information (RSI)

- Consists of MD&A and budgetary comparison schedules;
- Includes budgetary comparison schedules for the general fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget;
- The Town of Washington's progress in funding its obligation to provide pension benefits to its employees.

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2012**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the actual and budget comparison for the general fund.

As management of the Town of Washington, we offer readers of the Town's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2012.

**Financial Highlights**

- The assets of the Town of Washington exceeded its liabilities at the close of the most recent year by \$17,375,205 (net assets). Of this amount, \$7,264,320 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$686,950 during the fiscal year.
- As of the close of the current fiscal year, the Town of Washington's governmental funds reported combined ending fund balances of \$7,161,817, an increase of \$1,331,456 from the prior fiscal year. These fund balances are considered to be either *nonspendable* (\$89,616), *restricted* (\$507,444), *committed* (\$3,464,196), *assigned* (\$507,009), or *unassigned* (\$2,593,552). The *unassigned* balance of \$2,593,552 is *available for spending* at the government's discretion.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$2,593,552, or 17.9% of total general fund expenditures and transfers out of \$14,485,861.
- Our bonded debt decreased by \$55,000 (33.3%) during the current fiscal year as a result of scheduled repayment of principal on our one outstanding bond issue.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Washington, assets exceeded liabilities by \$17,375,205 at the close of the most recent fiscal year.

By far the largest portion of Washington's net assets (54.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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 Washington**  
**Management's Discussion and Analysis**  
**June 30, 2012**

**Table 1. Net Assets**

	<b>Total Primary Government 2012</b>	<b>Total Primary Government 2011</b>
Current Assets.....	\$ 8,684,588	\$ 6,643,300
Noncurrent Assets (net of depreciation) .....	9,648,877	10,955,769
<b>Total Assets .....</b>	<b>18,333,465</b>	<b>17,599,069</b>
Current Liabilities .....	735,753	639,794
Noncurrent Liabilities .....	222,507	271,020
<b>Total Liabilities .....</b>	<b>958,260</b>	<b>910,814</b>
<b>Net Assets:</b>		
Invested in Capital Assets, net of debt.....	9,537,825	10,790,769
<b>Restricted for:</b>		
Cemetery perpetual care- nonexpendable .....	65,616	65,542
Road improvements .....	489,591	323,789
Senior center .....	10,576	11,107
Community beautification .....	3,423	3,420
Document preservation.....	3,854	3,393
<b>Unrestricted.....</b>	<b>7,264,320</b>	<b>5,490,235</b>
<b>Total Net Assets .....</b>	<b>\$17,375,205</b>	<b>\$16,688,255</b>

The balance of *unrestricted net assets*, \$7,264,320, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year like the prior fiscal year, the Town is able to report positive balances in all of the categories of net assets.

For comparative purposes, the prior year's unrestricted net assets were reduced by \$65,542, which represents the Cemetery Perpetual Care-nonexpendable restricted net assets.

**Governmental activities.** Governmental activities increased the Town of Washington's net assets by \$686,950 as pointed out earlier, thereby accounting for 100% of the total change in the net assets of the Town. Key elements of the increase are shown on the following page:

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**Management's Discussion and Analysis**  
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**Table 2. Changes in Net Assets**

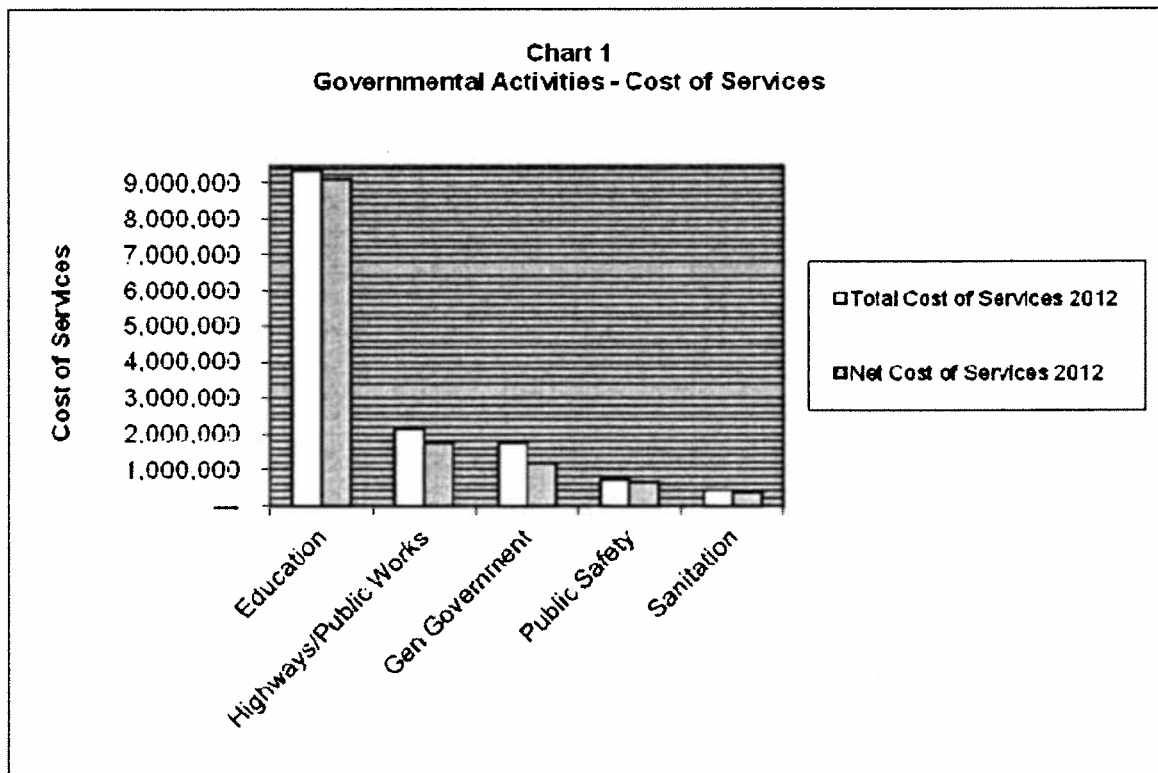
	<b>Total Primary Government 2012</b>	<b>Total Primary Government 2011</b>
Revenues:		
Program Revenues:		
Charges for Services .....	\$ 811,346	\$ 801,557
Operating Grants and Contributions .....	436,719	268,044
Capital Grants and Contributions .....	195,091	332,811
General Revenues:		
Property Taxes .....	13,857,562	13,772,826
Grants and Contributions not Restricted to Specific Purpose .....	134,521	134,637
Unrestricted Investment Earnings .....	21,939	26,633
Lease Income and Miscellaneous .....	22,131	21,675
Extraordinary item: fire damage impairment gain (net)	389,021	--
Total Revenues .....	<u>15,868,330</u>	<u>15,358,183</u>
Program Expenses:		
General Government .....	1,731,139	1,606,260
Public Safety .....	741,031	798,925
Highways (public works) .....	2,135,921	1,948,939
Sanitation .....	421,088	409,351
Social Services .....	17,368	5,833
Health .....	80,001	79,245
Parks and Recreation .....	323,251	290,681
Education .....	9,328,359	9,145,846
Other .....	397,831	405,184
Interest on Long-Term Debt .....	5,391	5,903
Total Program Expenses .....	<u>15,181,380</u>	<u>14,696,167</u>
Increase in Net Assets .....	<u>\$ 686,950</u>	<u>\$ 662,016</u>

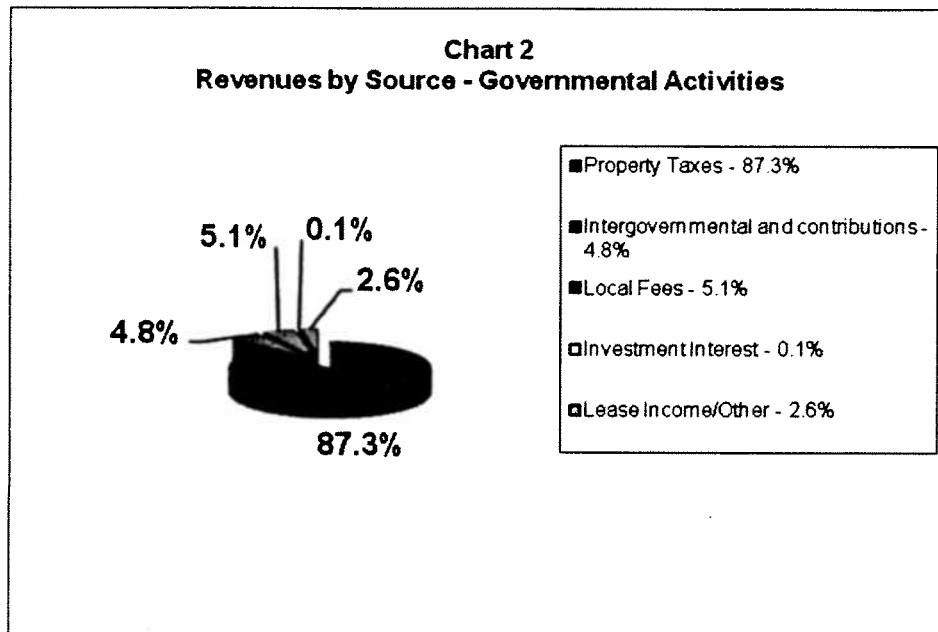
The government's net assets increased by \$686,950 during the current fiscal year. The Town brought in revenues of \$15,868,330 that exceeded its gross operating expenditures of \$15,181,380 by the amount of the net asset increase. Gross expenses were offset by \$811,346 in charges for services, \$436,719 in operating grants and contributions, and \$195,091 in capital grants and contributions. Of the *net* expenditures, \$9,088,212 was attributable to Regional School District No. 12 assessments. Highways and public works claimed another \$1,747,758 of net expenditures followed by general government at \$1,186,206 and public safety at \$674,933. The largest portion of the Town's revenue was \$13,857,562 in tax collections supplemented by \$21,939 in investment earnings and \$156,652 in non-specific grants and contributions, lease revenue, and miscellaneous income.

