



Charles Heaven & Co.
Certified Public Accountants

**TOWN OF WASHINGTON
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2013**

Town of Washington
Table of Contents
June 30, 2013

	PAGE
Independent Auditor's Report	1-2
Managements' Discussion and Analysis	3-15
Basic Financial Statements:	
Government-wide Financial Statements:	16
Statement of Net Position	17
Statement of Activities	
Fund Financial Statements:	
Governmental Funds:	18
Balance Sheet	
Reconciliation of the Balance Sheet of Governmental Funds	19
to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances	
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	21
Statement of Activities	
Fiduciary Funds:	22
Statement of Fiduciary Net Position	23
Statement of Changes in Net Position - Pension Trust Fund	
	24-41
Notes to Financial Statements	
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	42-44
Budget and Actual - General Fund	45
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance	
Combining and Individual Fund Statements and Supplemental Schedules:	
Nonmajor Governmental Funds:	46
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	
Fiduciary Funds	48
Combining Statement of Fiduciary Net Position - Pension Trust Funds	49
Combining Statement of Changes in Fiduciary Net Position	50
Statement of Changes in Assets and Liabilities-Agency Fund	
Schedule of Property Taxes Levied, Collected and Outstanding	51
(Report of the Tax Collector)	52
Statement of Debt Limitation	
Independent Auditors' 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	53-54
Schedule of Prior Year Audit Findings and Responses	55

**Town of Washington
Table of Contents
June 30, 2013**

	PAGE
AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS:	
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program, on Internal Control Over Compliance in Accordance With the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance	56-57
Schedule of Expenditures of State Financial Assistance	58
Notes to Schedule of State Financial Assistance	59
Schedule of Findings and Questioned Costs	60-61



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Washington, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 3 through 15 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013, on our consideration of the Town of Washington, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Washington, Connecticut's internal control over financial reporting and compliance.

Charles Heaun II, CPA

October 3, 2013
Waterbury, CT

**Town of Washington
Management's Discussion and Analysis
June 30, 2013**

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.

**Town of Washington
Management's Discussion and Analysis
June 30, 2013**

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 position* that presents information on all of the Town's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Washington is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the 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, interest on long-term debt, and other.

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 investment in capital assets are reported as capital assets net of related debt, restricted, and unrestricted.

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

Town of Washington
Management's Discussion and Analysis
June 30, 2013

position 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.

**Town of Washington
Management's Discussion and Analysis
June 30, 2013**

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 position and a statement of changes in fiduciary net position 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 new 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, 2013

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, 2013.

Financial Highlights

- The assets of the Town of Washington exceeded its liabilities at the close of the most recent year by \$18,965,840 (net position). Of this amount, \$7,888,440 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,590,635 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 \$7,145,406, a decrease of \$16,411 from the prior fiscal year. These fund balances are considered to be either *nonspendable* (\$66,085), *restricted* (\$424,197), *committed* (\$3,992,500), *assigned* (\$197,873), or *unassigned* (\$2,464,751). The *unassigned* balance 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 \$2,464,751, or 15.3% of total general fund expenditures and transfers out of \$16,139,739.
- Our bonded debt decreased by \$55,000 (50.0%) 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 position may serve over time as a useful indicator of a government's financial position. In the case of Washington, assets exceeded liabilities by \$18,965,840 at the close of the most recent fiscal year.

By far the largest portion of Washington's net position (55.8%) 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, 2013

Table 1. Net Position

	Total Primary Government 2013	Total Primary Government 2012
Current Assets.....	\$ 9,083,261	\$ 8,684,588
Noncurrent Assets (net of depreciation)	10,643,129	9,648,877
Total Assets	<u>19,726,390</u>	<u>18,333,465</u>
Current Liabilities	596,082	735,753
Noncurrent Liabilities	164,468	222,507
Total Liabilities	<u>760,550</u>	<u>958,260</u>
Net Position:		
Net Investment in Capital Assets.....	10,587,118	9,537,825
Restricted for:		
Cemetery perpetual care principal	66,085	65,616
Road improvements	404,218	489,591
Senior center	10,503	10,576
Community beautification	3,427	3,423
Document preservation.....	6,049	3,854
Unrestricted.....	<u>7,888,440</u>	<u>7,264,320</u>
Total Net Position.....	<u>\$18,965,840</u>	<u>\$17,375,205</u>

The balance of *unrestricted net position*, \$7,888,440, 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 position.

Governmental activities. Governmental activities increased the Town of Washington's net position by \$1,590,635 as pointed out earlier, thereby accounting for 100% of the total change in the net position of the Town. Key elements of the increase are shown on the following page:

Town of Washington
Management's Discussion and Analysis
June 30, 2013

Table 2. Changes in Net Position

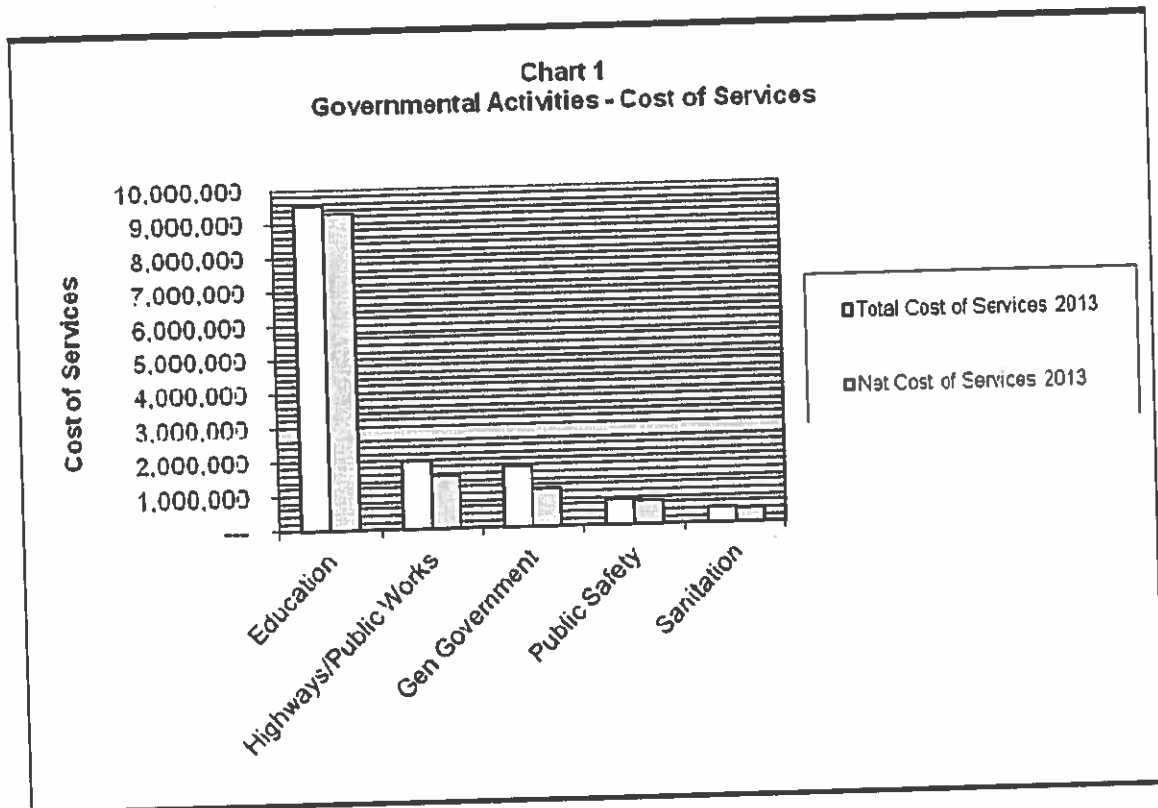
	Total Primary Government 2013	Total Primary Government 2012
Revenues:		
Program Revenues:		
Charges for Services	\$873,174	\$ 811,346
Operating Grants and Contributions	285,148	436,719
Capital Grants and Contributions	385,163	195,091
General Revenues:		
Property Taxes	14,513,699	13,857,562
Grants and Contributions not Restricted to Specific Purpose.....	170,179	134,521
Unrestricted Investment Earnings.....	24,468	21,939
Lease Income and Miscellaneous	68,517	22,131
Extraordinary item:		
Fire damage impairment gain (net)	--	389,021
Propane explosion damage impairment gain (net)	486,322	--
Total Revenues	16,806,670	15,868,330
:		
Program Expenses		
General Government.....	1,747,333	1,731,139
Public Safety	716,667	741,031
Highways (public works).....	1,956,157	2,135,921
Sanitation	403,395	421,088
Social Services	17,039	17,368
Health.....	82,540	80,001
Parks and Recreation.....	314,436	323,251
Education	9,532,203	9,328,359
Other	446,265	397,831
Interest on Long-Term Debt	--	5,391
Total Program Expenses.....	15,216,035	15,181,380
Increase in Net Position	\$ 1,590,635	\$ 686,950

