



Charles Heaven & Co.
Certified Public Accountants

**TOWN OF WASHINGTON
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2014**

**Town of Washington
Table of Contents
June 30, 2014**

	PAGE
Independent Auditor's Report	1-2
Managements' Discussion and Analysis	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Net Position - Pension Trust Fund	19
Notes to Financial Statements	20-38
Required Supplementary Information:	
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	39-41
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance	42
Pension:	
Schedule of Changes in Net Pension Liability and Related Ratios	43
Schedule of Employer Contribution – Last 10 Fiscal Years	44
Schedule of Investment Returns – Last Fiscal Year	45
Combining and Individual Fund Statements and Supplemental Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	47
Fiduciary Funds	
Combining Statement of Fiduciary Net Position - Pension Trust Funds	48
Combining Statement of Changes in Fiduciary Net Position	49
Statement of Changes in Assets and Liabilities-Agency Fund	50
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)	51
Statement of Debt Limitation	52

**Town of Washington
Table of Contents
June 30, 2014**

	PAGE
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
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	55-56
Schedule of Expenditures of State Financial Assistance	57
Notes to Schedule of State Financial Assistance	58
Schedule of Findings and Questioned Costs	59-60



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, 2014, 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, 2014, 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 analysis on Pages 3 through 11, budgetary comparison information on Pages 39 through 42, the Schedule of changes in net pension liability and related ratios on Page 43, the Schedule of employer contributions on Page 44 and Schedule of investment returns on Page 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 November 25, 2014, 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 Kean & Co., CPAs

November 25, 2014

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

The June 30, 2014 Town of Washington Basic Financial statements are presented using the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that the management of the Town of Washington focus on the most important or "major" funds, including the General Fund.

The goal is to provide the reader with an objective and readable analysis of the financial performance of the Town for the year. Taken together, the following statements should present whether the Town of Washington's financial position has improved or deteriorated as a result of the year's operations. 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. The Basic Financial Statements include government-wide financial statements prepared on the accrual basis of accounting for all of the Town 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). Showing budgetary compliance has always been an important part of governmental accountability and therefore the financial statements include the original budget as well as the amended final budget.

The Basic Financial Statements 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. The MD&A:
 - Includes comparisons of the current year to the prior year based on government-wide information.
 - Provides an analysis of the overall financial position and the results of operations that assess whether the Town's 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 the Town's financial position or the results of its operations.
- * **Basic Financial Statements**
 - **Government-Wide Financial Statements** are designed to provide a broad overview of the Town of Washington's finances in a manner similar to private-sector business.

They include a *statement of net position* which presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows with the difference between assets plus deferred outflows less liabilities and deferred inflows reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the 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).

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

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*). The governmental activities of the Town include general government, commissions and boards, highways and public works, protection, health and welfare, benefits, education, and miscellaneous.

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 position 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 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. With the exception of the Pension Trust Funds and Agency Fund, which are fiduciary funds, all of the funds of the Town constitute governmental funds.

Governmental fund financial statements include financial data for the General Fund, Special Revenue Funds 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 information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact 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 expenditures fund, the Land Acquisition Fund, and the Highway Garage Fire Fund, all of which are considered to be major funds. Data from the other six 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 the approved budget.

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

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.

Separate columns are shown for the general fund and for each major governmental fund. Major funds are funds whose revenues, expenditures, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds. Other funds that are particularly important 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, Committed, Assigned and Unassigned as defined in the notes.

➤ ***Fiduciary Fund***

- The Fiduciary Funds are used to account for resources held by the Town in a trustee or agency capacity. The Fiduciary Funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the Town of Washington's own programs. The accrued basis of accounting is used for the Fiduciary Funds. The Town's Fiduciary Fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

- The basic Fiduciary Fund financial statements can be found on Pages 18-19 of this report.

➤ ***Notes to the Financial Statements***

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

➤ ***Required Supplementary Information (RSI)***

- Consists of the MD&A
- Budgetary comparison schedules for the General Fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget
- Pension Schedule of Changes in Net Pension Liability and related Ratios – Last fiscal year
- Pension Schedule of Employer Contributions – Last 10 years
- Pension Schedule of Investment Returns – Last fiscal year.

The combining statements referred to earlier, in connection with non-major governmental funds and Fiduciary Funds are presented immediately following the required supplementary information.

Readers of the Town's financial statements are offered this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$20,089,040 (net position). Of this amount, \$7,648,738 (*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 \$1,123,200 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 \$8,000,180, an increase of \$854,774 from the previous year. Of this, 34.40%, or \$2,752,209, is *available for spending* at the government's discretion (*unassigned fund balance*.)