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Management's Discussion and Analysis  
June 30, 2012**

The primary driver of our net asset increase this year was the positive operating performance in all our major funds as well as the other governmental funds which, together, generated a \$1,331,456 increase in overall fund balances. The single largest *reduction* in net assets was generated by current year depreciation charges and write offs of \$1,149,008 which were offset somewhat by a \$667,648 increase in capital assets for a net reduction in net assets of \$481,360. Further reducing net assets by a net \$210,597 was the accounting treatment of the fire damage and the insurance recovery which, on a net basis, generated a final positive increase of \$686,950.

Chart 1 presents the costs of each of the Town's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions. The largest external source of funds (non-tax) is charges for service of \$811,346 where the users pay for the service. Most are fees for official activities such as issuing building permits, building inspections, and posting land use recordings and collecting the real estate conveyance tax. Our payments to Regional School District No. 12, of which we are a member town along with the towns of Bridgewater and Roxbury, were reduced \$240,147 by the State of Connecticut Education Cost Sharing (ECS) grant.





### Financial Analysis of the Government's Funds

As noted earlier, the Town of Washington 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 of Washington's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Washington's governmental funds reported combined ending fund balances of \$7,161,817, an increase of \$1,331,456 from last year. As previously noted, \$2,593,552, or about 36.2% of this total amount, constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of the fund balance, \$4,568,265, is either *nonspendable* (\$89,616), *restricted* (\$507,444), *committed* (\$3,464,196), or *assigned* (\$507,009). See Note 1.8 – Fund Equity and Net Assets – Governmental Funds, of the Notes to Financial Statements, June 30, 2012 herein for further explanation of the new fund balance presentation.

The general fund is the primary of the four major funds and the chief operating fund of the Town. At the end of the current fiscal year, the unassigned general fund balance was \$2,593,552. 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 general fund balance represents 17.9% of total general fund expenditures and transfers out of \$14,485,861. The municipal credit rating agencies stress that an upper grade investment credit should maintain an unassigned general fund balance in excess of 7%.

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The Town of Washington's general fund balance increased by a net \$464,137 during the current fiscal year to a total \$3,181,370. Operating revenues of \$14,949,998 exceeded operating expenditures of \$13,505,361 by \$1,444,637. We transferred out \$980,500 consisting primarily of \$937,500 to the capital non-recurring expenditure fund with another \$25,000 to the land acquisition open space fund, \$10,000 to the affordable housing fund and \$8,000 to the Judea Cemetery Fund.

The capital non-recurring expenditure fund, a major fund, is used to account for the Town's capital outlays. Unlike most governmental funds, appropriations to and from this fund do not lapse at the end of the fiscal year. The fund balance at the close of the fiscal year was \$2,180,302 with that amount committed for subsequent years capital expenditures. The account is funded from a number of sources including grants, general fund, and transfers from other funds. For the year, \$988,038 was expended from the fund in partial payment for machinery and equipment and infrastructure. Revenues and transfers in totaling \$1,168,248 resulted in an increase of fund balance in the amount of \$180,210 to \$2,180,302.

The land acquisition open space fund, a major fund, is used to build up a reserve for the purchase of land that might become available for open space at some future date. We began the year with a fund balance of \$306,999. We earned \$539 in interest and posted no expenditures. We also transferred in \$25,000 from the general fund. Our fund balance closed the year at \$332,538.

The town aid road fund, a major fund, accounts for monies received from the State of Connecticut under the Town Aid Road (TAR) program for improvements to our roads. We received TAR funds in the amount of \$165,190 in fiscal 2012 and earned \$612 in interest. We made no expenditures. Our beginning fund balance of \$323,789 was raised by \$165,802 to \$489,591 at the close of the year.

While normally not commented upon, included in other nonmajor governmental is a new special revenue fund, the highway garage fire fund. This fund will receive insurance payments and other funds and record expenditures as we recover from the fire damage. Almost all the revenue constituted insurance payments and a small amount of interest to total \$599,656. We expended \$121,911 and completed the fiscal year with a fund balance of \$477,745.

**General Fund Budgetary Highlights**

The original revenue budget of \$14,276,608 remained unchanged while the expenditure budget was increased \$104,077 to \$14,465,808. New appropriations consisted of \$39,077 of additional small appropriations and a supplemental transfer out of \$65,000 (an extra \$5,000 to the Judea Cemetery Fund and \$60,000 more to the legal litigation account). We expected to use general fund balance in the amount of \$189,200 in the final budget. Actual revenues exceeded the final budget for a favorable variance of \$351,340, and actual expenditures were under the final budget by a favorable \$296,947. In total, favorable budget variances amounted to \$648,287 eliminating any need to draw down general fund balance.

**Revenues**

Material variances in the revenue budget may be summarized as:

- ❖ \$231,144 in higher tax collections;

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- ❖ \$283,268 in unbudgeted building inspection fees which reduces our building inspector expenditure line by that amount;
- ❖ \$40,147 more in the ECS grant;
- ❖ \$38,782 more in private duty police fees which reduces our expenditure line by that amount.

**Expenditures**

During the year, the following significant additional appropriations were made to the original expenditure budget:

- ❖ \$80,427 total new legal litigation expense;

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Washington's investment in capital assets for its governmental assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase (before depreciation) in the Town's investment in new capital assets for the current fiscal year was \$667,648. On the other hand, we had to write off a total of \$2,142,556 in building, machinery, and equipment reflecting our losses in the garage fire. Among the losses were the Town garage, a number of utility trucks and dump trucks, tractors, mowers, plows, and a backhoe.

Major capital assets placed in service during the current fiscal year included the following:

- \$29,900 for Mygatt Road reconstruction (construction in progress);
- \$412,469 for road work including paving, chip sealing, culverts, and dirt road refurbishment;
- \$225,279 for machinery and vehicles including a highway Case backhoe, a used paver and roller, and solar panels located in the Town of Warren.

**Table 3. Capital Assets at Year-end (Net of Depreciation)**

	<b>Total Primary Government</b>	
	<b>2012</b>	<b>2011</b>
Land .....	\$1,141,215	\$1,141,215
Construction in Progress .....	29,900	--
Land Improvements .....	137,030	167,046
Buildings and Improvements .	2,759,148	3,450,583
Machinery and Equipment .....	1,015,049	1,392,615
Infrastructure .....	4,565,483	4,804,310
Totals .....	<u>\$9,647,825</u>	<u>\$10,955,769</u>

Additional information on the Town of Washington's capital assets can be found in Note 7 - Capital Assets, of this report.



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**Long-term debt.** At the end of the current fiscal year, the Town of Washington had \$110,000 of long-term bonded debt outstanding. All of the Town's bonds are general obligation debt, and the Town has pledged its full faith and credit to the repayment of interest on and the principal of all outstanding indebtedness.

**Table 4. Long-Term Debt**

<u>Bonds</u>					<u>Date of</u>
<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original</u>	<u>Debt</u>	<u>Fiscal</u>
			<u>Issue</u>	<u>Outstanding</u>	<u>Year</u>
					<u>Maturity</u>
11/1/93	General Purpose	4.35	\$1,100,000	\$110,000	2014

Our total debt decreased by \$55,000 (33.3%) during the current fiscal year as a result of scheduled amortization of principal on our one outstanding bond issue.

The Town is a member town of Regional School District No. 12 along with the towns of Bridgewater and Roxbury. Washington's obligation to the District is based on the number of pupils attending the district, determined as of October 1 of each year. For the fiscal year 2011 – 2012, Washington's pro-rata share of school district operations was 44.64%. The Town of Washington has pledged its full faith and credit to the payment of principal of and interest on the district bonds at its average daily membership (ADM) percentage. The net debt of the district (outstanding school bond principal) represents overlapping debt to the Town in the amount of \$1,607,040.

Washington maintains a "Aa2" rating from Moody's Investors Service, Inc. 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 plus interest and lien fees. For June 30, 2012, the maximum amount of borrowing permitted under the formula would be \$ 97,401,241. With net indebtedness of \$1,717,040 (including our pro-rata share of the regional school district's outstanding indebtedness), our outstanding general obligation debt for debt limit purposes is \$95,684,201 below the maximum debt limitation (see "Statement of Statutory Debt Limitation" in this report).

Additional information on the Town of Washington's long-term debt can be found in Note 8 - Long-Term Debt, of this document.

**Economic Factors and Next Year's Budget**

- The unemployment rate for the Town of Washington was 6.1% at June 30, 2012 which is a decrease from a rate of 7.4% one year prior. The current rate compares favorably to the state's average unemployment rate of 8.4% and national average unemployment rate of 8.4% (not seasonally adjusted) for the same period.
- Inflationary trends in the region compare favorably to the national indices.

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2012**

The FY 2012 - 2013 revenue budget of \$14,924,365 contemplates a \$647,757, or 4.5%, increase over the June 20, 2012 approved revenue budget of \$14,276,608. The expenditure budget of \$15,431,374 (which includes an additional \$600,000 appropriation approved at Town Meeting) rises \$965,566, or 6.7%, over the prior year's final expenditure budget of \$14,465,808 with \$507,009 of the June 30, 2012 fund balance assigned to balance the FY 2012-2013 budget.

The FY 2013 tax revenue increase of \$641,717 accounts for all of the revenue increase in the new budget based on a 0.50 mill rate increase to 11.50 mills.

The 2013 expenditure budget increases primarily due to the gross education cost increase of \$217,676 (2.3%) to \$9,546,035.

All of these factors were considered in preparing Washington's budget for the 2013 fiscal year.

At the close of the 2011 - 2012 fiscal year, we used no general fund balance to finish the year. The 2012 general fund assigned and unassigned fund balance amounted to \$3,100,561, of which \$507,009 has been assigned for subsequent year's expenditures resulting in an unassigned fund balance of \$2,593,552.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Washington's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the First Selectman, Bryan Memorial Town Hall, PO Box 303, Washington Depot, CT 06794.