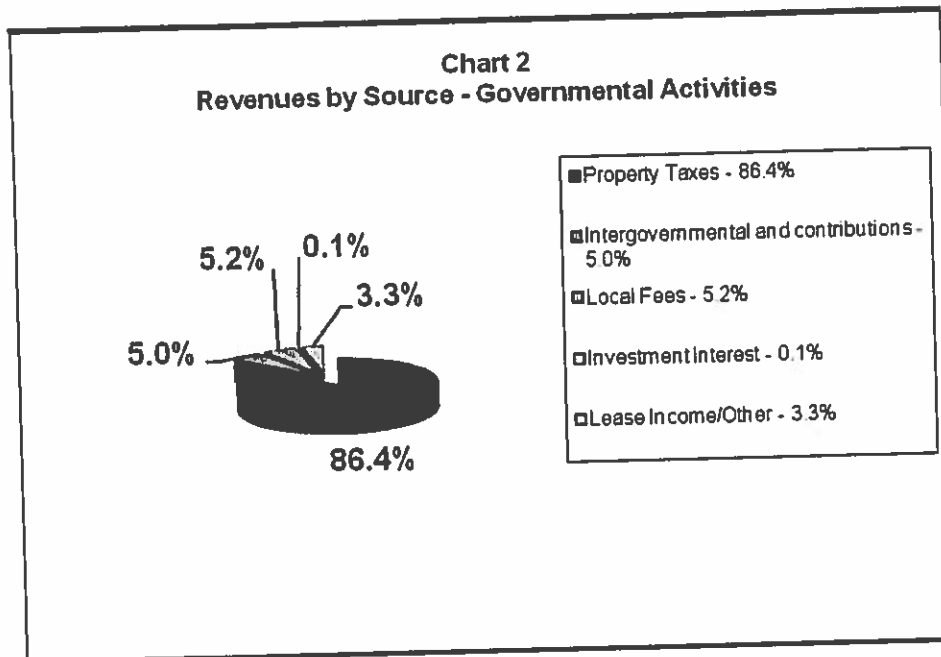
The government's net position increased by \$1,590,635 during the current fiscal year. The Town brought in revenues of \$16,806,670 that exceeded its gross operating expenditures of \$15,216,035 by the amount of the net position increase. Gross expenses were offset by \$873,174 in charges for services, \$285,148 in operating grants and contributions, and \$385,163 in capital grants and contributions. Of the *net* expenditures, \$9,292,056 was attributable to Regional School District No. 12 assessments. Highways and public works claimed another \$1,529,993 of net expenditures followed by general government at \$1,095,024 and public safety at \$647,891. The largest portion of the Town's revenue was \$14,513,699 in tax collections supplemented by \$24,468 in investment earnings and \$238,696 in non-specific grants and contributions, lease revenue, and miscellaneous income.

**Town of Washington
Management's Discussion and Analysis
June 30, 2013**

The primary difference in our net position increase versus Net Change in Fund Balance was the \$1,101,971 capitalized expenditures over depreciation expense. In addition, a difference in reporting gain on the propane explosion damage net of insurance recovery versus other financing sources of \$346,322 further contributed to the positive change in net position.

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 \$873,174 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 \$7,145,406, a decrease of \$16,411 from last year. As previously noted, \$2,464,751, or about 34.5% of this total amount, constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of the fund balance, \$4,680,655, is either *nonspendable* (\$66,085), *restricted* (\$424,197), *committed* (\$3,992,500), or *assigned* (\$197,873). See Note 1 – Fund Equity and Net Position – Governmental Funds, of the Notes to Financial Statements, June 30, 2013 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 \$2,464,751. 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 15.3% of total general fund expenditures and transfers out of \$16,139,739. The municipal credit rating agencies stress that an upper grade investment credit should maintain an unassigned general fund balance in excess of 7%.

**Town of Washington
Management's Discussion and Analysis
June 30, 2013**

The Town of Washington's general fund balance decreased by a net \$349,691 during the current fiscal year to a total \$2,831,679. Operating revenues of \$15,650,048 exceeded operating expenditures of \$14,270,362 by \$1,379,686. We transferred out \$1,869,377 consisting of \$1,505,377 to the capital non-recurring expenditure fund with another \$364,000 to various other special revenue funds, specifically \$14,000 to the Judea Cemetery fund and \$350,000 to the Highway Garage Fire fund.

The town aid road fund, a major special revenue 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 \$164,003 in fiscal 2013 and earned \$624 in interest. We expended \$250,000 from this account for road work during the fiscal year. Our beginning fund balance of \$489,591 was reduced by \$85,373 to \$404,218 at the close of the year.

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 \$2,605,666 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, \$1,310,984 was expended from the fund in partial payment for machinery and equipment and infrastructure. Revenues and transfers in totaling \$1,736,348 resulted in an increase of fund balance in the amount of \$425,364 to \$2,605,666.

The land acquisition open space fund, a major fund, is used to account for resources 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 \$332,538. We earned \$987 in interest and incurred no expenditures. There were no transfers from the general fund, and our fund balance closed the year at \$333,525.

Included in other nonmajor governmental is a recent 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 this year constitutes a small amount of interest (\$457), a transfer from the general fund (\$350,000), and an insurance payment (\$280,779) to total \$631,236. We expended \$642,991 and completed the fiscal year with a fund balance of \$465,990.

General Fund Budgetary Highlights

The original revenue budget of \$14,924,365 remained unchanged while the expenditure budget was increased \$711,900 to \$16,143,274. We expected to use general fund balance in the amount of \$1,218,909 in the final budget. Actual revenues exceeded the final budget for a favorable variance of \$579,753, and actual expenditures and transfers out were under the final budget by a favorable \$289,465. In total, favorable budget variances amounted to \$869,218 reducing the need to draw down fund balance to \$349,691

Material variances in the revenue budget may be summarized as:

- ❖ \$141,057 in higher tax collections;

**Town of Washington
Management's Discussion and Analysis
June 30, 2013**

- ❖ \$44,239 more in private duty police fees which reduces our expenditure line by that amount;
- ❖ \$74,368 greater Town Clerk fees/conveyance tax;
- ❖ \$140,000 unbudgeted Town Hall insurance claim;
- ❖ \$33,918 unbudgeted Bristol Resource Recovery distribution share.

Expenditures

During the year, significant new appropriations consisted of \$240,000 for the propane incident and \$80,000 for the boiler replacement. An additional \$350,000 was transferred out to partially cover the highway garage.

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 \$ 2,252,038. On the other hand, we wrote off a total of \$301,352 (before depreciation) in building, machinery and equipment, and infrastructure, mainly due to the propane explosion.