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,752,209, or 17.58% of total general fund expenditures and operating transfer out of \$15,657,190. The Town has assigned \$331,163 to help pay for next year's budget and committed \$203,216 for continuing appropriations.

- The Town is liable for \$1,094,208 of Regional School District No. 12 debt (44.48%)

Government-Wide Financial Analysis

As noted earlier, assets and deferred outflows over liabilities and deferred inflows may serve over time as a useful indicator of a government's financial position. In the case of the Town of Washington, assets exceeded liabilities by \$20,089,040 at the close of the most recent fiscal year. The Town did not have any deferred outflows or inflows.

By far the largest portion of the Town of Washington's net position, 57.84%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), 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.

Table 1. Net Position

	Total Primary Government 2014	Total Primary Government 2013
Current Assets.....	\$ 9,371,415	\$ 9,083,261
Noncurrent Assets (net of depreciation)	11,641,499	10,643,129
Total Assets	<u>21,012,914</u>	<u>19,726,390</u>
Current Liabilities	774,387	596,082
Noncurrent Liabilities	149,487	164,468
Total Liabilities	<u>923,874</u>	<u>760,550</u>
Net Position:		
Net Investment in Capital Assets.....	11,619,105	10,587,118
Restricted for:		
Cemetery perpetual care principal	66,294	66,085
Road improvements	733,664	404,218
Senior center	9,277	10,503
Community beautification	5,733	3,427
Document preservation.....	6,229	6,049
Unrestricted.....	<u>7,648,738</u>	<u>7,888,440</u>
Total Net Position.....	<u>\$20,089,040</u>	<u>\$18,965,840</u>

The balance of *unrestricted net position* \$7,648,738, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

Governmental Activities. As shown below the governmental activities increased the Town of Washington's net position by \$1,123,200.

Table 2. Changes in Net Position

	Total Primary Government 2014	Total Primary Government 2013
Revenues:		
Program Revenues:		
Charges for Services	\$763,842	\$ 873,174
Operating Grants and Contributions	282,275	285,148
Capital Grants and Contributions	391,044	385,163
General Revenues:		
Property Taxes	14,901,360	14,513,699
Grants and Contributions not Restricted to Specific Purpose.....	144,133	170,179
Unrestricted Investment Earnings.....	30,645	24,468
Lease Income and Miscellaneous	63,527	68,517
Extraordinary item:		
Propane explosion damage impairment gain (net)	(117,681)	486,322
Total Revenues	16,459,145	16,806,670
:		
Program Expenses		
General Government.....	1,710,497	1,747,333
Public Safety	782,386	716,667
Highways (public works).....	2,207,875	1,956,157
Sanitation	396,599	403,395
Social Services.....	18,135	17,039
Health.....	87,549	82,540
Parks and Recreation.....	309,521	314,436
Education	9,402,789	9,532,203
Other	420,594	446,265
Total Program Expenses.....	15,335,945	15,216,035
Increase in Net Position	\$ 1,123,200	\$ 1,590,635

The Town of Washington's net position increased by \$1,123,200, during the current fiscal year. The Town brought in net general revenues of \$15,139,665 that exceeded its net operating expenditures of \$13,898,784 and the extraordinary loss of (\$117,681) by the amount of the net position increase. Gross expenses of \$15,335,945 were offset by \$763,842 in charges for services, \$282,275 in operating grants and contributions, and \$391,044 in capital grants and contributions. Of the net expenditures, \$9,162,642 was paid for Regional School District No. 12 services, Highways and public works \$1,778,703, General government \$1,231,748, public safety \$686,797, and \$336,677 for Sanitation. The largest portion of Town general revenue was \$14,901,360 in tax revenue supplemented by \$207,660 from grants, leases, contributions, and other sources and earnings of \$30,645 in investment income.

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

- With the exception of the budgeted increase in property tax revenue and the Extraordinary Item (Town Hall Propane Explosion) the revenues did not fluctuate much from prior year.
- The biggest increase in the program expenses were \$36,836 and \$251,718 for General Government and Public Works respectively.