**Town of Washington**  
**Statement of Net Assets**  
**June 30, 2012**

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 7,067,089
Investments	722,527
Property Taxes Receivable - net	252,590
Realizable insurance recovery	615,987
State grant receivable	2,395
Prepaid July 4th fireworks expense	24,000
<b>Total current assets</b>	<b>8,684,588</b>
<b>Noncurrent Assets</b>	
Capital assets:	
Assets not being depreciated	1,171,115
Assets, net of depreciation of \$17,562,647	8,476,710
Net pension asset	1,052
<b>Total noncurrent assets</b>	<b>9,648,877</b>
<b>Total Assets</b>	<b>18,333,465</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	195,421
Performance bonds held	84,924
Prepaid property taxes	31,917
Accrued interest	5,391
Deferred grant revenue	360,100
Long-term liabilities due within one year	58,000
<b>Total current liabilities</b>	<b>735,753</b>
<b>Noncurrent Liabilities</b>	
Due in more than one year	222,507
<b>Total Liabilities</b>	<b>958,260</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	9,537,825
Restricted for:	
Cemetery perpetual care principal - nonexpendable	65,616
Road improvements	489,591
Senior center	10,576
Community beautification	3,423
Document preservation	3,854
Unrestricted	7,264,320
<b>Total Net assets</b>	<b>\$ 17,375,205</b>

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

**Town of Washington  
Statement of Activities  
Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$ 1,731,139	\$ 541,433	\$ 3,500	\$ ---	\$ (1,186,206)
Public safety	741,031	66,098	---	---	(674,933)
Highways (public works)	2,135,921	---	193,072	195,091	(1,747,758)
Sanitation	421,088	48,051	---	---	(373,037)
Social services	17,368	8,567	---	---	(8,801)
Health	80,001	9,078	---	---	(70,923)
Parks and recreation	323,251	128,943	---	---	(194,308)
Education	9,328,359	---	240,147	---	(9,088,212)
Other	397,831	9,176	---	---	(388,655)
Interest on long-term debt	5,391	---	---	---	(5,391)
<b>Total governmental activities</b>	<b>\$ 15,181,380</b>	<b>\$ 811,346</b>	<b>\$ 436,719</b>	<b>\$ 195,091</b>	<b>(13,738,224)</b>
General revenues:					
Property taxes, interest and lien fees					13,857,562
Grants and contributions not restricted to specific programs					134,521
Investment earnings					21,939
Lease income and other miscellaneous					22,131
<b>Total general revenues</b>					<u>14,036,153</u>
Extraordinary item:					
Impairment gain on fire damage net of insurance recovery					389,021
<b>Change in net assets</b>					<u>686,950</u>
Net assets - July 1, 2011					<u>16,688,255</u>
Net assets - June 30, 2012					<u>\$ 17,375,205</u>

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

Town of Washington  
Balance Sheet  
Governmental Funds  
June 30, 2012

	Major Funds						
		Special	Capital Project Funds				
		Revenue Fund					
	General Fund	Town Aid	Capital	Land	Other	Total	
		Road Fund	Non-Recurring	Acquisition	Governmental	Governmental	
				Open Space	Funds	Funds	
<b>Assets:</b>							
Cash and cash equivalents	\$ 2,961,373	\$ 489,591	\$ 2,550,591	\$ 332,538	\$ 732,996	\$ 7,067,089	
Investments - at fair value	418,606	-	-	-	303,921	722,527	
Property tax receivable, net	252,590	-	-	-	-	252,590	
Prepaid expenditures	-	-	-	-	24,000	24,000	
Grant receivable	2,395	-	-	-	-	2,395	
Dues from General Fund	-	-	-	-	5,000	5,000	
<b>Total Assets</b>	<b>\$ 3,634,964</b>	<b>\$ 489,591</b>	<b>\$ 2,550,591</b>	<b>\$ 332,538</b>	<b>\$ 1,065,917</b>	<b>\$ 8,073,601</b>	
<b>Liabilities:</b>							
Accounts payable	\$ 97,331	\$ -	\$ 10,189	\$ -	\$ 87,901	\$ 195,421	
Due to Other Funds	5,000	-	-	-	-	5,000	
Performance bonds payable	84,924	-	-	-	-	84,924	
Prepaid property taxes	31,917	-	-	-	-	31,917	
Deferred property tax and other revenue	234,422	-	360,100	-	-	594,522	
<b>Total Liabilities</b>	<b>453,594</b>	<b>-</b>	<b>370,289</b>	<b>-</b>	<b>87,901</b>	<b>911,784</b>	
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Perpetual Care Principal	-	-	-	-	65,616	65,616	
Prepaid fireworks expenditure	-	-	-	-	24,000	24,000	
<b>Restricted for:</b>							
Improvements to roads	-	489,591	-	-	-	489,591	
Senior center	-	-	-	-	10,576	10,576	
Community beautification	-	-	-	-	3,423	3,423	
Document preservation	-	-	-	-	3,854	3,854	
<b>Committed to:</b>							
Fixed Asset Replacement	-	-	-	-	477,745	477,745	
Parks and recreation	-	-	-	-	79,772	79,772	
Cemetery operation	-	-	-	-	5,614	5,614	
Capital non-recurring expenditures	-	-	2,180,302	-	-	2,180,302	
Land acquisition for open space	-	-	-	332,538	-	332,538	
Affordable housing	-	-	-	-	307,416	307,416	
Legal litigation	5,375	-	-	-	-	5,375	
Health reimbursement benefits	75,434	-	-	-	-	75,434	
<b>Assigned for:</b>							
Subsequent year budgeted deficit	507,009	-	-	-	-	507,009	
<b>Unassigned</b>	<b>2,593,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,593,552</b>	
<b>Total Fund Balances</b>	<b>3,181,370</b>	<b>489,591</b>	<b>2,180,302</b>	<b>332,538</b>	<b>978,016</b>	<b>7,161,817</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,634,964</b>	<b>\$ 489,591</b>	<b>\$ 2,550,591</b>	<b>\$ 332,538</b>	<b>\$ 1,065,917</b>	<b>\$ 8,073,601</b>	

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

**Town of Washington**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds**  
**June 30, 2012**

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Total net assets reported for governmental activities in the Statement of Net Assets is different from the governmental fund Balance Sheet due to the following differences:

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>7,161,817</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$	27,210,472
Less accumulated depreciation		<u>(17,562,647)</u>
		9,647,825
Taxes, interest and liens receivable not available to pay current period expenditures are therefore deferred in the funds.		234,422
Assets not available to pay current period expenditures:		
Realizable insurance recovery		615,987
Pension asset		1,052
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	\$	(110,000)
Compensated absences		(134,507)
Postclosure landfill costs		<u>(36,000)</u>
		(280,507)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds.		(5,391)
<b>Total Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>17,375,205</u></b>

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

Town of Washington  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2012

	Major Funds					
	General Fund	Special	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		Revenue Fund Town Aid Road Fund	Capital Non-Recurring	Land Acquisition Open Space		
<b>Revenues:</b>						
Property taxes	\$ 13,758,241	\$ -	\$ -	\$ -	\$ -	\$ 13,758,241
Interest and lien fees on property taxes	102,782	-	-	-	-	102,782
Intergovernmental	302,399	165,190	226,473	-	-	694,062
Contribution in lieu of taxes	72,269	-	-	-	-	72,269
Investment income	13,309	612	4,275	539	3,204	21,939
Lease income - Town building & Firehou	19,581	-	-	-	-	19,581
Licenses and permits	661,114	-	-	-	-	661,114
Program fees and other receipts	20,303	-	-	-	132,479	152,782
<b>Total Revenues</b>	<b>14,949,998</b>	<b>165,802</b>	<b>230,748</b>	<b>539</b>	<b>135,683</b>	<b>15,482,770</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	1,643,984	-	-	-	1,513	1,645,497
Public safety	525,110	-	-	-	-	525,110
Highways	892,298	-	-	-	-	892,298
Sanitation	424,088	-	-	-	-	424,088
Health	72,656	-	-	-	-	72,656
Recreation	158,361	-	-	-	113,324	271,685
Social services	7,581	-	-	-	9,135	16,716
Education	9,328,359	-	-	-	-	9,328,359
Other	391,186	-	-	-	11,650	402,836
Capital outlay	-	-	988,038	-	121,911	1,109,949
Debt service	61,738	-	-	-	-	61,738
<b>Total Expenditures</b>	<b>13,505,361</b>	<b>-</b>	<b>988,038</b>	<b>-</b>	<b>257,533</b>	<b>14,750,932</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,444,637</b>	<b>165,802</b>	<b>(757,290)</b>	<b>539</b>	<b>(121,850)</b>	<b>731,838</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in (out)	(980,500)	-	937,500	25,000	18,000	-
Insurance Recovery	-	-	-	-	599,618	599,618
<b>Total Other Financing Sources (Uses)</b>	<b>(980,500)</b>	<b>-</b>	<b>937,500</b>	<b>25,000</b>	<b>617,618</b>	<b>599,618</b>
<b>Net Change in Fund Balances</b>	<b>464,137</b>	<b>165,802</b>	<b>180,210</b>	<b>25,539</b>	<b>495,768</b>	<b>1,331,456</b>
<b>Fund Balances:</b>						
<b>Beginning of Year</b>	<b>2,717,233</b>	<b>323,789</b>	<b>2,000,092</b>	<b>306,999</b>	<b>482,248</b>	<b>5,830,361</b>
<b>End of Year</b>	<b>\$ 3,181,370</b>	<b>\$ 489,591</b>	<b>\$ 2,180,302</b>	<b>\$ 332,538</b>	<b>\$ 978,016</b>	<b>\$ 7,161,817</b>

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

**Town of Washington**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2012**

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Amounts reported for governmental activities in the statement  
of activities are different due to the following:

**Net Change in Fund Balances-Total Governmental Funds** **\$ 1,331,456**

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

Total capital outlay	\$ 667,648	
Less current year depreciation and write off of assets not meeting the Town's capitalization policy	(1,149,008)	
		(481,360)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 55,000	
Change in accrued interest payable	1,347	56,347

Property taxes in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. Deferred property tax, accrual basis change (3,461)