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

- \$854,125 for five public works dump/plow trucks, a pickup truck, and a police cruiser;
- \$984,890 for road work including paving, chip sealing, culverts, and dirt road refurbishment;
- \$222,624 for machinery including a lathe, bench, and micrometer, ham radio tower, Town Hall boiler, and emergency management FCC radio;
- \$168,154 Town Hall capital repairs in progress.

Table 3. Net Investment in Capital Assets

	Total Primary Government	
	2013	2012
Land	\$ 1,141,215	\$ 1,141,215
Construction in Progress	220,300	29,900
Land Improvements	114,586	137,030
Buildings and Improvements .	2,503,307	2,759,148
Machinery and Equipment	1,786,844	1,015,049
Infrastructure	4,875,866	4,565,483
Totals	<u>\$10,642,118</u>	<u>\$9,647,825</u>

**Town of Washington
Management's Discussion and Analysis
June 30, 2013**

Additional information on the Town of Washington's capital assets can be found in Note 6 - Capital Assets, of this report.

Long-term debt. At the end of the current fiscal year, the Town of Washington had \$55,000 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>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding</u>	<u>Date of Fiscal Year Maturity</u>
<u>Date</u>	<u>Purpose</u>				
11/1/93	General Purpose	4.35	\$1,100,000	\$55,000	2014

Our total debt decreased by \$55,000 (50.0%) 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 2012 - 2013, Washington's pro-rata share of school district operations was 45.21%. 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 and term loan principal of \$3,055,000) represents overlapping debt to the Town in the amount of \$1,381,166.

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, 2013, the maximum amount of borrowing permitted under the formula would be \$ 100,696,869. With net indebtedness of \$1,436,166 (including our pro-rata share of the regional school district's outstanding indebtedness), our outstanding general obligation debt for debt limit purposes is \$99,260,703 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 7 - Long-Term Debt, of this document.

Economic Factors and Next Year's Budget

- The unemployment rate for the Town of Washington was 6.0% at June 30, 2013 which is a decrease from a rate of 6.1% one year prior. The current rate compares favorably to the state's average unemployment rate of 8.2% and national average unemployment rate of 7.8% (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, 2013**

The FY 2013 - 2014 revenue budget of \$15,488,329 contemplates a \$563,964, or 3.8%, increase over the June 30, 2013 approved revenue budget of \$14,924,365. The expenditure budget of \$15,686,202 declined \$457,072, or -2.8%, over the prior year's final expenditure budget of \$16,143,274. If the three special appropriations in last year's budget totaling \$670,000 (\$350,000 for public works garage fire, \$80,000 for the Town Hall boiler, and \$240,000 for the propane tank explosion) are disregarded, the FY 2014 budget increased \$212,928, or 1.3%. The new budget contemplates a drawdown of general fund balance of approximately \$198 thousand.

For FY 2014, tax revenue increases \$402,674 (2.8%) and the selectmen's receipts decline by \$118 thousand (34.79%) over last year's budget.

The 2014 expenditure budget increases compared to prior year final budget, less the special appropriation cited above, is almost entirely due to the net cost increase of \$251,500 (25.20%) in the nonrecurring capital expenditure fund (NRCEF). More specifically, the total budgeted transfer of \$1,849,500 is appropriated to cover \$1,376,000 in road work, \$365,000 toward the purchase of a new fire truck and fire equipment, \$70,000 highway/public works vehicles and equipment, \$25,000 senior housing, and \$13,500 for computer/printer upgrades.

The Board of Finance approved a quarter mill increase from 11.50 to 11.75 to fund the FY 2014 budget. All of these factors were considered in preparing Washington's budget for the 2014 fiscal year.

At the close of the 2012 - 2013 fiscal year, we used \$349,641 general fund balance to finish the year. The 2013 general fund assigned and unassigned general fund balance amounted to \$2,831,679, of which \$197,873 has been assigned for subsequent year's expenditures.

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 Position
June 30, 2013

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 4,416,045
Investments	3,231,975
Property Taxes Receivable - net	383,745
Realizable insurance recovery	1,049,000
State grant receivable	2,496
Total current assets	<u>9,083,261</u>
Noncurrent Assets	
Capital assets:	
Assets not being depreciated	1,361,515
Assets, net of depreciation of \$18,519,039	9,280,603
	1,011
Net pension asset	<u>10,643,129</u>
Total noncurrent assets	
	<u>19,726,390</u>
Total Assets	
Liabilities	
Current Liabilities	
Accounts payable	90,047
Performance bonds held	47,568
Prepaid property taxes	21,748
Accrued interest	1,348
Deferred grant revenue	360,100
Long-term liabilities due within one year	75,271
Total current liabilities	<u>596,082</u>
Noncurrent Liabilities	
Due in more than one year	164,468
Total Liabilities	<u>760,550</u>
Net Position	
Invested in capital assets, net of related debt	10,587,118
Restricted for:	
Cemetery perpetual care principal - nonexpendable	66,085
Road improvements	404,218
Senior center	10,503
Community beautification	3,427
Document preservation	6,049
Unrestricted	7,888,440
Total Net Position	<u>\$ 18,965,840</u>

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

Town of Washington
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 1,747,333	\$ 648,309	\$ 4,000	\$ ---	\$ (1,095,024)
Public safety	716,667	68,776	---	---	(647,891)
Highways (public works)	1,956,157	---	41,001	385,163	(1,529,993)
Sanitation	403,395	34,805	---	---	(368,590)
Social services	17,039	7,445	---	---	(9,594)
Health	82,540	8,640	---	---	(73,900)
Parks and recreation	314,436	105,199	---	---	(209,237)
Education	9,532,203	---	240,147	---	(9,292,056)
Other	446,265	---	---	---	(446,265)
Total governmental activities	\$ 15,216,035	\$ 873,174	\$ 285,148	\$ 385,163	(13,672,550)
General revenues:					
Property taxes, interest and lien fees					14,513,699
Grants and contributions not restricted to specific programs					170,179
Investment earnings					24,468
Lease income and other miscellaneous					68,517
Total general revenues					<u>14,776,863</u>
Extraordinary item:					
Impairment gain on propane explosion damage - net of insurance recovery					<u>486,322</u>
Change in net position					<u>1,590,635</u>
Net position - July 1, 2012					<u>17,375,205</u>
Net position - June 30, 2013					<u>\$ 18,965,840</u>

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

Town of Washington
Balance Sheet
Governmental Funds
June 30, 2013

June 30, 2013

	Major Funds					
	Special		Capital Project Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Revenue Fund	Capital Non-Recurring	Land		
		Town Aid		Acquisition		
		Road Fund		Open Space		
Assets:						
Cash and cash equivalents	\$ 1,484,164	\$ 404,218	\$ 1,868,706	\$ 32,982	\$ 625,975	\$ 4,416,045
Investments - at fair value	1,484,280	-	1,101,809	300,543	345,343	3,231,975
Property tax receivable, net	383,745	-	-	-	-	383,745
Grant receivable	2,496	-	-	-	-	2,496
Total Assets	\$ 3,354,685	\$ 404,218	\$ 2,970,515	\$ 333,525	\$ 971,318	\$ 8,034,261
Liabilities:						
Accounts payable	\$ 84,298	\$ -	\$ 4,749	\$ -	\$ 1,000	\$ 90,047
Performance bonds payable	47,568	-	-	-	-	47,568
Prepaid property taxes	21,748	-	-	-	-	21,748
Deferred property tax and other revenue	369,392	-	360,100	-	-	729,492
Total Liabilities	523,006	-	364,849	-	1,000	888,855
Fund Balances:						
Nonspendable:						
Perpetual Care Principal	-	-	-	-	66,085	66,085
Restricted for:						
Improvements to roads	-	404,218	-	-	-	404,218
Senior center	-	-	-	-	10,503	10,503
Community beautification	-	-	-	-	3,427	3,427
Document preservation	-	-	-	-	6,049	6,049
Committed to:						
Fixed Asset Replacement	-	-	-	-	465,990	465,990
Parks and recreation	-	-	-	-	99,089	99,089
Cemetery operation	-	-	-	-	9,576	9,576
Capital non-recurring expenditures	-	-	2,605,666	-	-	2,605,666
Land acquisition for open space	-	-	-	333,525	-	333,525
Affordable housing	-	-	-	-	309,599	309,599
Revaluation	55,860	-	-	-	-	55,860
Conservation and Development Plan	3,422	-	-	-	-	3,422
Legal litigation	34,169	-	-	-	-	34,169
Health reimbursement benefits	75,604	-	-	-	-	75,604
Assigned for:						
Subsequent year budgeted deficit	197,873	-	-	-	-	197,873
Unassigned	2,464,751	-	-	-	-	2,464,751
Total Fund Balances	2,831,679	404,218	2,605,666	333,525	970,318	7,145,406
Total Liabilities and Fund Balances	\$ 3,354,685	\$ 404,218	\$ 2,970,515	\$ 333,525	\$ 971,318	\$ 8,034,261