Financial Analysis of the Government's Funds

As noted earlier and required, the Town of Washington uses governmental fund accounting to emphasize the accountability as a government entity by ensuring and demonstrating 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 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 \$8,000,180, an increase of \$854,774. The governmental fund balance of \$8,000,180 is broken down as follows:

Restricted funds balances of \$754,903:

- Road Improvements, \$733,664
- Senior Center Services, \$9,277
- Community beautification, \$5,733
- Records Preservation, \$6,229

Committed fund balances of \$4,095,611:

- Land Acquisition and Open Space, \$335,833
- Affordable housing, \$311,002
- Fixed asset replacement, \$752,695
- Capital and Nonrecurring Projects, \$2,378,605
- Property Revaluation, \$13,400
- Conservation and development plan, \$8,797
- Legal litigation, \$104,947
- Health reimbursement benefits, \$76,072
- Recreation, \$106,737
- Cemetery operations, \$7,523

Assigned fund balance of \$331,163:

- Subsequent year's budget deficit.

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

Nonspendable of \$66,294:

Cemetery perpetual care principal.

The remainder of \$2,752,209 is unassigned.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, total general fund balance was \$3,286,588. As a measure of the general fund's liquidity, it may be useful to compare both *unassigned and assigned* fund balance and total fund balance to total fund expenditures. In Washington's case, total *assigned and unassigned* fund balance of \$3,083,372 represents 21.66% of total general fund expenditures of \$14,237,584.

General Fund Budgetary Highlights

The approved projected revenue budget of \$15,615,705 for FY2013/2014 remained unchanged. The approved expenditure budget of \$15,686,202 for FY 2013/2014 increased by continuing and additional appropriations of \$304,087.

The Town's General Fund Balance increased by \$454,909 during the current fiscal year. The key factor in this increase was the favorable variance in revenues.

As in previous years, and without exception, every town department, i.e. general government, highways, protection, etc., expended less than budgeted for a total positive budget expenditure and transfer variance of \$176,734.

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 \$2,263,057. On the other hand, \$9,651 of machinery and equipment (before depreciation) was disposed of and thus written off.

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

- \$821,768 construction and renovation in progress as detailed in the notes;
- \$1,354,710 road work including paving, chip sealing, culverts, and dirt road refurbishment and bridges;
- \$82,084 machinery and equipment;

Table 3. Net Investment in Capital Assets

	Total Primary Government	
	2014	2013
Land.....	\$ 1,141,215	\$ 1,141,215
Construction in Progress	1,042,068	220,300
Land Improvements	92,140	114,586
Buildings and Improvements	2,363,695	2,503,307
Machinery and Equipment	1,481,950	1,786,844
Infrastructure	5,498,037	4,875,866
Totals.....	<u>\$11,619,105</u>	<u>\$10,642,118</u>

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

Additional information on the Town of Washington's capital assets can be found in the Notes to the Financial Statements.

Long-Term Debt

The Town's long-term debt is comprised of our pro-rata share of Regional School District No. 12 general long-term debt, and compensated absences.

Contingent Liability:

The Town is a member town of Regional School District No. 12 along with the towns of Washington and Bridgewater. Washington's obligation to the district is based on the number of pupils attending the district determined as of October 1 in the preceding year. For the fiscal year 2013-2014, Washington's pro-rata share of school district operations was 44.48%. Washington has pledged its full faith and credit to payment of principal and interest on the district bonds. The Town's share of the regional school district's net debt as of June 30, 2014 (outstanding school bond principal less State of Connecticut bond principal grants) represents overlapping debt to the Town in the amount of \$1,094,208.

Compensated Absences:

Sick leave may be accumulated by certain eligible employees in accordance with Town policy until retirement, at which time they are paid for a percentage of their accumulated sick leave. The balance of \$139,160 decreased by \$12,579 from the previous year.

General Obligation Debt:

During the fiscal year the final payment of \$55,000 was made on the General Obligation Bond of 1993.

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, 2014, the maximum amount of borrowing permitted under the formula would be \$104,645,702. The Town's outstanding general obligation debt is \$33,636,119 below the maximum debt limitation (see "Statement of Statutory Debt Limitations" presented as a supplemental schedule to these financial statements).

Additional information on the Town of Washington's long-term debt can be found in the Notes to the Financial Statements.

**Town of Washington
Management's Discussion and Analysis
June 30, 2014**

Economic Factors and Next Year's Budget

- Washington's Mill rate was increased to 13.5 mills, from 11.75 mills primarily due to the recent revaluation.

The FY 2014 /2015 budget of \$15,916,217 contemplates \$74,072 or an approximate .5% decrease in expenditures from the prior year's final budget of \$15,990,289. Other significant changes in the new budget (FY 2014/2015) are highlighted below:

Revenues

- ❖ The increase in the mill rate is projected to increase property taxes to help cover the budgeted expenditure increase and the amount needed from fund balance.
- ❖ Budgeted deficit to be covered from Fund Balance is budgeted at \$331,163.