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

Change in compensated absences liability	\$ (13,440)	
Change in postclosure landfill costs	3,000	
Change net pension obligation	5,005	(5,435)

Different reporting treatment for impairment of fire damaged fixed assets:

Impairment gain is reported on the Statement of Activities	389,021	
Insurance recovery is reported as other financing sources in the governmental funds	(599,618)	(210,597)

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**Change in Net Assets of Governmental Activities** **\$ 686,950**

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



**Town of Washington**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	<b>Pension Trust Fund</b>	<b>Prevention of Alcohol and Drug Abuse Agency Fund</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,819	\$ 1,290
Accrued interest	8,766	-
Investments - at fair value	2,250,346	-
<b>Total Assets</b>	<b>2,260,931</b>	<b>1,290</b>
<b>Liabilities:</b>		
Due to others	-	1,290
<b>Net Assets</b>		
Held in trust for pension benefits	\$ <u>2,260,931</u>	\$ <u>-</u>

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

**Town of Washington**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Fund**  
**Year Ended June 30, 2012**

	<b>Pension Trust Fund</b>
<hr/>	
<b>Additions:</b>	
Employer contributions	\$ 160,179
Investment income:	
Net depreciation in fair values of investments	(35,789)
Interest and dividends	61,021
Gross investment income	<u>25,232</u>
Less: investment expense	<u>13,823</u>
Net investment income	<u>11,409</u>
<b>Total additions</b>	171,588
<b>Deductions:</b>	
Pension benefits	<u>94,544</u>
<b>Net Increase</b>	77,044
<b>Net Assets Held In Trust For Pension Benefits:</b>	
Beginning of year	<u>2,183,887</u>
End of year	<u><u>\$ 2,260,931</u></u>

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

**Town of Washington**  
**Notes to Financial Statements**

Note "I" - Summary of Significant Accounting Policies:

The accompanying basic financial statements of the Town of Washington, Connecticut (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 Town's significant accounting policies are described below.

**A. Reporting Entity:**

The Town of Washington, Connecticut was incorporated in 1779 under the provisions of the Connecticut General Statutes, and has a population of approximately 4,000 living within an area of 38.7 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Shepaug Regional School District #12, of which the Towns of Washington, Roxbury and Bridgewater are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Washington residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for reviewing/revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United State of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financial accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered and as a result, the potential component units discussed below are not included in the Town's reporting entities because of their operational significance and financial relationship with the Town.

- Regional School District No. 12 – The School District provides educational services and facilities for the Towns of Washington, Roxbury and Bridgewater, Connecticut. The Town pays a proportional share of the expenses of the district.
- Washington Volunteer Fire Department, Inc. and Washington Ambulance Association, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control over the daily operations.

**B. Jointly Governed Organizations:**

Northwestern Connecticut Council of Governments

The Town and eight other local municipalities each appoint the governing board of Northwestern Connecticut Council of Government (the "NWCCOG") to provide a regional forum for information exchange and regional planning. The NWCCOG is supported by assessments to the nine member Towns based upon population census. The Town of Washington appropriated \$7,931 for the operation of the NWCCOG for the year ended June 30, 2012.

**Town of Washington**  
**Notes to Financial Statements**

Note “1” - Summary of Significant Accounting Policies (continued):

Lake Waramaug Authority

The Lake Waramaug Authority (the “Lake Authority”) was created by the Towns of Washington, Warren and Kent by local ordinance. The Lake Authority enforces all regulations related to water activities. The Town appropriated \$7,847 for the operation of the Lake Authority for the year ended June 30, 2012.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* included 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materially.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns, and the seven nonmajor funds are aggregated into one column in the financial statements under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

**D. Measurement Focus and Basis of Accounting:**

*Government-Wide Statements*

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Town of Washington**  
**Notes to Financial Statements**

Note "1" - Summary of Significant Accounting Policies (continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

*Fund Financial Statements*

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

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

The Town reports the following major governmental funds:

General Fund:

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

Special Revenue Fund:

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

Capital Projects Funds:

The Capital Non-Recurring Expenditure Fund as authorized by General Statutes of Connecticut, is used for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

Land Acquisition Open Space Fund – is used to account for the purchase of land for open space.

The Town also reports the following seven Nonmajor Governmental Funds:

Special Revenue Funds, are used to account for specific revenues that are legally restricted to expenditures for particular purpose:

Judea Cemetery Fund – is used to account for sales of plots along with the related expenditures for maintaining and improving the cemetery.

**Town of Washington**  
**Notes to Financial Statements**

Note “1” - Summary of Significant Accounting Policies (continued):

Park and Recreation Fund – is used to account for fees from recreational leisure programs along with the related expenditures.

Senior Center Fund – is used to account for charges for services and contributions restricted for senior citizens functions and activities.

Greenway Community Fund – is used to account for contributions restricted for ground maintenance and improvements.

Document Preservation Fund – is used to account for recording fees and state grants restricted for document preservation along with the related expenditures.

Highway Garage Fire Fund - is used to account for the replacement of building and equipment lost in the Town Garage Fire on May 7, 2012.

Capital Project Fund, is used to account for major capital facilities and the acquisition of equipment:

Affordable Housing Fund – is used to account for the purchase of land and related cost used to provide affordable housing.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

The Pension Trust Fund is used to account for the accumulation of resources to be used for retirement benefits.

Agency Funds account for financial resources held as a custodian for outside groups and agencies. The Town’s Alcohol and Drug Abuse Prevention Fund accounts for resources used for the prevention of alcohol and drug abuse on behalf of outside groups and agencies.

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

Amounts reported as *program revenues* included 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.

E. Assets, Liabilities, and Net Assets or Equity:

1. Deposits and Investments:

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

**Town of Washington**  
**Notes to Financial Statements**

Note "1" - Summary of Significant Accounting Policies (continued):

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds does not specify permitted investments. Therefore investments of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value.

2.Receivables:

In the government-wide financial statements, property taxes are shown net of an allowance for uncollectibles of \$7,000. The allowance is calculated based upon prior years collections.

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

Property taxes are assessed of October 1 and billed the following July. Real and personal property bills are payable in two installment, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the Motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

3.Capital Assets

Capital assets, which includes 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 town as assets with an initial, individual cost of more than \$5,000 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair 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 Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings	40
Building improvements	6-20
Infrastructure	30
Machinery, Equipment and Vehicle	5-15

**Town of Washington**  
**Notes to Financial Statements**

Note "1" - Summary of Significant Accounting Policies (continued):

**4. Interfund Activity**

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund "due from/to other funds". These amounts are eliminated in the statement of net assets.

**5. Compensated Absences**

Eligible employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Under various agreements employees may accumulate unused sick leave to be paid upon retirement. Sick leave and vacation leave expenditures are recognized in the fund financial statements in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for accrued vacation and sick leave earning is reported in the government-wide statements.

**6. Deferred Grant Revenue**

Deferred revenue is comprised of the State of Connecticut, Small Town Economic Assistance Program (STEAP) of \$360,100 which will be recognized as expenditures are incurred.

**7. Accrued Liabilities and Long-term Debt**

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**8. Fund Equity and Net Assets – Governmental Funds**

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the government intends to use for a specific purpose as proposed by the Town's Board of Selectman and authorized by the Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose.



**Town of Washington**  
**Notes to Financial Statements**

Note "1" - Summary of Significant Accounting Policies (continued):

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

Invested in Capital Assets, Net of Related Debt

This category presents all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category. Debt issued for non-capital purpose is excluded.

Restricted Net Assets

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

Unrestricted Net Assets

This category represents the net assets of the Town, which are not restricted. A deficit will require future funding.

9. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

10. Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note "2" - Budgetary Compliance – The General Fund:

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

**Town of Washington**  
**Notes to Financial Statements**

Note "2" - Budgetary Compliance - The General Fund (continued):

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval.

Additional General Fund appropriations of \$104,077 from fund balance were approved during the fiscal year.

Budgetary Compliance - Other Governmental Funds:

The Town does not budget for its other Governmental Funds. Considering a cost-benefit analysis, it is not practical for the town to report budgetary information for the other governmental funds on a combined basis. Budgets for the various special revenue funds and capital project funds that are utilized to account for specific grant programs are established in accordance with requirements for the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

Note "3" – Cash and Cash Equivalents, Deposits and Investments:

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2012:

Deposits:	<u>Governmental Funds</u>	<u>Agency Funds</u>
Demand Accounts	\$ 1,140,110	\$ 3,109
Certificates of Deposit	<u>748,529</u>	<u>50,329</u>
Total Deposits	1,888,639	53,438
 Petty Cash and Cash on Hand	 28,790	 ---
Cash Equivalents:		
Repurchase agreements	5,748,269	---
MBIA, Inc. – Cooperative Liquid Assets		
Securities System	120,747	---
State short-term investment fund (STIF)	<u>3,171</u>	<u>---</u>
	7,789,616	53,438
 Less: Certificates of Deposits classified as investments	 <u>722,527</u>	 <u>50,329</u>
Total Cash and Cash Equivalents	\$ <u>7,067,089</u>	\$ <u>3,109</u>

**Town of Washington**  
**Notes to Financial Statements**

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued):

**A. Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2012, the carrying amount of the Town's deposits, including certificates of deposits of \$798,858 classified as investments, was \$1,942,077 and the bank balance was \$1,957,472. Of the Town's bank balance \$1,042,953 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 902,340
Uninsured and collateralized held by pledging Bank's trust department not in the town's name	<u>140,613</u>
Total amount subject to custodial credit risk	<u>\$ 1,042,953</u>

**B. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2012, the Town's cash equivalents amounted to \$5,872,187. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The State of Connecticut Short-Term Investment Fund (STIF) is a "2a7-Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.

	<u>Standard and Poor's</u>
State of Connecticut Short-Term Investment Fund (STIF)	AAAm
MBIA, Inc.-Cooperative Liquid Assets Securities System (CLASS)	AAAm

Amounts held in the repurchase agreement accounts were collateralized with collateral held by the banks' trust departments or agents, but not in the Town's name.