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

Town of Washington
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds
June 30, 2013

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

Total Fund Balances for Governmental Funds **\$ 7,145,406**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$	29,161,157	
Less accumulated depreciation		<u>(18,519,039)</u>	10,642,118

Taxes, interest and liens receivable not available to pay current period expenditures are therefore deferred in the funds.			369,392
--	--	--	---------

Assets not available to pay current period expenditures:			1,049,000
Realizable insurance recovery			1,011
Pension asset			

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	\$	(55,000)	
Compensated absences		(151,739)	
Postclosure landfill costs		<u>(33,000)</u>	(239,739)

Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds.			(1,348)
--	--	--	---------

Total Net Position of Governmental Activities

\$ 18,965,840

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, 2013

	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		
Revenues:						
Property taxes	\$ 14,306,708	\$ -	\$ -	\$ -	\$ -	\$ 14,306,708
Interest and lien fees on property taxes	72,021	-	-	-	-	72,021
Intergovernmental	374,888	164,003	225,160	-	5,350	769,401
Contribution in lieu of taxes	71,089	-	-	-	-	71,089
Investment income	13,937	624	5,811	987	3,109	24,468
Lease income - Town building & Firehouse	22,200	-	-	-	-	22,200
Licenses and permits	693,539	-	-	-	-	693,539
Program fees and other receipts	95,666	-	-	-	105,914	201,580
Total Revenues	15,650,048	164,627	230,971	987	114,373	16,161,006
Expenditures:						
Current:						
General government	1,701,672	-	-	-	-	1,701,672
Public safety	546,079	-	-	-	-	546,079
Highways	1,056,957	-	-	-	-	1,056,957
Sanitation	406,395	-	-	-	-	406,395
Health	75,195	-	-	-	-	75,195
Recreation	167,422	-	-	-	103,161	270,583
Social services	8,846	-	-	-	7,541	16,387
Education	9,532,203	-	-	-	-	9,532,203
Other	716,550	-	-	-	13,157	729,707
Capital outlay	-	250,000	1,310,984	-	642,991	2,203,975
Debt service	59,043	-	-	-	-	59,043
Total Expenditures	14,270,362	250,000	1,310,984	-	766,850	16,598,196
Excess (Deficiency) of Revenues Over Expenditures	1,379,686	(85,373)	(1,080,013)	987	(652,477)	(437,190)
Other Financing Sources (Uses):						
Operating transfers in (out)	(1,869,377)	-	1,505,377	-	364,000	-
Insurance Recovery	140,000	-	-	-	280,779	420,779
Total Other Financing Sources (Uses)	(1,729,377)	-	1,505,377	-	644,779	420,779
Net Change in Fund Balances	(349,691)	(85,373)	425,364	987	(7,698)	(16,411)
Fund Balances:						
Beginning of Year	3,181,370	489,591	2,180,302	332,538	978,016	7,161,817
End of Year	\$ 2,831,679	\$ 404,218	\$ 2,605,666	\$ 333,525	\$ 970,318	\$ 7,145,406

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, 2013

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

Net Change in Fund Balances-Total Governmental Funds **\$ (16,411)**

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	\$ 2,252,038	
Less current year depreciation and write off of assets not meeting the Town's capitalization policy	<u>(1,150,067)</u>	1,101,971

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	<u>4,043</u>	59,043

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 134,970

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	\$ (17,232)	
Change in postclosure landfill costs	3,000	
Change net pension obligation	<u>(41)</u>	(14,273)

Extraordinary item:

Difference in reporting gain on propane explosion damage net of insurance recovery versus other financing sources included in the Net Change in Fund Balance		325,335
--	--	---------

Change in Net Position of Governmental Activities

\$ 1,590,635

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

Town of Washington
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Pension Trust Funds	Prevention of Alcohol and Drug Abuse Agency Fund
Assets:		
Cash and cash equivalents	\$ 1,459	\$ 2,052
Accrued interest	11,784	-
Investments - at fair value	<u>3,057,112</u>	<u>-</u>
Total Assets	3,070,355	2,052
Liabilities:		
Due to others	<u>-</u>	<u>2,052</u>
Net Position		
Held in trust for pension benefits	<u>\$ 3,070,355</u>	<u>\$ -</u>

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

Town of Washington
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2013

	Pension Trust Funds
Additions:	
Town contributions	\$ 197,775
Investment income:	
Net appreciation in fair values of investments	179,384
Interest and dividends	70,660
Gross investment income	250,044
Less: investment expense	17,052
Net investment income	232,992
Total additions	430,767
Deductions:	
Pension benefits	90,462
Net Increase - Change in Net Position	340,305
Net Position - Beginning of year, as restated see notes	2,730,050
Net Position - End of year	\$ <u>3,070,355</u>

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

Town of Washington
Notes to Financial Statements

Note "1" - 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 has 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 \$7,693 and expended \$7,793 for the operation of the NWCCOG for the year ended June 30, 2013.

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 \$12,374 and expended \$5,260 for the operation of the Lake Authority for the year ended June 30, 2013.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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

Pension Trust Funds - The Pension Fund is used to account for the accumulation of resources to be used for retirement benefits. The Volunteer Incentive Program Trust Funds are used to accumulate resources used to pay the volunteers vested benefits upon normal retirement age of 65.

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 do not specify permitted investments. Therefore, investments of such funds are 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 include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and 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 Position – 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 position is 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 position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category. Debt issued for non-capital purpose is excluded.

Restricted Net Position

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

Unrestricted Net Position

This category represents the net position 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 position), 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 \$711,900 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, 2013:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand Accounts	\$ 882,901	\$ 3,511
Certificates of Deposit	<u>3,258,069</u>	<u>100,521</u>
Total Deposits	4,140,970	104,032
 Petty Cash and Cash on Hand	 58,132	 ---
Cash Equivalents:		
Repurchase agreements	3,445,743	---
State short-term investment fund (STIF)	<u>3,175</u>	<u>---</u>
	7,648,020	104,032
 Less: Certificates of Deposits classified as investments	 <u>3,231,975</u>	 <u>100,521</u>
Total Cash and Cash Equivalents	\$ <u>4,416,045</u>	\$ <u>3,511</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, 2013, the carrying amount of the Town's deposits, including certificates of deposits of \$3,332,496 classified as investments, was \$4,245,002 and the bank balance was \$4,299,219. Of the Town's bank balance \$1,042,953 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,048,779
Uninsured and collateralized held by pledging	
Bank's trust department not in the town's name	<u>338,753</u>
Total amount subject to custodial credit risk	<u>\$ 3,387,532</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, 2013, the Town's cash equivalents amounted to \$3,448,918. 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