Expenditures

- ❖ The increase in the General Government budget is mainly due to cost of living increases.
- ❖ The increase in social services is mainly due to planned addition to personnel.
- ❖ The increase in Highway and Public Works budget is mainly due to anticipated additional maintenance costs along with a cost of living increase.
- ❖ The increase in the Protection budget is mainly due to the State of Connecticut Resident Troop Contract.

At the end of the FY 2013/2014 fiscal year, General Fund balance was at \$3,286,588. Of the general fund balance, \$331,163 was designated to FY 2014/2015 operations to help moderate any tax impact from the higher 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, 2014

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 5,572,148
Investments	3,139,649
Property Taxes Receivable - net	351,431
Realizable insurance recovery	308,187
Total current assets	<u>9,371,415</u>
Noncurrent Assets	
Capital assets:	
Assets not being depreciated	2,183,283
Assets, net of depreciation of \$19,795,459	9,435,822
Net pension asset	22,394
Total noncurrent assets	<u>11,641,499</u>
Total Assets	21,012,914
Liabilities	
Current Liabilities	
Accounts payable	309,878
Performance bonds held	67,068
Overpaid property taxes	18,043
Deferred grant revenue	359,725
Long-term liabilities due within one year	19,673
Total current liabilities	<u>774,387</u>
Noncurrent Liabilities	
Due in more than one year	149,487
Total Liabilities	<u>923,874</u>
Net Position	
Invested in capital assets, net of related debt	11,619,105
Restricted for:	
Cemetery perpetual care principal - nonexpendable	66,294
Road improvements	733,664
Senior center	9,277
Community beautification	5,733
Document preservation	6,229
Unrestricted	7,648,738
Total Net Position	\$ <u>20,089,040</u>

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

Town of Washington
Statement of Activities
Year Ended June 30, 2014

Statement of Activities				Total	
Year Ended June 30, 2014				Net (Expense)	
Functions/Programs	Expenses	Program Revenues			Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 1,710,497	\$ 474,749	\$ 4,000	\$ ---	\$ (1,231,748)
Public safety	782,386	95,589	---	---	(686,797)
Highways (public works)	2,207,875	---	38,128	391,044	(1,778,703)
Sanitation	396,599	59,922	---	---	(336,677)
Social services	18,135	8,097	---	---	(10,038)
Health	87,549	13,180	---	---	(74,369)
Parks and recreation	309,521	112,305	---	---	(197,216)
Education	9,402,789	---	240,147	---	(9,162,642)
Other	420,594	---	---	---	(420,594)
Total governmental activities	\$ <u>15,335,945</u>	\$ <u>763,842</u>	\$ <u>282,275</u>	\$ <u>391,044</u>	(13,898,784)
General revenues:					
Property taxes, interest and lien fees					14,901,360
Grants and contributions not restricted to specific programs					144,133
Investment earnings					30,645
Lease income and other miscellaneous					63,527
Total general revenues					15,139,665
Extraordinary item:					
Impairment loss on propane explosion damage - net of insurance recovery					(117,681)
Change in net position					1,123,200
Net position - July 1, 2013					18,965,840
Net position - June 30, 2014					\$ 20,089,040