**C. Investments**

At June 30, 2012, the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Primary Government</b>			
Certificate of deposit	\$ 257,820	*	4/17/2013
Certificate of deposit	160,784	*	12/17/2012
Certificate of deposit	21,223	*	2/1/2014
Certificate of deposit	2,476	*	1/10/2013
Certificate of deposit	1,077	*	1/14/2013
Certificate of deposit	137,180	*	2/9/2013
Certificate of deposit	<u>141,967</u>	*	11/17/2012
Total Primary Government	<u>\$ 722,527</u>		

**Town of Washington**  
**Notes to Financial Statements**

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued):

\* Included in deposits above, therefore, insured and collateralized to the extent described above.

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Fiduciary Fund</b>			
Corporate bonds	\$ 455,320	'A' Standard & Poor's rating	N/A
Common stock	150,907	N/A	N/A
Municipal bond	27,002	not rated	1/01/2018
Certificate of deposit	50,329	*	5/11/2016-24
Mutual funds	1,226,568	N/A	N/A
U.S. Government agencies	301,040	N/A	N/A
Money market funds	39,180	not rated	N/A
Total Fiduciary Funds	<u>\$ 2,250,346</u>		

- Ratings by a nationally recognized rating organization are provided where applicable to indicate the associated credit risk. N/A indicates rating is not applicable.
- Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations or any State or political subdivision or in obligations of the State of Connecticut or political subdivision. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Note "4" – Property Taxes Receivable:

Property taxes receivables at June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:

Property taxes	\$ 215,299
Accrued interest and lien fees on taxes	<u>44,291</u>
Gross receivables	259,590
Less: Allowance for uncollectibles	<u>7,000</u>
<u>Net Receivables</u>	<u>\$ 252,590</u>

Note "5" – Prepaid Expenditures:

Prepaid expenditures is comprised of payments prior to June 30, 2012 for the fourth of July firework celebration.

**Town of Washington**  
**Notes to Financial Statements**

Note "6" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	<u>Major Funds</u>			<u>Non-Major Funds</u>	
	<u>General</u> <u>Fund</u>	<u>Non-Recurring</u> <u>Capital</u> <u>Expenditure</u> <u>Fund</u>	<u>Land</u> <u>Acquisition</u> <u>Open Space</u> <u>Fund</u>	<u>Affordable</u> <u>Housing</u> <u>Fund</u>	<u>Judea</u> <u>Cemetery</u> <u>Fund</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Transfers (From) To:					
General Fund	<u>\$ ( 980,500)</u>	<u>\$ 937,500</u>	<u>\$ 25,000</u>	<u>\$ 10,000</u>	<u>\$ 8,000</u>

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note "7" - Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reclass and</u> <u>Disposals</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental Activities:</b>				
Capital Assets - Not Depreciated:				
Land	\$ 1,141,215	\$ ---	\$ ---	\$ 1,141,215
Mygatt Road - Reconstruction (WIP)	---	29,900	---	29,900
Total Capital Assets Not Depreciated	1,141,215	29,900	---	1,171,115
Capital Assets - Depreciated:				
Land Improvements	532,685	---	---	532,685
Building & Improvements	5,087,832	---	( 775,326)	4,312,506
Machinery & Equipment	4,574,243	225,279	( 1,367,230)	3,432,292
Infrastructure	17,349,405	412,469	---	17,761,874
Total Capital Assets Being Depreciated	27,544,165	637,748	( 2,142,556)	26,039,357
Less: Accumulated Depreciation				
Land Improvements	365,639	30,016	---	395,655
Building & Improvements	1,637,249	164,220	( 248,111)	1,553,358
Machinery & Equipment	3,181,628	283,212	( 1,047,597)	2,417,243
Infrastructure	12,545,095	651,296	---	13,196,391
Total Accumulated Depreciation	17,729,611	1,128,744	( 1,295,708)	17,562,647
Capital Assets Being Depreciated - Net	9,814,554	( 490,996)	( 846,848)	8,476,710
Capital Assets - Net	<u>\$ 10,955,769</u>	<u>\$ ( 461,096)</u>	<u>\$ ( 846,848)</u>	<u>\$ 9,647,825</u>

Depreciation is charged to the following Governmental Activities:

General government services	\$ 42,707
Public safety	195,657
Public works	831,469
Health & Welfare	7,345
Parks and recreation	51,566
<u>Total depreciation expense</u>	<u>\$ 1,128,744</u>

**Town of Washington**  
**Notes to Financial Statements**

Note "8" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2012. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2012</u>	<u>Due Within</u> <u>One Year</u>
<u>Net Pension Obligation</u>	\$ 3,953	\$ ---	\$ 3,953	\$ ---	\$ ---
<u>Compensated Absences</u>					
Various vested employee benefits as explained in Note "1", summary of significant accounting policies	121,067	19,177	5,737	134,507	---
<u>Landfill - Transfer Station Closure and PostClosure Care Costs</u>					
Liability for closure and postclosure care costs of the Town of Washington's Landfill as explained in Notes	39,000	---	3,000	36,000	3,000
<u>General Obligation Bonds of 1993</u>					
Payable in annual installments of \$55,000 beginning November 1, 1994 through November 1, 2013	<u>165,000</u>	<u>---</u>	<u>55,000</u>	<u>110,000</u>	<u>55,000</u>
<u>Total</u>	<u>\$ 329,020</u>	<u>\$ 19,177</u>	<u>\$ 67,690</u>	<u>\$ 280,507</u>	<u>\$ 58,000</u>

Future Debt Service Requirements for the General Obligation bonds are as follows:

	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.35%	\$ 55,000	\$ 4,043	\$ 59,043
2014	4.35%	<u>55,000</u>	<u>1,348</u>	<u>56,348</u>
Total General Obligation Bond		<u>\$ 110,000</u>	<u>\$ 5,391</u>	<u>\$ 115,391</u>

Note "9" - Contingent Liabilities:

The Town is contingently liable on Regional School District No. 12 serial bonds payable through June 1, 2016 and bond anticipation notes of \$2,750,000 due August 31, 2012. The amount (44.64%) attributable to the Town is \$1,607,040.

The Town is continuing working with the State Department of Environmental Protection and Legal Counsel to resolve a water compliance order resulting from road salt storage.

**Town of Washington**  
**Notes to Financial Statements**

Note "10" - Employee Retirement System:

A: Plan Description

The Town of Washington is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. At January 1, 2011 the latest actuarial date, PERS membership consisted of:

Active participants	31
Vested ex-participants	12
Retirees and beneficiaries	<u>17</u>
Total	<u>60</u>

The plan is a non-contributory defined benefit pension plan and covers substantially all regular full-time employees and elected officials through contribution to the Pension Trust Fund. In order to be eligible for the plan, the employee must work at least 1,000 hours per year, complete one full year of continuous service and attain a minimum age of twenty-five.

Normal retirement date is the first of the month coincident with or next following the participants 65th birthday. A participant must work for a minimum of five years in order to qualify for normal retirement. The annual benefit is 1.25% of Average Monthly Compensation multiplied by years of Credited Service to June 30, 1993 and 1.5% of the average monthly compensation multiplied by years of credited service beginning July 1, 1993. The maximum years of credited service is 40 years. Final average earnings are the highest average years of compensation over the highest five consecutive calendar years within the last ten years of employment. The plan contains a provision for early retirement at age fifty-five and after fifteen years of credited service at a reduced benefit.

Participants separation from service prior to early or normal retirement date, are entitled to a percentage of accrued pension payable at their normal retirement date based upon the following schedule:

<u>Full Years of Credited Service</u>	<u>Vested Percentage of Accrued Benefit</u>
less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

B: Contributions and Funding Policy:

Authority:

The Board of Selectmen has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions.

**Town of Washington**  
**Notes to Financial Statements**

Note "10" - Employee Retirement System (continued):

Funding Policy:

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due.

**C: Summary of Significant Accounting Policies  
and Plan Asset Matters**

**Basis of Accounting:** PERS financial statements are prepared using the accrual basis of accounting. Employers contributions are recognized as revenues in the period in which employee services are performed.

**Method Used to Value Investments:** All funds are invested in fixed income and equity securities through trust agreement with Union Savings Bank and are reported at fair values as discussed in the Notes.

**D: Concentrations:**

The following investment represent 5 percent or more of plan net assets:

Investments	<u>Percentage</u>	
	<u>Fair Value</u>	<u>of Plan</u> <u>Net Assets</u>
Corporate Bonds	\$ 455,320	20%
Mutual Funds	\$ 1,226,568	54%
U.S. Government Agencies	\$ 301,040	13%
Common Stocks	\$ 150,907	7%

**E. Annual Pension Cost and Net Pension Obligation:**

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

Annual required contribution	\$ 155,330
Interest on net pension obligation	217
Adjustment to annual required contribution	( 373)
Annual pension cost	155,174
Contributions made	<u>160,179</u>
Increase in net pension asset	5,005
Net pension obligation beginning of year	( 3,953)
Net pension asset end of year	<u>\$ 1,052</u>

The annual required contribution for the current year was determined using the aggregate actuarial cost method, with no supplemental liability. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Information about funded status and funding progress has been prepared using the Entry Age Actuarial Cost Method and is found in Part G of this note.