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, 2013, 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>
Primary Government			
Certificate of deposit	\$ 1,001,809	*	4/14/2015
Certificate of deposit	1,001,809	*	4/04/2015
Certificate of deposit	300,543	*	4/04/2015
Certificate of deposit	260,675	*	4/17/2015
Certificate of deposit	161,687	*	12/17/2013
Certificate of deposit	142,782	*	5/17/2014
Certificate of deposit	138,520	*	8/19/2014
Certificate of deposit	100,000	*	4/04/2015
Certificate of deposit	60,109	*	4/04/2015
Certificate of deposit	39,083	*	4/13/2015
Certificate of deposit	21,382	*	1/01/2014
Certificate of deposit	2,499	*	1/10/2014
Certificate of deposit	1,077	*	1/14/2014
Total Primary Government	<u>\$ 3,231,975</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>
Fiduciary Funds			
Corporate bonds	\$ 459,312	Detailed below	Detailed below
Common stock	228,575	N/A	N/A
Municipal bond	47,956	not rated	11/01/2022
Municipal bond	26,954	not rated	1/01/2018
Certificate of deposit	51,554	*	5/11/2016-24
Certificate of deposit	48,967	*	4/18/2012-22
Mutual funds	1,948,218	N/A	N/A
U.S. Government agencies	212,390	N/A	N/A
Money market funds	33,186	not rated	N/A
Total Fiduciary Funds	<u>\$ 3,057,112</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.

Corporate Bonds:	<u>BAA1</u>	<u>A3</u>	<u>AA3</u>	<u>AA2</u>	<u>A1</u>	<u>A2</u>	<u>Total</u>
Average Credit Rating	\$76,093	\$25,075	\$51,291	\$99,764	\$52,456	\$154,633	\$459,312
Investment Maturity	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>				<u>Total</u>
	\$101,896	\$261,175	\$96,241				\$459,312

Note "4" – Property Taxes Receivable:

Property taxes receivables at June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables:</u>	
Property taxes	\$ 333,613
Accrued interest and lien fees on taxes	<u>57,132</u>
Gross receivables	390,745
Less: Allowance for uncollectibles	<u>7,000</u>
<u>Net Receivables</u>	<u>\$ 383,745</u>

Town of Washington
Notes to Financial Statements

Note "5" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

	<u>Major Funds</u>		<u>Non-Major Funds</u>	
	<u>General</u>	<u>Non-Recurring Capital Expenditure Fund</u>	<u>Highway Garage Fire Fund</u>	<u>Judea Cemetery Fund</u>
Transfers (From) To:				
General Fund	<u>\$ (1,869,377)</u>	<u>\$ 1,505,377</u>	<u>\$ 350,000</u>	<u>\$ 14,000</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 "6" - Capital Assets:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass and Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets - Not Depreciated:				
Land	\$ 1,141,215	\$ ---	\$ ---	\$ 1,141,215
Mygatt Road - Reconstruction (WIP)	29,900	---	---	29,900
Public Works Garage	---	22,246	---	22,246
Capital Town Hall Repairs	---	168,154	---	168,154
Total Capital Assets Not Depreciated	1,171,115	190,400	---	1,361,515
Capital Assets - Depreciated:				
Land Improvements	532,685	---	---	532,685
Building & Improvements	4,312,506	---	(263,341)	4,049,165
Machinery & Equipment	3,432,292	1,076,748	(20,000)	4,489,040
Infrastructure	17,761,874	984,890	(18,011)	18,728,753
Total Capital Assets Being Depreciated	26,039,357	2,061,638	(301,352)	27,799,643
Less: Accumulated Depreciation				
Land Improvements	395,655	22,444	---	418,099
Building & Improvements	1,553,358	148,163	(155,663)	1,545,858
Machinery & Equipment	2,417,243	304,953	(20,000)	2,702,196
Infrastructure	13,196,391	674,507	(18,011)	13,852,887
Total Accumulated Depreciation	17,562,647	1,150,067	(193,674)	18,519,040
Capital Assets Being Depreciated - Net	<u>8,476,710</u>	<u>911,571</u>	<u>(107,678)</u>	<u>9,280,603</u>
Capital Assets - Net	<u>\$ 9,647,825</u>	<u>\$ 1,101,971</u>	<u>\$ (107,678)</u>	<u>\$ 10,642,118</u>

Depreciation is charged to the following Governmental Activities:

General government services	\$ 42,170
Public safety	170,588
Public works	885,970
Health & Welfare	7,345
Parks and recreation	43,994
Total depreciation expense	<u>\$ 1,150,067</u>

Town of Washington
Notes to Financial Statements

Note "7" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2013. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1,</u> <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2013</u>	<u>Due Within</u> <u>One Year</u>
<u>Compensated Absences</u>					
Various vested employee benefits as explained in Note "1", summary of significant accounting policies	\$ 134,507	\$ 19,655	\$ 2,423	\$ 151,739	\$ 17,271
<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	36,000	---	3,000	33,000	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>110,000</u>	<u>---</u>	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>
<u>Total</u>	<u>\$ 280,507</u>	<u>\$ 19,655</u>	<u>\$ 60,423</u>	<u>\$ 239,739</u>	<u>\$ 75,271</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>
2014	4.35%	<u>55,000</u>	<u>1,348</u>	<u>56,348</u>

Note "8" - Contingent Liabilities:

The Town is contingently liable on Regional School District No. 12 serial bonds payable through June 1, 2016 and the bank term loan of \$2,500,000 due August 15, 2018. The amount (45.21%) attributable to the Town is \$1,381,166.

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 "9" - Pension Plans:

Defined Benefit Pension Plans:

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, 2012 the latest actuarial date, PERS membership consisted of:

Active participants	29
Vested ex-participants	13
Retirees and beneficiaries	<u>16</u>
Total	<u>58</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 "9" - Pension Plan (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. Employer's 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 investments represent 5 percent or more of plan net assets:

Investments	<u>Percentage of Plan</u>	
	<u>Fair Value</u>	<u>Net Assets</u>
Corporate Bonds	\$ 459,312	18%
Mutual Funds	\$ 1,595,482	63%
U.S. Government Agencies	\$ 189,425	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	\$ 172,775
Investment activity on net pension obligation	(58)
Adjustment to annual required contribution	99
Annual pension cost	172,816
Contributions made	172,775
Increase in net pension asset	41
Net pension asset beginning of year	1,052
Net pension asset end of year	\$ 1,011

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 "9" - Pension Plans (continued):

F. Required Schedule of Employer Contributions and Trend Information:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Contribution</u> <u>Made</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation/</u> <u>(Asset)</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>
6/30/13	\$ 172,816	\$ 172,775	100%	\$ (1,011)	\$ 172,775
6/30/12	\$ 155,174	\$ 160,179	103%	\$ (1,052)	\$ 155,330
6/30/11	\$ 164,523	\$ 165,000	102%	\$ 3,953	\$ 164,697

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>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets (a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL) Entry</u> <u>Age (b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll (c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
1/1/12	\$ 2,200,631	\$ 2,968,055	\$ 767,424	74%	\$ 975,124	79%
1/1/11	\$ 2,208,365	\$ 2,854,292	\$ 645,927	77%	\$ 959,248	67%
1/1/10	\$ 1,972,201	\$ 2,722,517	\$ 780,316	71%	\$ 981,076	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:	1/1/12
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 "9" - Pension Plans (continued):

Volunteer Firefighter and EMT Service Incentive Program:

The Town has determined that it has fiduciary responsibility over the volunteer service incentive program trust and therefore has included the net position as of July 1, 2012 in the fiduciary statements. This has increased beginning net position by \$508,499.