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

Town of Washington
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds						
		Special	Capital Project Funds				
		Revenue Fund		Land	Highway	Other	Total
	General Fund	Town Aid	Capital	Acquisition	Garage Fire	Governmental	Governmental
		Road Fund	Non-Recurring	Open Space	Fund	Funds	Funds
Assets:							
Cash and cash equivalents	\$ 2,036,410	\$ 733,664	\$ 1,639,623	\$ 33,028	\$ 847,904	\$ 281,519	\$ 5,572,148
Investments - at fair value	1,493,719	-	1,109,349	302,805	-	233,776	3,139,649
Property tax receivable, net	351,431	-	-	-	-	-	351,431
Total Assets	\$ 3,881,560	\$ 733,664	\$ 2,748,972	\$ 335,833	\$ 847,904	\$ 515,295	\$ 9,063,228
Liabilities:							
Accounts payable	\$ 201,527	\$ -	\$ 10,642	\$ -	\$ 95,209	\$ 2,500	\$ 309,878
Performance bonds payable	67,068	-	-	-	-	-	67,068
Overpaid property taxes	18,043	-	-	-	-	-	18,043
Deferred revenue	-	-	359,725	-	-	-	359,725
Total Liabilities	286,638	-	370,367	-	95,209	2,500	754,714
Deferred Inflows of Resources:							
Unavailable revenue - property tax	308,334	-	-	-	-	-	308,334
Fund Balances:							
Nonspendable:							
Perpetual Care Principal	-	-	-	-	-	66,294	66,294
Restricted for:							
Improvements to roads	-	733,664	-	-	-	-	733,664
Senior center	-	-	-	-	-	9,277	9,277
Community beautification	-	-	-	-	-	5,733	5,733
Document preservation	-	-	-	-	-	6,229	6,229
Committed to:							
Fixed Asset Replacement	-	-	-	-	752,695	-	752,695
Parks and recreation	-	-	-	-	-	106,737	106,737
Cemetery operation	-	-	-	-	-	7,523	7,523
Capital non-recurring expenditures	-	-	2,378,605	-	-	-	2,378,605
Land acquisition for open space	-	-	-	335,833	-	-	335,833
Affordable housing	-	-	-	-	-	311,002	311,002
Revaluation	13,400	-	-	-	-	-	13,400
Conservation and Development Plan	8,797	-	-	-	-	-	8,797
Legal litigation	104,947	-	-	-	-	-	104,947
Health reimbursement benefits	76,072	-	-	-	-	-	76,072
Assigned for:							
Subsequent year budgeted deficit	331,163	-	-	-	-	-	331,163
Unassigned	2,752,209	-	-	-	-	-	2,752,209
Total Fund Balances	3,286,588	733,664	2,378,605	335,833	752,695	512,795	8,000,180
Total Liabilities, Deferred Inflows of Resources and Fund Balances							
	\$ 3,881,560	\$ 733,664	\$ 2,748,972	\$ 335,833	\$ 847,904	\$ 515,295	\$ 9,063,228

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, 2014

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 **\$ 8,000,180**

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

Governmental capital assets	\$ 31,414,564	
Less accumulated depreciation	<u>(19,795,459)</u>	11,619,105

Taxes, interest and liens receivable not available to pay current period expenditures are therefore deferred in the funds. 308,334

Assets not available to pay current period expenditures:

Realizable insurance recovery	308,187
Pension asset	22,394

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

Compensated absences	\$ (139,160)	
Postclosure landfill costs	<u>(30,000)</u>	(169,160)

Total Net Position of Governmental Activities **\$ 20,089,040**

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, 2014

	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	Highway Garage Fire Fund		
Revenues:							
Property taxes	\$ 14,803,716	\$ -	\$ -	\$ -	\$ -	\$ -	14,803,716
Interest and lien fees on property taxes	158,702	-	-	-	-	-	158,702
Intergovernmental	364,425	328,601	66,443	-	-	-	759,469
Contribution in lieu of taxes	62,110	-	-	-	-	-	62,110
Investment income	14,974	845	10,486	2,308	406	1,626	30,645
Lease income - Town building & Firehou	22,200	-	-	-	-	-	22,200
Licenses and permits	613,006	-	-	-	-	-	613,006
Program fees and other receipts	72,966	-	-	-	-	115,070	188,036
Total Revenues	16,112,099	329,446	76,929	2,308	406	116,696	16,637,884
Expenditures:							
Current:							
General government	1,672,460	-	-	-	-	1,645	1,674,105
Public safety	610,074	-	-	-	-	-	610,074
Highways	1,046,402	-	-	-	28,738	-	1,075,140
Sanitation	399,599	-	-	-	-	-	399,599
Health	82,418	-	-	-	-	-	82,418
Recreation	174,364	-	-	-	-	90,785	265,149
Social services	8,094	-	-	-	-	9,343	17,437
Education	9,402,789	-	-	-	-	-	9,402,789
Other	431,021	-	-	-	-	10,956	441,977
Capital outlay	354,015	-	1,576,154	-	451,037	-	2,381,206
Debt service	56,348	-	-	-	-	-	56,348
Total Expenditures	14,237,584	-	1,576,154	-	479,775	112,729	16,406,242
Excess (Deficiency) of Revenues Over Expenditures	1,874,515	329,446	(1,499,225)	2,308	(479,369)	3,967	231,642
Other Financing Sources (Uses):							
Operating transfers in (out)	(2,014,000)	-	1,272,164	-	737,336	4,500	-
Insurance Recovery	594,394	-	-	-	28,738	-	623,132
Total Other Financing Sources (Uses)	(1,419,606)	-	1,272,164	-	766,074	4,500	623,132
Net Change in Fund Balances	454,909	329,446	(227,061)	2,308	286,705	8,467	854,774
Fund Balances:							
Beginning of Year	2,831,679	404,218	2,605,666	333,525	465,990	504,328	7,145,406
End of Year	\$ 3,286,588	\$ 733,664	\$ 2,378,605	\$ 335,833	\$ 752,695	\$ 512,795	\$ 8,000,180