**Town of Washington**  
**Notes to Financial Statements**

Note "10" - Employee Retirement System (continued):

**F. Required Schedule of Employer Contributions and Trend Information:**

<u>Fiscal Year</u>	<u>Annual Pension</u>	<u>Contribution</u>	<u>Percentage of</u>	<u>Net Pension</u>	<u>Annual</u>
<u>Ending</u>	<u>Cost (APC)</u>	<u>Made</u>	<u>APC</u>	<u>Obligation/</u>	<u>Required</u>
			<u>Contributed</u>	<u>(Asset)</u>	<u>Contribution</u>
6/30/12	\$ 155,174	\$ 160,179	103%	\$ ( 1,052)	\$ 155,330
6/30/11	\$ 164,523	\$ 165,000	102%	\$ 3,953	\$ 164,697
6/30/10	\$ 144,866	\$ 140,000	97%	\$ 4,430	\$ 144,849

**G. Required Schedule of Funded Status and Funding Progress**

As of July 1, 2007 the Town implemented GASB Statement No. 50, Pension Disclosures, an amendment of GASB Statement No. 25 and 27. As a result a required Schedule of Funding Progress using the entry age actuarial cost method for the purpose of reporting surrogate funded status and funding progress information for plans that use the aggregate actuarial cost method follows:

<u>Actuarial</u>	<u>Actuarial</u>	<u>Actuarial</u>	<u>Unfunded</u>	<u>Funded Ratio</u>	<u>Covered</u>	<u>UAAL as a</u>
<u>Valuation</u>	<u>Value of</u>	<u>Liability</u>	<u>AAL (UAAL)</u>		<u>Payroll (c)</u>	<u>Percentage of</u>
<u>Date</u>	<u>Assets (a)</u>	<u>(AAL) Entry</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>Payroll (c)</u>	<u>Covered</u>
		<u>Age (b)</u>				<u>Payroll</u>
						<u>((b-a)/c)</u>
1/1/11	\$ 2,208,365	\$ 2,854,292	\$ 645,927	77%	\$ 959,248	67%
1/1/10	\$ 1,942,201	\$ 2,722,517	\$ 780,316	71%	\$ 981,076	80%
1/1/09	\$ 1,822,934	\$ 2,522,024	\$ 699,090	72%	\$ 872,321	80%

**H. Additional Information**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	1/1/11
Actuarial cost method:	Aggregate Method, with no supplemental liability
Amortization method:	N/A, cost method does not identify actuarial accrued liabilities separately
Asset valuation method:	Fair market value
Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	3.5%
Inflation factor	Not separately stated
Cost-of-living adjustments	None
Mortality	1983 Group Annuity Male Mortality Table (Setback six years for females)

**Town of Washington**  
**Notes to Financial Statements**

Note "11" - Landfill closure and postclosure care liability:

In accordance with State and Federal laws and regulations, the Town has placed a final cover on its Washington Landfill and has stopped accepting demolition waste for burial. (The Town of Washington ceased accepting municipal solid waste [household garbage] in March of 1987.) The Town will perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$36,000 reported as landfill closure and postclosure care liability, represents the cumulative amount of postclosure care cost as of June 30, 2012. Actual cost may be higher due to inflation, changes in technology or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by future tax revenue. The Town has not set up a trust for this liability and is not aware of any legal requirement to do so.

Note "12" - Commitments and Litigation:

It is the opinion of Town officials that there are no material or substantial claims against the town, which will be finally determined so as to result in a judgment or judgments against the Town, which would materially affect its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

Note "13" - Risk Management:

The Town is exposed to various risks of loss related to public official liability, police liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters.

The Town is self-insured for employees health insurance co-pays and/or deductibles according to benefit policies established by the Board of Selectmen and Board of Finance. The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

The Town currently accounts for the funding of the employee health insurance co-pays in the General Fund. The Town has committed \$75,434 of fund balance to cover the amount over and above the approved budgeted amounts.

The Town establishes deductible claims liabilities based on estimates of claims that have been incurred but not reported at the balance sheet date. Claims liabilities are recorded in accordance with 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 claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and incremental claim adjustment expenses. The claims accrual does not include other allocated or unallocated claims adjustment expenses. The Town purchases commercial health insurance coverage over and above the employees deductible.

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2011-2012	\$ <u>6,811</u>	\$ <u>65,887</u>	\$ <u>66,464</u>	\$ <u>6,234</u>

**Town of Washington**  
**Notes to Financial Statements**

Note "13" - Risk Management (continued):

The Town of Washington is a member of the Connecticut Interlock Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, formed by the Connecticut Conference of Municipalities (CCM) for the purpose of establishing and administering an interlock risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's workers' compensation pool, a risk sharing pool. The workers' compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.

Note "14" - Operating Deficiencies and/or Fund Deficits:

At June 30, 2012 the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating Deficiency</u>	<u>Fund Deficit</u>
Non-major Funds		
Senior Center Fund	\$ 531	\$ ---

Note "15" – Impairment Gain on Fire Loss:

On May 7, 2012 a fire at the Town's highway garage destroyed several trucks, various equipment and the building. For financial reporting the net gain after insurance recovery of \$389,021 is reported as an extraordinary item, described in the statement of activities as impairment gain on fire damage net of insurance recovery. The governmental fund financial statement reports the insurance recovery as an other financing source and will report the restoration costs as expenditures.

Note "16" - Volunteer Award Plan:

The Town, at its discretion, provides an annual contribution to the Town of Washington Firefighters and EMT award programs. The Town's volunteer contribution ranges from \$500 to \$1,000 per eligible volunteer. All amounts of awards deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participating aforementioned volunteers. The contribution for 2012 for the Firefighters and EMT was \$12,000 and \$10,000 respectively.

Note "17" - Subsequent Event:

On August 19, 2012 a propane tank explosion caused damage to the Bryan Memorial Town Hall. The damage was mostly isolated to the basement and stage of the Town Hall. It is the opinion of management that this is fully covered by insurance. Repairs have commenced and are fully underway.

**Town of Washington**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2012**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property taxes	\$ 13,500,891	\$ 13,732,035	\$ 231,144
Interest and lien fees on property taxes	94,757	102,782	8,025
State of Connecticut - Grants:			
Veterans tax relief	1,471	1,030	(441)
Totally disabled	132	132	-
Judicial fines	500	1,505	1,005
Elderly homeowners	13,181	17,590	4,409
Boat grant	2,000	-	(2,000)
State property	33,685	33,700	15
Mashantuck Pequot/Mohegan fund	7,983	7,185	(798)
Educational cost sharing grant	200,000	240,147	40,147
Other grants	-	1,110	1,110
Telephone access tax	24,245	26,206	1,961
Contributions in lieu of taxes	69,000	72,269	3,269
Investment income	7,663	13,309	5,646
Lease income - Town building & Firehouse	18,500	19,581	1,081
Other fees and receipts:			
Building inspection	76,000	359,268	283,268
Building inspection - Excess revenue over budget offsets expenditures	-	(283,268)	(283,268)
Health permits	5,000	9,078	4,078
Zoning	3,000	6,550	3,550
Zoning Board of Appeals	1,700	2,910	1,210
Inland Wetlands/Conservation	5,500	2,833	(2,667)
IWCC Citation	-	1,822	1,822
Historic District	400	2,066	1,666
Transfer station	25,000	38,692	13,692
Private duty police	20,000	58,782	38,782
Private duty police - Excess revenue over budget offsets expenditures	-	(38,782)	(38,782)
Beach and boat ramp fees	5,000	10,951	5,951
Pistol permits	500	630	130
Use of Town buildings	1,500	2,550	1,050
Lake Waramaug Reimbursement	4,000	7,316	3,316
Town Clerk's fees including conveyance taxes	145,000	142,486	(2,514)
D.E.P. fees	5,000	15,180	10,180
Insurance Reimbursement: Worker's Comp	-	5,718	5,718
Scrap metal sales and other receipts	5,000	14,585	9,585
<b>Amounts available for appropriation</b>	<b>\$ 14,276,608</b>	<b>\$ 14,627,948</b>	<b>\$ 351,340</b>

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

**Town of Washington**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Expenditures:</b>					
General Government					
Selectmen	\$ 146,120	\$ -	\$ 146,120	\$ 146,019	\$ 101
Assessor	62,381	-	62,381	63,308	(927)
Tax Collector	51,579	-	51,579	50,004	1,575
Town Clerk	67,298	-	67,298	55,210	12,088
Town Treasurer	11,614	-	11,614	11,768	(154)
Building Department	6,975	-	6,975	275,952	(268,977)
Building Department - Excess revenue over budget	-	-	-	(283,268)	283,268
Probate Court	3,803	-	3,803	3,803	-
Elections	27,419	-	27,419	21,231	6,188
Auditor	27,500	-	27,500	26,060	1,440
Board of Assessment Appeals	1,350	-	1,350	488	862
Planning Commission	27,253	-	27,253	27,101	152
Zoning Commission	49,547	-	49,547	52,634	(3,087)
Zoning Board of Appeals	10,443	-	10,443	5,323	5,120
Inland Wetlands	77,448	-	77,448	66,040	11,408
Historic District Commission	6,982	-	6,982	5,732	1,250
Conservation Commission	6,688	-	6,688	5,737	951
Housing Commission	1,540	-	1,540	340	1,200
Operation of Town Hall	92,136	-	92,136	89,971	2,165
Town Garage / Salt Building	24,540	-	24,540	22,746	1,794
Surety Bonds and Insurance	167,525	-	167,525	152,573	14,952
Accident & Health Insurance and committed reimbursable costs	326,400	-	326,400	327,540	(1,140)
Office Expense	39,250	-	39,250	33,614	5,636
Payroll Taxes	102,632	-	102,632	99,607	3,025
Board of Finance	26,742	-	26,742	26,234	508
Total General Government	1,365,165	-	1,365,165	1,285,767	79,398
Public Safety					
Fire Marshal	28,270	-	28,270	28,410	(140)
Fire Department	140,200	-	140,200	145,580	(5,380)
Police	241,749	-	241,749	277,036	(35,287)
Private duty police - Excess revenue over budget	-	-	-	(38,782)	38,782
Emergency Management	56,206	-	56,206	56,236	(30)
Open Burning Official	599	-	599	-	599
Lake Waramaug Authority	11,606	-	11,606	7,847	3,759
EMT Awards	10,200	-	10,200	10,000	200
Total Public Safety	488,830	-	488,830	486,327	2,503
Highways					
General Maintenance	584,723	-	584,723	555,876	28,847
Winter Maintenance	413,480	-	413,480	310,987	102,493
Street Lighting	28,500	-	28,500	25,435	3,065
Total Highways	1,026,703	-	1,026,703	892,298	134,405

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

Town of Washington  
Required Supplementary Information  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
General Fund Budget and Actual (Non - GAAP Budgetary Basis)  
Year Ended June 30, 2012