The Town of Washington is the Plan Administrator, of an Award Program for the benefit of its Volunteer Firefighters and its Volunteer Emergency Medical Technicians (EMT). The Town, at its discretion, provides an annual contribution to the program. 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 Town's volunteer contribution is \$500 per eligible volunteer, with the actual value determined by the Town Meeting. Forty-two individuals qualified for this benefit. The total contributions for the year 2012-2013 for the Firefighters and EMT were \$15,000 and \$10,000, respectively. The volunteers become fully vested after ten years of service. The normal retirement age for receiving benefits is age 65, although participants may apply for hardship distributions under certain circumstances as prescribed by the United States Department of Labor. The plan also has provisions for participant withdrawal prior to normal retirement age once vested at 100%.

The financial statements are prepared using the accrual basis of accounting. Town contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values. Since the trust fund established to hold plan assets is subject to claims of the Town's general creditors, the plan is reported as an expendable trust fund.

Note "10" - 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 s 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 \$33,000 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 "11" - 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 are 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.

Town of Washington
Notes to Financial Statements

Note "12" - 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 \$75,604 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 <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims Paid <u>Paid</u>	Claims Payable <u>June 30</u>
2012-2013	\$ <u>6,234</u>	\$ <u>71,679</u>	\$ <u>69,961</u>	\$ <u>7,952</u>

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.

Town of Washington
Notes to Financial Statements

Note "13" - Operating Deficiencies and/or Fund Deficits:

At June 30, 2013 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>
Major Funds		
General Fund	\$ 349,691	\$ ---
Town Aid Road Fund	\$ 85,373	\$ ---
Non-major Funds		
Senior Center Fund	\$ 73	\$ ---
Park and Recreation Fund	\$ 4,683	\$ ---
Highway Garage Fire Fund	\$ 11,755	\$ ---

Note "14" – Impairment Gain on Explosion Loss:

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. For financial reporting the net gain after insurance recovery of \$486,322 is reported as an extraordinary item, described in the statement of activities as impairment gain on explosion damage net of insurance recovery. The governmental fund financial statement reports the insurance recovery as another financing source and will report the restoration costs as expenditures.

Note "15" – New Governmental Accounting Standards Board Standard:

As of July 1, 2012 the Town implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the Town's net position. The Town did not have any deferred outflows and inflows as of June 30, 2013.

Note "16" - Subsequent Event:

As of July 1, 2013, the Town froze participation in the defined benefit pension plan to current participants. The Town has established a defined contribution pension plan for new full time employees.

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, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:			
Property taxes	\$ 14,142,365	\$ 14,283,422	\$ 141,057
Interest and lien fees on property taxes	95,000	72,021	(22,979)
State of Connecticut - Grants:			
Veterans tax relief	1,400	1,183	(217)
Totally disabled	150	155	5
Judicial fines	1,000	1,275	275
Elderly homeowners	-	25,531	25,531
Lead funding	5,000	2,500	(2,500)
Boat grant	4,000	-	(4,000)
Municipal Revenue Sharing	30,000	23,096	(6,904)
State Real Property	12,500	32,298	19,798
Mashantuck Pequot/Mohegan fund	7,125	6,487	(638)
Educational cost sharing grant	200,000	240,147	40,147
Other State grants	13,825	1,215	(12,610)
Federal Grants	-	41,001	41,001
Telephone access tax	25,000	23,286	(1,714)
Refund from Regional School District 12	1	18,832	18,831
Contributions in lieu of taxes	69,000	71,089	2,089
Investment income	7,000	13,937	6,937
Lease income - Town building & Firehouse	22,200	22,200	-
Other fees and receipts:			
Building inspection	74,399	334,922	260,523
Building inspection - Excess	-	(260,523)	(260,523)
revenue over budget offsets expenditures	5,000	8,640	3,640
Health permits	3,000	5,670	2,670
Zoning	1,500	3,080	1,580
Zoning Board of Appeals	5,500	2,461	(3,039)
Inland Wetlands/Conservation	-	2,370	2,370
IWCC Citation	400	400	-
Historic District	25,000	34,805	9,805
Transfer station	20,000	64,239	44,239
Private duty police	-	(44,239)	(44,239)
Private duty police - Excess	-	(44,239)	(44,239)
revenue over budget offsets expenditures	5,000	12,272	7,272
Beach and boat ramp fees	500	560	60
Pistol permits	1,500	2,375	875
Use of Town buildings	4,000	4,537	537
Lake Waramaug Reimbursement	130,000	204,368	74,368
Town Clerk's fees including conveyance taxes	6,200	12,840	6,640
D.E.P. fees	1,800	38,933	37,133
Miscellaneous	-	140,000	140,000
Town Hall Insurance Claim	-	33,918	33,918
Bristol Resource Recovery Distributive Share	-	22,815	17,815
Scrap metal sales and other receipts	5,000	22,815	17,815
Amounts available for appropriation	\$ 14,924,365	\$ 15,504,118	\$ 579,753

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, 2013

	Original Budget	Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures:					
General Government					
Selectmen	\$ 150,269	\$ -	\$ 150,269	\$ 152,197	\$ 1,928
Assessor	64,034	-	64,034	66,223	2,189
Tax Collector	53,127	-	53,127	53,347	220
Town Clerk	69,324	-	69,324	59,651	(9,673)
Town Treasurer	12,056	-	12,056	12,027	(29)
Building Department	6,975	-	6,975	258,889	251,914
Building Department - Excess revenue over budget	-	-	-	(260,523)	(260,523)
Probate Court	4,448	-	4,448	2,696	(1,752)
Elections	27,988	-	27,988	23,692	(4,296)
Auditor	25,000	-	25,000	25,458	458
Board of Assessment Appeals	1,350	-	1,350	294	(1,056)
Planning Commission	24,894	-	24,894	23,936	(958)
Zoning Commission	50,738	-	50,738	61,977	11,239
Zoning Board of Appeals	8,572	-	8,572	7,941	(631)
Inland Wetlands	78,462	-	78,462	67,243	(11,219)
Historic District Commission	7,090	-	7,090	5,243	(1,847)
Conservation Commission	6,242	-	6,242	5,611	(631)
Housing Commission	1,540	-	1,540	-	(1,540)
Operation of Town Hall	91,582	-	91,582	77,729	(13,853)
Town Garage / Salt Building	23,900	-	23,900	20,761	(3,139)
Surety Bonds and Insurance	155,871	-	155,871	156,369	498
Accident & Health Insurance and committed reimbursable costs	338,171	-	338,171	369,699	31,528
Office Expense	37,350	-	37,350	36,066	(1,284)
Payroll Taxes	108,547	-	108,547	105,839	(2,708)
Board of Finance	27,396	-	27,396	26,859	(537)
Continuing Appropriations:					
Revaluation	65,000	-	65,000	9,140	(55,860)
Conservation & Development	25,000	-	25,000	21,578	(3,422)
Total General Government	1,464,926	-	1,464,926	1,389,942	(74,984)
Public Safety					
Fire Marshal	34,070	-	34,070	33,219	(851)
Fire Department	142,000	-	142,000	150,543	8,543
Police	240,535	7,000	247,535	292,167	44,632
Private duty police - Excess revenue over budget	-	-	-	(44,239)	(44,239)
Emergency Management	55,760	-	55,760	54,291	(1,469)
Open Burning Official	599	-	599	599	-
Lake Waramaug Authority	12,374	-	12,374	5,260	(7,114)
EMT Awards	10,000	-	10,000	10,000	-
Total Public Safety	495,338	7,000	502,338	501,840	(498)
Highways					
General Maintenance	620,411	-	620,411	616,846	(3,565)
Winter Maintenance	418,810	-	418,810	408,711	(10,099)
Street Lighting	28,500	-	28,500	31,400	2,900
Total Highways	1,067,721	-	1,067,721	1,056,957	(10,764)
Sanitation					
Transfer Station	295,596	-	295,596	271,755	(23,841)
Recycling	141,550	-	141,550	134,640	(6,910)
Total Sanitation	437,146	-	437,146	406,395	(30,751)