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, 2014

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

Net Change in Fund Balances-Total Governmental Funds	\$ 854,774
---	-------------------

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	\$ 2,263,057	
Less current year depreciation and write off of assets not meeting the Town's capitalization policy	<u>(1,286,070)</u>	976,987

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>1,348</u>	56,348

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	(61,058)
---	----------

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	\$ 12,579	
Change in postclosure landfill costs	3,000	
Change net pension obligation	<u>21,383</u>	36,962

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	(740,813)
--	-----------

Change in Net Position of Governmental Activities	<u>\$ 1,123,200</u>
--	----------------------------

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

Town of Washington
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Pension Trust Funds	Prevention of Alcohol and Drug Abuse Agency Fund
Assets:		
Cash and cash equivalents	\$ 38,415	\$ 2,146
Accrued interest	10,856	-
Investments - at fair value	3,457,728	-
Contribution receivable	3,344	-
Total Assets	3,510,343	2,146
Liabilities:		
Due to beneficiaries	-	2,146
Net Position		
Held in trust for pension benefits	\$ 3,510,343	\$ -

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, 2014

	Pension Trust Funds
<hr/>	
Additions:	
Town contributions	\$ 197,619
Investment income:	
Net appreciation in fair values of investments	302,450
Interest and dividends	81,476
Gross investment income	<u>383,926</u>
Less: investment expense	<u>18,565</u>
Net investment income	<u>365,361</u>
Total additions	562,980
Deductions:	
Pension benefits	<u>122,992</u>
Net Increase - Change in Net Position	439,988
Net Position - Beginning of year	<u>3,070,355</u>
Net Position - End of year	<u><u>\$ 3,510,343</u></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 \$7,648 and expended \$5,247 for the operation of the NWCCOG for the year ended June 30, 2014. On January 1, 2014, the NWCCOG merged with the Litchfield Hills Council of Elected Officials, creating a new entity The Northwest Hills Council of Governments.

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 \$9,986 and expended \$8,237 for the operation of the Lake Authority for the year ended June 30, 2014.

Lake Waramaug Interlocal Commission

The Lake Waramaug Interlocal Commission (the Commission) was created by the town of Washington, Warren and Kent to improve the lake water quality and control water pollution. The Town expended \$10,330 for the operation of the Commission for the year ended June 30, 2014.

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, in the fund financial statements. The other six 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.

Town of Washington
Notes to Financial Statements

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

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.

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: Town Aid Road 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.

Town of Washington
Notes to Financial Statements

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

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

The 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.

The Town also reports the following six 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.

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.

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.

Town of Washington
Notes to Financial Statements

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

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.

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, 2014, 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.

Town of Washington
Notes to Financial Statements

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

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

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 \$359,725 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.

Town of Washington
Notes to Financial Statements

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

- 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.

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.

Town of Washington
Notes to Financial Statements

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

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.

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.

The original General Fund budget increased by continuing and additional appropriations of \$129,968 and \$174,119 respectively.