Expenditures (continued):	Original Budget	Additional Appropriations	Final Budget	Actual	Favorable (Unfavorable)
Sanitation					
Transfer Station	\$ 308,475	\$ -	\$ 308,475	\$ 313,923	\$ (5,448)
Recycling	141,900	-	141,900	110,165	31,735
Total Sanitation	450,375	-	450,375	424,088	26,287
Conservation of Health					
Paramedic Service	23,443	-	23,443	23,443	-
Health Department	39,028	-	39,028	35,771	3,257
Visiting Nurses Associations	20,000	-	20,000	13,442	6,558
Hepatitis B Vaccinations	100	-	100	-	100
Total Conservation of health	82,571	-	82,571	72,656	9,915
Recreation					
Parks and Recreation	109,083	-	109,083	100,253	8,830
Senior Center / Veterans Hall	52,905	-	52,905	53,108	(203)
After School Arts Program	5,000	-	5,000	5,000	-
Total Recreation	166,988	-	166,988	158,361	8,627
Social Services	8,350	-	8,350	7,581	769
Other Expenditures					
Gunn Memorial Library	132,650	-	132,650	132,650	-
Pension Expense	160,330	-	160,330	160,440	(110)
Council on Governments	7,931	-	7,931	7,931	-
Interlocal Advisory Board	9,481	-	9,481	9,481	-
Annual Repairs	35,000	-	35,000	29,674	5,326
New Preston Cemetery	3,000	-	3,000	3,000	-
Animal Control	31,645	-	31,645	33,976	(2,331)
Newsletter and Website	7,115	-	7,115	7,574	(459)
Cell Tower	-	6,129	6,129	1,460	4,669
Contour Mapping	-	3,000	3,000	-	3,000
Education Planning Consultant	-	5,000	5,000	5,000	-
Financial Consultant	-	2,000	2,000	-	2,000
Fire Co Turnout Gear	-	231	231	-	231
Fuel Pump - Garage	-	2,290	2,290	-	2,290
Legal Litigation	-	20,427	20,427	-	20,427
Total Other Expenditures	387,152	39,077	426,229	391,186	35,043
Interest and principal - bond issue	61,738	-	61,738	61,738	-
Education	9,328,359	-	9,328,359	9,328,359	-
<b>Total Expenditures</b>	<b>13,366,231</b>	<b>39,077</b>	<b>13,405,308</b>	<b>13,108,361</b>	<b>296,947</b>
<b>Operating Transfers Out:</b>					
Housing Fund	10,000	-	10,000	10,000	-
Judea Cemetery	3,000	5,000	8,000	8,000	-
Legal Litigation	20,000	60,000	80,000	80,000	-
Non-recurring capital exp. fund	937,500	-	937,500	937,500	-
Open Space	25,000	-	25,000	25,000	-
Total transfers out	995,500	65,000	1,060,500	1,060,500	-
<b>Total Expenditures and Transfers out</b>	<b>14,361,731</b>	<b>104,077</b>	<b>14,465,808</b>	<b>14,168,861</b>	<b>296,947</b>
Excess (deficiency) of revenues over Expenditures and Transfers Out	(85,123)	(104,077)	(189,200)	459,087	648,287
Fund Balance at beginning of year	85,123	104,077	189,200	2,717,233 *	2,528,033
Fund Balance at end of year	\$ -	\$ -	\$ -	\$ 3,176,320	\$ 3,176,320

\* as restated, see notes to schedule

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

**Town of Washington**  
**Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2012**

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) present a comparison of the original and final legally-adopted budget with actual data on a budgetary basis.

Reconciliation Between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

The Town budgets for the legal litigation commitment but for GAAP purposes this commitment is not an expenditure. Therefore for GAAP reporting the commitment is reversed and actual expenditure is reported, resulting in adjustment in expenditures and fund balance, as detailed below.

Additionally for budget purposes the Town recognizes building inspection fees and private duty-police fees up to the budgeted revenue and any excess is offset against the respective expenditure since the expenditure is based on a percentage of revenue. For GAAP purposes the gross revenue and expenditures are recognized resulting in the adjustment shown below.

The reconciliation from the budgetary basis to GAAP follows:

	<u>General Fund</u>		
		<u>Total</u>	
	<u>Total Revenues</u>	<u>Expenditures and Transfers</u>	<u>Fund Balance</u>
Actual – Non-GAAP Budgetary Basis Statement – June 30, 2012	\$ 14,627,948	\$ 14,168,861	\$ 3,176,320
Budgeted Legal Litigation Commitment	---	( 80,000)	80,000
Legal Litigation Expenditures	---	74,950	( 74,950)
To gross revenue and expenditures:			
Building department	283,268	283,268	---
Private duty police	<u>38,782</u>	<u>38,782</u>	<u>---</u>
Actual GAAP – June 30, 2012	<u>\$ 14,949,998</u>	<u>\$ 14,485,861</u>	<u>\$ 3,181,370</u>

Beginning of the year fund balance, for the Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund Budget and Actual (Non-GAAP, Budgetary Basis), was restated to include prior year's special revenue funds that were rolled into the General Fund as follows:

Beginning fund balance of July 1, 2011	\$ 2,641,548
Funds - no longer qualified as a special revenue	
Fund under GASB #54 rolled into the General Fund:	
Legal Litigation Fund	325
Health Benefit Fund	<u>75,360</u>
Total Restated Fund Balance	<u>\$ 2,717,233</u>

Town of Washington  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2012

	Special Revenue Funds						Capital	
	Judea Cemetery	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Highway Garage Fund	Project Fund	Affordable Housing Fund
<b>Assets:</b>								<b>Total</b>
Cash and cash equivalents	\$ 66,230	\$ 58,750	\$ 7,024	\$ 3,423	\$ 3,854	\$ 565,446	\$ 28,269	\$ 732,996
Investment - at market	-	21,222	3,552	-	-	-	279,147	303,921
Prepaid Expense	-	24,000	-	-	-	-	-	24,000
Dues from General Fund	5,000	-	-	-	-	-	-	5,000
<b>Total Assets</b>	<b>\$ 71,230</b>	<b>\$ 103,972</b>	<b>\$ 10,576</b>	<b>\$ 3,423</b>	<b>\$ 3,854</b>	<b>\$ 565,446</b>	<b>\$ 307,416</b>	<b>\$ 1,065,917</b>
<b>Liabilities :</b>								
Accounts Payable	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ 87,701	\$ -	\$ 87,901
<b>Fund balances:</b>								
<b>Nonspendable:</b>								
Perpetual Care Principal	65,616	-	-	-	-	-	-	65,616
Prepaid fireworks expenditure	-	24,000	-	-	-	-	-	24,000
<b>Restricted for:</b>								
Social services	-	-	10,576	-	-	-	-	10,576
Community beautification	-	-	-	3,423	-	-	-	3,423
Document preservation	-	-	-	-	3,854	-	-	3,854
<b>Committed to:</b>								
Fixed Asset Replacement	-	-	-	-	-	477,745	-	477,745
Parks and recreation	-	79,772	-	-	-	-	-	79,772
Cemetery operation	5,614	-	-	-	-	-	-	5,614
Affordable housing	-	-	-	-	-	-	307,416	307,416
<b>Total Fund Balances</b>	<b>71,230</b>	<b>103,772</b>	<b>10,576</b>	<b>3,423</b>	<b>3,854</b>	<b>477,745</b>	<b>307,416</b>	<b>978,016</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 71,230</b>	<b>\$ 103,972</b>	<b>\$ 10,576</b>	<b>\$ 3,423</b>	<b>\$ 3,854</b>	<b>\$ 565,446</b>	<b>\$ 307,416</b>	<b>\$ 1,065,917</b>

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



**Town of Washington**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2012**

	Special Revenue Funds							Capital	
	Judea Cemetery Fund	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Highway Garage Fire Fund	Affordable Housing Fund	Totals	
<b>Revenues:</b>									
Investment income	\$ 232	\$ 180	\$ 37	\$ 3	\$ 4	\$ 38	\$ 2,710	\$	3,204
Program fees and other receipts	3,950	117,992	8,567	-	1,970	-	-	-	132,479
<b>Total Revenues</b>	<b>4,182</b>	<b>118,172</b>	<b>8,604</b>	<b>3</b>	<b>1,974</b>	<b>38</b>	<b>2,710</b>		<b>135,683</b>
<b>Expenditures:</b>									
Cemetery expenditures	11,650	-	-	-	-	-	-	-	11,650
Programs and Activities	-	113,324	9,135	-	1,513	121,911	-	-	245,883
<b>Total Expenditures</b>	<b>11,650</b>	<b>113,324</b>	<b>9,135</b>	<b>-</b>	<b>1,513</b>	<b>121,911</b>	<b>-</b>	<b>-</b>	<b>257,533</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>(7,468)</b>	<b>4,848</b>	<b>(531)</b>	<b>3</b>	<b>461</b>	<b>(121,873)</b>	<b>2,710</b>		<b>(121,850)</b>
<b>Other Financing Sources:</b>									
Operating transfers in	8,000	-	-	-	-	-	10,000		18,000
Insurance recovery	-	-	-	-	-	599,618	-		599,618
<b>Total Other Financing Sources</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>599,618</b>	<b>10,000</b>		<b>617,618</b>
<b>Net Change in Fund Balances</b>	<b>532</b>	<b>4,848</b>	<b>(531)</b>	<b>3</b>	<b>461</b>	<b>477,745</b>	<b>12,710</b>		<b>495,768</b>
<b>Fund Balances:</b>									
<b>Beginning of Year</b>	<b>70,698</b>	<b>98,924</b>	<b>11,107</b>	<b>3,420</b>	<b>3,393</b>	<b>-</b>	<b>294,706</b>		<b>482,248</b>
<b>End of Year</b>	<b>\$ 71,230</b>	<b>\$ 103,772</b>	<b>\$ 10,576</b>	<b>\$ 3,423</b>	<b>\$ 3,854</b>	<b>\$ 477,745</b>	<b>\$ 307,416</b>	<b>\$</b>	<b>978,016</b>

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

**Town of Washington  
Statement of Plan Net Assets  
Pension Trust Fund  
June 30, 2012**

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**Assets:**

Cash	\$	1,819
Accrued interest		8,766
Investments - at fair value		<u>2,250,346</u>
<b>Total Assets</b>		<u>2,260,931</u>

**Net Assets:**

Net assets held in trust for pension benefits	\$	<u><u>2,260,931</u></u>
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The accompanying notes are an integral part of these financial statements.