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, 2013

	Original Budget	Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures (continued):					
Conservation of Health					
Paramedic Service	\$ 23,692	\$ -	\$ 23,692	\$ 23,692	\$ -
Health Department	39,164	-	39,164	38,179	(985)
Visiting Nurses Associations	20,000	-	20,000	13,324	(6,676)
Hepatitis B Vaccinations	100	-	100	-	(100)
Total Conservation of health	82,956	-	82,956	75,195	(7,761)
Recreation					
Parks and Recreation	115,815	-	115,815	113,718	(2,097)
Senior Center / Veterans Hall	54,282	-	54,282	53,704	(578)
Total Recreation	170,097	-	170,097	167,422	(2,675)
Social Services	8,696	-	8,696	8,846	150
Other Expenditures					
Gunn Memorial Library	139,000	-	139,000	139,000	-
Pension Expense	181,275	-	181,275	181,190	(85)
Council on Governments	7,693	-	7,693	7,793	100
Interlocal Advisory Board	11,478	-	11,478	10,330	(1,148)
Annual Repairs	35,000	-	35,000	29,905	(5,095)
New Preston Cemetery	3,000	-	3,000	3,000	-
Animal Control	32,855	-	32,855	32,090	(765)
Newsletter and Website	7,115	-	7,115	4,645	(2,470)
Cell Tower	-	14,669	14,669	19,933	5,264
Contour Mapping	-	3,000	3,000	2,950	(50)
Financial Consultant	-	2,000	2,000	2,000	-
Fire Co Turnout Gear	-	231	231	231	-
Propane Incident	-	240,000	240,000	168,154	(71,846)
Boiler Replacement	-	80,000	80,000	115,329	35,329
Total Other Expenditures	417,416	339,900	757,316	716,550	(40,766)
Interest and principal - bond issue	59,043	-	59,043	59,043	-
Education	9,546,035	5,000	9,551,035	9,551,035	-
Total Expenditures	13,749,374	351,900	14,101,274	13,933,225	(168,049)
Operating Transfers Out:					
Legal litigation	80,000	-	80,000	51,207	(28,793)
Judea Cemetery	4,000	10,000	14,000	14,000	-
Non-recurring capital exp. fund	1,598,000	-	1,598,000	1,505,377	(92,623)
Highway Garage	-	350,000	350,000	350,000	-
Total transfers out	1,682,000	360,000	2,042,000	1,920,584	(121,416)
Total Expenditures and Transfers out	15,431,374	711,900	16,143,274	15,853,809	(289,465)
Excess (deficiency) of revenues over Expenditures and Transfers Out	(507,009)	(711,900)	(1,218,909)	(349,691)	869,218
Fund Balance at beginning of year	507,009	711,900	1,218,909	3,181,370 *	1,962,461
Fund Balance at end of year	\$ -	\$ -	\$ -	\$ 2,831,679	\$ 2,831,679

* Fund Balance at beginning of year was restated, see notes to Schedule of Revenues, Expenditures and Changes in Fund Balance
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, 2013

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 legal litigation expenditures as a transfer out. It does not meet the requirements of a separate fund, and therefore for GAAP purposes this transfer out is reclassified to an expenditure – General Government Zoning Department.

The Town, for budget purposes, 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.

Additionally, for budgeting purposes the Town recognizes as revenue educational refunds of prior year fund balances and other credits from Regional School District #12. Generally accepted accounting principles (GAAP) require that refunds for prior year and other credits be offset against educational expenditures.

Fund Balance at beginning of year was increased by \$5,050 to reverse prior year legal litigation expenditures for budget purposes, but not GAAP.

The reconciliation from the budgetary basis to GAAP follows:

	<u>General Fund</u>		
	<u>Total Revenues</u>	<u>Total</u>	
	<u>And Other</u>	<u>Expenditures</u>	
	<u>Financing Sources</u>	<u>and Transfers</u>	<u>Balance</u>
Actual – Non-GAAP Budgetary Basis Statement – June 30, 2013	\$ 15,504,118	\$ 15,853,809	\$ 2,831,679
Reversal Legal Litigation Transfer Out	--	(51,207)	51,207
Legal Litigation Expenditures – Zoning Commission	--	51,207	(51,207)
Prior year refund from RSD#12 offsets expenditure	(18,832)	(18,832)	---
To gross revenue and expenditures:			
Building department	260,523	260,523	---
Private duty police	<u>44,239</u>	<u>44,239</u>	---
Actual GAAP – June 30, 2013	<u>\$ 15,790,048</u>	<u>\$ 16,139,739</u>	<u>\$ 2,831,679</u>

**Town of Washington
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013**

	Special Revenue Funds						Capital Project Fund	
	Judea Cemetery	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Highway Garage Fire Fund	Affordable Housing Fund	Total
Assets:								
Cash and cash equivalents	\$ 36,578	\$ 77,707	\$ 6,927	\$ 3,427	\$ 6,049	\$ 466,990	\$ 28,297	\$ 625,975
Investment - at market	39,083	21,382	3,576	-	-	-	281,302	345,343
Total Assets	\$ 75,661	\$ 99,089	\$ 10,503	\$ 3,427	\$ 6,049	\$ 466,990	\$ 309,599	\$ 971,318
Liabilities:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Fund balances:								
Nonspendable:								
Perpetual Care Principal	66,085	-	-	-	-	-	-	66,085
Restricted for:								
Social services	-	-	10,503	-	-	-	-	10,503
Community beautification	-	-	-	3,427	-	-	-	3,427
Document preservation	-	-	-	-	6,049	-	-	6,049
Committed to:								
Fixed Asset Replacement	-	-	-	-	-	465,990	-	465,990
Parks and recreation	-	99,089	-	-	-	-	-	99,089
Cemetery operation	9,576	-	-	-	-	-	-	9,576
Affordable housing	-	-	-	-	-	-	309,599	309,599
Total Fund Balances	75,661	99,089	10,503	3,427	6,049	465,990	309,599	970,318
Total Liabilities and Fund Balance	\$ 75,661	\$ 99,089	\$ 10,503	\$ 3,427	\$ 6,049	\$ 466,990	\$ 309,599	\$ 971,318

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, 2013

	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	
Revenues:									
Investment income	\$ 238	\$ 201	\$ 23	\$ 4	\$ 3	\$ 457	\$ 2,183	\$	3,109
Intergovernmental	-	5,350	-	-	-	-	-	-	5,350
Program fees and other receipts	3,350	92,927	7,445	-	2,192	-	-	-	105,914
Total Revenues	3,588	98,478	7,468	4	2,195	457	2,183		114,373
Expenditures:									
Cemetery expenditures	13,157	-	-	-	-	-	-	-	13,157
Programs and Activities	-	103,161	7,541	-	-	642,991	-	-	753,693
Total Expenditures	13,157	103,161	7,541	-	-	642,991	-	-	766,850
Excess (Deficiency) of revenues over expenditures	(9,569)	(4,683)	(73)	4	2,195	(642,534)	2,183		(652,477)
Other Financing Sources:									
Operating transfers in	14,000	-	-	-	-	350,000	-	-	364,000
Insurance recovery	-	-	-	-	-	280,779	-	-	280,779
Total Other Financing Sources	14,000	-	-	-	-	630,779	-	-	644,779
Net Change in Fund Balances	4,431	(4,683)	(73)	4	2,195	(11,755)	2,183		(7,698)
Fund Balances:									
Beginning of Year	71,230	103,772	10,576	3,423	3,854	477,745	307,416		978,016
End of Year	\$ 75,661	\$ 99,089	\$ 10,503	\$ 3,427	\$ 6,049	\$ 465,990	\$ 309,599	\$	970,318

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

Town of Washington
Combining Statement of Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2013