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, 2014:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand Accounts	\$ 1,475,616	\$ 40,561
Certificates of Deposit	<u>3,278,863</u>	<u>---</u>
Total Deposits	4,754,479	40,561
 Petty Cash and Cash on Hand	 13,711	 ---
Cash Equivalents:		
Repurchase agreements	3,942,444	---
State short-term investment fund (STIF)	<u>1,163</u>	<u>---</u>
	8,711,797	40,561
 Less: Certificates of Deposits classified as investments	 <u>3,139,649</u>	 <u>---</u>
Total Cash and Cash Equivalents	\$ <u>5,572,148</u>	\$ <u>40,561</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, 2014, the carrying amount of the Town's deposits, including certificates of deposits of \$3,139,649 classified as investments, was \$4,795,040 and the bank balance was \$4,807,088. Of the Town's bank balance \$3,896,127 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,506,514
Uninsured and collateralized held by pledging Bank's trust department not in the town's name	<u>389,613</u>
Total amount subject to custodial credit risk	<u>\$ 3,896,127</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, 2014, the Town's cash equivalents amounted to \$3,943,607. 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, 2014, 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	\$ 1,009,349	*	4/04/2015
Certificate of deposit	1,009,348	*	4/04/2015
Certificate of deposit	302,805	*	4/04/2015
Certificate of deposit	261,631	*	4/17/2015
Certificate of deposit	162,179	*	6/16/2015
Certificate of deposit	143,462	*	11/17/2014
Certificate of deposit	100,000	*	10/15/2014
Certificate of deposit	60,561	*	4/04/2015
Certificate of deposit	39,118	*	4/13/2015
Certificate of deposit	26,089	*	10/19/2015
Certificate of deposit	21,512	*	1/01/2015
Certificate of deposit	2,506	*	1/10/2015
Certificate of deposit	<u>1,089</u>	*	1/14/2015
Total Primary Government	<u>\$ 3,139,649</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	\$ 418,588	Detailed below	Detailed below
Common stock	388,924	N/A	N/A
Municipal bond	26,664	not rated	11/01/2018
Exchange traded funds	674,525	N/A	N/A
Certificate of deposit	49,153	*	4/18/2022-12
Certificate of deposit	51,063	*	5/16/2024-16
Mutual funds	1,798,993	N/A	N/A
U.S. Government agencies	49,818	N/A	N/A
Total Fiduciary Funds	<u>\$ 3,457,728</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	\$76,922	\$25,678	\$51,156	\$55,067	\$53,759	\$156,006	\$418,588
	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>				<u>Total</u>
Investment Maturity	\$102,038	\$265,326	\$51,224				\$418,588

Note "4" – Property Taxes Receivable:

Property taxes receivables at June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:

Property taxes	\$ 293,839
Accrued interest and lien fees on taxes	<u>64,592</u>
Gross receivables	358,431
Less: Allowance for uncollectibles	<u>7,000</u>
<u>Net Receivables</u>	<u>\$ 351,431</u>

Town of Washington
Notes to Financial Statements

Note "5" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	<u>Major Funds</u>		<u>Non-Major Funds</u>	
		<u>Non-Recurring</u>	<u>Highway</u>	
	<u>General</u>	<u>Capital</u>	<u>Garage</u>	<u>Judea</u>
<u>Transfers (From) To:</u>	<u>Fund</u>	<u>Expenditure</u>	<u>Fire</u>	<u>Cemetery</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
General Fund	<u>\$ (2,014,000)</u>	<u>\$ 1,272,164</u>	<u>\$ 737,336</u>	<u>\$ 4,500</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, 2014 was as follows:

	<u>Beginning</u>		<u>Reclass and</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
Governmental Activities:				
Capital Assets - Not Depreciated:				
Land	\$ 1,141,215	\$ ---	\$ ---	\$ 1,141,215
Mygatt Road - Reconstruction (WIP)	29,900	375	---	30,275
Bridge Reconstruction	---	58,836	---	58,836
Public Works Garage	22,246	408,542	---	430,788
Capital Town Hall Repairs	<u>168,154</u>	<u>354,015</u>	<u>---</u>	<u>522,169</u>
Total Capital Assets Not Depreciated	1,361,515	821,768	---	2,183,283
Capital Assets - Depreciated:				
Land Improvements	532,685	---	---	532,685
Building & Improvements	4,049,165	4,495	---	4,053,660
Machinery & Equipment	4,489,040	82,084	(9,651)	4,561,473
Infrastructure	<u>18,728,753</u>	<u>1,354,710</u>	<u>---</u>	<u>20,083,463</u>
Total Capital Assets Being Depreciated	27,799,643	1,441,289	(9,651)	29,231,281
Less: Accumulated Depreciation				
Land Improvements	418,099	22,446	---	440,545
Building & Improvements	1,545,858	144,107	---	1,689,965
Machinery & Equipment	2,702,196	386,978	(9,651)	3,079,523
Infrastructure	<u>13,852,887</u>	<u>732,539</u>	<u>---</u>	<u>14,585,426</u>
Total Accumulated Depreciation	<u>18,519,040</u>	<u>1,286,070</u>	<u>(9,651)</u>	<u>19,795,459</u>
Capital Assets Being Depreciated - Net	<u>9,280,603</u>	<u>155,219</u>	<u>---</u>	<u>9,435,822</u>
Capital Assets - Net	<u>\$ 10,642,118</u>	<u>\$ 976,987</u>	<u>\$ ---</u>	<u>\$ 11,619,105</u>

Town of Washington
Notes to Financial Statements

Note "6" - Capital Assets (continued):

Depreciation is charged to the following Governmental Activities:

General government services	\$ 49,062
Public safety	172,312
Public works	1,015,571
Health & Welfare	5,131
Parks and recreation	43,994
<u>Total depreciation expense</u>	<u>\$ 1,286,070</u>