**Town of Washington**  
**Fiduciary Fund Type - Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2012**

**ALCOHOL AND DRUG ABUSE PREVENTION FUND**

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>		<b>June 30, 2012</b>
<b>Assets:</b>					
Cash	\$ 3,475	\$ 5,405	\$ 7,590	\$	1,290
<b>Liabilities:</b>					
Due to Participants	\$ 3,475	\$ 5,405	\$ 7,590	\$	1,290

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

**Town of Washington**  
**Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)**  
**Year Ended June 30, 2012**

	Taxes Receivable July 1, 2011	LAWFUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS			Taxes Receivable June 30, 2012
		Lawful Additions	Corrections Reductions			Taxes	Interest, liens and other costs	Refunds and Adjustments	
<b>Grand List : October 1,</b>									
2010 \$	13,792,081 \$	16,364 \$	(73,500) \$	- \$	13,734,945 \$	13,605,045 \$	60,765 \$	(64) \$	129,836
2009	187,111	127	(218)	-	187,020	131,051	26,540	(7)	55,962
2008	53,174	-	-	(8,578)	44,596	21,366	10,013	-	23,230
2007	25,412	-	(8)	-	25,404	20,791	14,605	-	4,613
2006	5,838	-	-	-	5,838	4,436	222	-	1,402
2002	119	-	-	-	119	-	-	-	119
2001	137	-	-	-	137	-	-	-	137
<u>Suspense book collections</u>	-	-	-	1,139	1,139	1,139	970	-	-
<b>Totals</b>	<b>\$ 14,063,872 \$</b>	<b>16,491 \$</b>	<b>(73,726) \$</b>	<b>(7,439) \$</b>	<b>13,999,198 \$</b>	<b>13,783,828 \$</b>	<b>113,115 \$</b>	<b>(71) \$</b>	<b>215,299</b>

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

Town of Washington  
Statement of Debt Limitation  
Connecticut General Statutes, Section 7-374 (b)  
Year Ended June 30, 2012

Total tax collections (including interest and lien fees) for the year ended June 30, 2012 \$ 13,896,872

Reimbursement for revenue loss on :

Tax relief for elderly - (CGS 12-129d) 17,591

Total Receipts From Taxation For The Year Ended June 30, 2011 (Base) \$ 13,914,463

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
<b>Debt Limitation:</b>					
2 1/4 times Base	\$ 31,307,542	\$ -	\$ -	\$ -	
4 1/2 times Base	-	62,615,084	-	-	
3 3/4 times Base	-	-	52,179,236	-	
3 1/4 times Base	-	-	-	45,222,005	
3 times Base	-	-	-	-	41,743,389
<b>Total Debt Limitation</b>	<b>31,307,542</b>	<b>62,615,084</b>	<b>52,179,236</b>	<b>45,222,005</b>	<b>41,743,389</b>

**Indebtedness:**

General obligation bonds due

November 1, 2013

110,000

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-

-

Net pension benefit obligation

-

-

-

-

Shepaug Regional School District #12

Bonds payable ( Town's share is 44.64%)

Due June 1, 2016 - \$520,000

-

232,128

-

-

Due November 14, 2013 - \$330,000

-

147,312

-

-

Bond anticipation notes due 8/31/12 - \$2,750,000

-

1,227,600

-

-

**Total Indebtedness**

110,000

1,607,040

-

-

**Debt Limitation In Excess Of**

**Outstanding And Authorized Debt**

\$ 31,197,542 \$ 61,008,044 \$ 52,179,236 \$ 45,222,005 \$ 41,743,389

**NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.**



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Finance  
Town of Washington  
Washington, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut as of and for the year ended June 30, 2012, which collectively comprise the Town of Washington, Connecticut's basic financial statements and have issued our report thereon dated November 29, 2012. 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.

Internal Control over Financial Reporting

Management of the Town of Washington, Connecticut is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Washington, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Washington, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington, Connecticut's internal control over financial reporting.

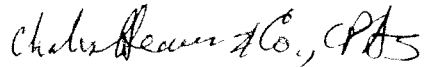
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, finding 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Washington, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Selectman, Board of Finance, Management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Charles Heaven & Co.

November 29, 2012

**Town of Washington**  
**Schedule of Audit Findings and Responses**  
**Year Ended June 30, 2012**

2012-1

**Findings:**

The Town does not have a formal Accounting Procedure Manual. Therefore, we recommend the development and implementation of an Accounting Procedure Manual. A complete accounting procedure manual will define systems and procedures to be followed for each of the fund types. At a minimum the manual should contain:

- Accounting procedures and guidelines for:
  - o General Ledger
  - o Cash receipts journal
  - o Cash disbursements journal
  - o Journal entry register with sample accounting entries
  - o Budgetary procedures
- Supporting data required
- Internal controls
- Required internal management reports
- Required external reports
- Procedures for updating the manual

The manual would facilitate accounting procedures used by various personnel, assist in training new personnel and provide a guide for existing personnel to continue accounting for ongoing programs.

**Management Response:**

Management agrees with the audit finding and therefore is planning on contracting a vendor to assist in the preparation of the manual.



**AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS**



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

Board of Finance  
Town of Washington  
Washington, Connecticut

Compliance

We have audited the Town of Washington, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of Washington, Connecticut's major state programs for the year ended June 30, 2012. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Washington, Connecticut's management. Our responsibility is to express an opinion on the Town of Washington, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Washington, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Washington, Connecticut's compliance with those requirements.

In our opinion, the Town of Washington, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town of Washington, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Town of Washington, Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington, Connecticut's internal control over compliance.

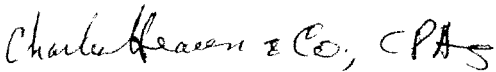
A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of significant deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the Town of Washington, Connecticut as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Selectman, Board of Finance, Management of the Town of Washington, Connecticut, the State of Connecticut Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
CHARLES HEAVEN & CO.

November 29, 2012

**Town of Washington**  
**Schedule of Expenditures of State Financial Assistance**  
**Year Ended June 30, 2012**

<b>State Grantor/Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Expenditures</b>
<b>Office of Policy and Management</b>		
Property Tax Relief For Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	\$ 17,591
Property Tax Reimbursement - disability exemption	11000-OPM20600-17011	132
Property Tax Relief For Veterans	11000-OPM20600-17024	1,030
Reimbursement For Tax Loss On State Owned Property	11000-OPM20600-17004	33,700
<b>Department of Transportation</b>		
Small Town Economic Assistance Program (STEAP)	12052-DOT57191-40532	29,900
<b>Judicial Branch</b>		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	1,505
<b>Connecticut State Library</b>		
Historical Documents Preservation Grant	12060-CSL66094-35150	3,500
<b>Total State Financial Assistance before exempt programs</b>		<b>87,358</b>
<b>Exempt Programs</b>		
<b>State Department of Education</b>		
Education Cost Sharing	11000-SDE64370-17041	240,147
<b>Office of Policy and Management</b>		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	7,185
Municipal Video Competition	12060-OPM20600-35362	393
Municipal Revenue Sharing	12060-OPM20600-35457	93
<b>Total Exempt programs</b>		<b>247,818</b>
<b>Total State Financial Assistance</b>		<b>\$ 335,176</b>

See accompanying Notes to Schedule

**Town of Washington  
State Financial Assistance Programs  
Notes to Schedule  
Year Ended June 30, 2012**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Washington through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs/including local capital improvement, road repairs, tax relief, education and other public assistance.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Washington conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**Basis of Accounting**

The financial statements contained in the Town of Washington's annual audit report are prepared on the following basis of accounting:

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for capital lease principal and interest which are reported as expenditures in the year due.

The government-wide financial statements are prepared on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Town of Washington  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

**I. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

We audited the basic financial statements of the Town of Washington as of and for the year ended June 30, 2012 and issued our unqualified report thereon dated November 29, 2012.

Internal control over financial reporting:

Material weaknesses identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency identified?	<u>  X  </u> yes	<u>      </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

**State Financial Assistance**

Internal control over major programs:

Material weaknesses identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency identified?	<u>      </u> yes	<u>  X  </u> none reported

We have issued an unqualified opinion relating to compliance for major State programs.

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

       yes      X   no

The following schedule reflects the major program included in the audit:

<b>State Grant Program State Grantor and Program</b>	<b>Identification Number</b>	<b>Expenditures</b>
Office of Policy and Management:		
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	\$ <u>17,591</u>
Reimbursement for tax loss ON STATE OWNED property	11000-OPM20600-17004	\$ <u>33,700</u>
Dollar threshold used to distinguish between Type A and Type B Programs		\$ <u>100,000</u>

**Town of Washington  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED  
UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

We issued reports, dated November 29, 2012, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

Our report on compliance indicated no reportable instances of noncompliance.

Our report on internal control over financial reporting indicated one significant deficiency as follows:

2012-1

**Findings:**

The Town does not have a formal Accounting Procedure Manual. Therefore, we recommend the development and implementation of an Accounting Procedure Manual. A complete accounting procedure manual will define systems and procedures to be followed for each of the fund types. At a minimum the manual should contain:

- Accounting procedures and guidelines for:
  - o General Ledger
  - o Cash receipts journal
  - o Cash disbursements journal
  - o Journal entry register with sample accounting entries
  - o Budgetary procedures
- Supporting data required
- Internal controls
- Required internal management reports
- Required external reports
- Procedures for updating the manual

The manual would facilitate accounting procedures used by various personnel, assist in training new personnel and provide a guide for existing personnel to continue accounting for ongoing programs.

**Management Response:**

Management agrees with the audit finding and therefore is planning on contracting a vendor to assist in the preparation of the manual.

**III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE**

No findings or questioned costs are reported relating to State Financial Assistance Programs.