	<u>Volunteer Incentive Programs</u>		<u>Pension</u>	
	<u>Firefighters</u>	<u>EMT</u>	<u>Fund</u>	<u>Totals</u>
Assets:				
Cash and cash equivalents	\$ -	\$ 127	\$ 1,332	\$ 1,459
Accrued interest	474	193	11,117	11,784
Investments - at fair value	<u>361,183</u>	<u>146,522</u>	<u>2,549,407</u>	<u>3,057,112</u>
Total assets	361,657	146,842	2,561,856	3,070,355
Net Position:				
Net position held in trust for pension benefits	\$ <u>361,657</u>	\$ <u>146,842</u>	\$ <u>2,561,856</u>	\$ <u>3,070,355</u>

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

Town of Washington
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2013

	Volunteer Incentive Programs		Pension	
	Firefighters	EMT	Fund	Totals
Additions:				
Town contributions	\$ 15,000	\$ 10,000	\$ 172,775	\$ 197,775
Investment income:				
Net appreciation in fair values of investments	5,970	2,858	170,556	179,384
Interest and dividends	5,821	2,481	62,358	70,660
Gross investment income	11,791	5,339	232,914	250,044
Less: investment expense	1,957	793	14,302	17,052
Net investment income	9,834	4,546	218,612	232,992
Total additions	24,834	14,546	391,387	430,767
Deductions:				
Pension benefits	-	-	90,462	90,462
Net Increase - Change in Net Position	24,834	14,546	300,925	340,305
Net Position - Beginning of year	336,823	132,296	2,260,931	2,730,050
Net Position - End of year	<u>\$ 361,657</u>	<u>\$ 146,842</u>	<u>\$ 2,561,856</u>	<u>\$ 3,070,355</u>

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, 2013

ALCOHOL AND DRUG ABUSE PREVENTION FUND

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets:				
Cash	\$ 1,290	\$ 5,403	\$ 4,641	\$ 2,052
Liabilities:				
Due to Participants	\$ 1,290	\$ 5,403	\$ 4,641	\$ 2,052

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, 2013

	Taxes Receivable July 1, 2012	LAWFUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS			Taxes Receivable June 30, 2013
		Lawful Additions	Corrections Reductions			Taxes	Interest, liens and other costs	Refunds and Adjustments	
Grand List : October 1, 2011 \$	14,458,864 \$	24,075 \$	(67,412) \$	- \$	14,415,527 \$	14,214,471 \$	50,745 \$	(58) \$	200,998
2010	129,836	52	(111)	-	129,777	64,607	14,407	536	65,706
2009	55,962	19	-	(10,369)	45,612	5,881	3,741	-	39,731
2008	23,230	-	-	-	23,230	1,327	840	-	21,903
2007	4,613	-	-	-	4,613	740	159	-	3,873
2006	1,402	-	-	-	1,402	-	-	-	1,402
2002	119	-	-	-	119	119	45	-	-
2001	137	-	-	-	137	137	52	-	-
Suspense book collections	-	-	-	1,234	1,234	1,234	753	-	-
Totals	\$ 14,674,163 \$	24,146 \$	(67,523) \$	(9,135) \$	14,621,651 \$	14,288,516 \$	70,742 \$	478 \$	333,613

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, 2013

Total tax collections (including interest and lien fees) for the year ended June 30, 2013 \$ 14,359,736

Reimbursement for revenue loss on :
Tax relief for elderly - (CGS 12-129d) 25,531

Total Receipts From Taxation For The Year Ended June 30, 2011 (Base) \$ 14,385,267

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times Base	\$ 32,366,851	\$ -	\$ -	\$ -	-
4 1/2 times Base	-	64,733,702	-	-	-
3 3/4 times Base	-	-	53,944,751	-	-
3 1/4 times Base	-	-	-	46,752,118	-
3 times Base	-	-	-	-	43,155,801
Total Debt Limitation	<u>32,366,851</u>	<u>64,733,702</u>	<u>53,944,751</u>	<u>46,752,118</u>	<u>43,155,801</u>

Indebtedness:

General obligation bonds due November 1, 2013	55,000	-	-	-	-
Net pension benefit obligation Shepaug Regional School District #12 Bonds payable (Town's share is 45.21%)	-	-	-	-	-
Due June 1, 2016 - \$390,000	-	176,319	-	-	-
Due November 14, 2013 - \$165,000	-	74,597	-	-	-
Bank term loan due August 15, 2018-\$2,500,000	-	1,130,250	-	-	-
Total Indebtedness	<u>55,000</u>	<u>1,381,166</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Debt Limitation In Excess Of
Outstanding And Authorized Debt** \$ 32,311,851 \$ 63,352,536 \$ 53,944,751 \$ 46,752,118 \$ 43,155,801

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



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Washington, Connecticut's basic financial statements, and have issued our report thereon dated October 3, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Washington, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Town of Washington, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington, Connecticut's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Washington, Connecticut's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles Heaven & Co.

October 3, 2013

**Town of Washington
Schedule of Prior Year Audit Findings and Responses
Year Ended June 30, 2013**

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.

Current Status:

The Town is in the process of submitting a request for proposal for the Accounting Procedure Manual preparation.

AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

Board of Finance
Town of Washington
Washington, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Washington, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *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, 2013. The Town of Washington, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Washington, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Washington, Connecticut's compliance

Opinion on Each Major State Program

In our opinion, the Town of Washington, Connecticut, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

Management of the Town of Washington, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Washington, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 the Town of Washington's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington'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 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance as 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the Town of Washington, Connecticut, as of and for the year ended June 30, 2013 and have issued our report thereon dated October 3, 2013, which contained an unmodified 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.

Charles Heaven & Co., CPAs
CHARLES HEAVEN & CO.

October 3, 2013

Town of Washington
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013

State Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management		
Property Tax Relief For Elderly and Totally Disabled Homeowners	11000-OPM20600-17018 \$	25,531
Property Tax Reimbursement - disability exemption	11000-OPM20600-17011	155
Property Tax Relief For Veterans	11000-OPM20600-17024	1,183
Reimbursement For Tax Loss On State Owned Property	11000-OPM20600-17004	32,299
Department of Environmental Protection		
Consolidated Forestry Programs	12060-DEP44165-22052	5,350
Department of Transportation		
Town Aid Roads	13033-DOT57131-43459	250,000
FAD-Temporary Holding Account (rural minor)	34003-DOT57331-42350	5,265
Judicial Branch		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	1,275
Connecticut State Library		
Historical Documents Preservation Grant	12060-CSL66094-35150	4,000
Department of Public Health		
Children Health Initiative	11000-DPH48766-12126	2,500
Total State Financial Assistance before exempt programs		<u><u>327,558</u></u>
Exempt Programs		
State Department of Education		
Education Cost Sharing	11000-SDE64370-17041	240,147
Office of Policy and Management		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	6,487
Municipal Video Competition	12060-OPM20600-35362	714
Municipal Revenue Sharing	12060-OPM20600-35457	23,096
Total Exempt programs		<u><u>270,444</u></u>
Total State Financial Assistance		<u><u>\$ 598,002</u></u>

See accompanying Notes to Schedule

**Town of Washington
State Financial Assistance Programs
Notes to Schedule
Year Ended June 30, 2013**

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, 2013**

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, 2013 and issued our unqualified report thereon dated October 3, 2013.

Internal control over financial reporting:

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

State Financial Assistance

Internal control over major programs:

Material weaknesses identified?	_____ yes	<u> X </u> no
Significant deficiency identified?	_____ 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:

State Grant Program State Grantor and Program	Identification Number	Expenditures
Office of Policy and Management:		
Department of Transportation Town Aid Roads	13033-DOT57131-43459	\$ <u>250,000</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, 2013**

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

We issued reports, dated October 3, 2013, 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 no findings or questioned costs.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

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