Note "7" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2014. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2014</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	\$ 151,739	\$ 20,830	\$ 33,409	\$ 139,160	\$ 16,673
<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	33,000	---	3,000	30,000	3,000
<u>General Obligation Bonds of 1993</u>					
Payable in annual installments of \$55,000 beginning November 1, 1994 through November 1, 2013	55,000	---	55,000	---	---
<u>Total</u>	<u>\$ 239,739</u>	<u>\$ 20,830</u>	<u>\$ 91,409</u>	<u>\$ 169,160</u>	<u>\$ 19,673</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 \$2,200,000 due August 15, 2018. The amount (44.48%) attributable to the Town is \$1,094,208.

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:

A: Defined Contribution Plan

The Town provides retirement benefits through a single-employer defined contribution pension plan for all eligible employees. The Board of Selectman has oversight and fiduciary responsibility for the plan.

All eligible employees working a minimum of 1,500 hours during the year are eligible for inclusion in the plan. The plan provides that benefits are vested in accordance with the following vesting schedule. The Town contributes an amount equal to 7% of each eligible employee's base compensation. During the year, the Town's contributions totaled \$3,344. As of June 30, 2014 the plan had one participant.

Town Contributions are subject to the following vesting 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: Defined Benefit Pension Plans:

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, 2013 the latest actuarial date, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	18
Terminated employees entitled to benefits but not yet receiving them	13
Current plan members	<u>22</u>
Total	<u>53</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.

Town of Washington
Notes to Financial Statements

Note "9" - Pension Plan (continued):

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: Plan Amendments:

The Town froze participating in the plan, to new employees, as of July 1, 2013. Employees who have not met the eligibility requirements by July 1, 2013 are not eligible to participate in the plan.

C: 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.

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.

D: 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.

E. Investments:

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

Town of Washington
Notes to Financial Statements

Note "9" - Pension Plan (continued):

<u>Assets Class</u>	<u>Target Allocation</u>
Large Cap US Equities	40-70%
Mid Cap US Equities	0-25%
Small Cap US Equities	0-10%
Non-US Stock Emerging	25-50%
US Fixed Income Investment Grade	0-35%
Marketable Alternatives	0-5%

F. Net Pension Liability of the Town:

The components of the net pension liability of the employer in accordance with GASB Statement No.67 are as follows:

Total pension liability	\$ 3,246,788
Plan fiduciary net position	<u>2,953,503</u>
Net pension liability	<u>\$ 293,285</u>

Plan Fiduciary Net Position as of % of total pension liability is 89.57%.
For the year ended June 30, 2015 the Town will be required to recognize the net pension liability in the government-wide statement.

The following assumption were used to determine the total pension liability, above, using the actuarial valuation as of June 30, 2014.

Inflation	% Not separately stated
Salary increases	3.5%
Long term expected rate of return	5.5%
Discount rate	5.5%
Mortality rate based on 1983 Group Annuity Male Mortality Table (set back 6 years for females).	

The long-term expected rate of return on pension plan investments was determined using an average of past performance.

The discount rate used to measure the total pension liability was 5.5%. The projections of cash flows used to determine the discount rate assumed that the Town contribution will be made at actuarially determined contribution rates therefore the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on the aforementioned assumptions the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability sensitivity using the discount rate of 5.5% plus 1% and minus 1% is as follows:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability	\$ 695,406	\$ 338,642	\$ 32,860

Town of Washington
Notes to Financial Statements

Note "9" - Pension Plans (continued):

G. 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	\$ 151,353
Investment activity on net pension obligation	(56)
Adjustment to annual required contribution	<u>95</u>
Annual pension cost	151,392
Contributions made	<u>172,775</u>
Increase in net pension asset	21,383
Net pension asset beginning of year	<u>1,011</u>
Net pension asset end of year	<u>\$ 22,394</u>

The annual required contribution for the current year was determined using the aggregate actuarial cost method, with no supplemental liability. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

H. Three Year 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>
6/30/14	\$ 151,392	\$ 172,775	115%	\$(22,394)	\$ 151,353
6/30/13	\$ 172,816	\$ 172,775	100%	\$(1,011)	\$ 172,775
6/30/12	\$ 155,174	\$ 160,179	100%	\$(1,052)	\$ 155,330

The three year trend information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	1/1/13
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 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. Thirty-four individuals qualified for this benefit. The total contributions for the year 2013-2014 for the Firefighters and EMT were \$11,500 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 stopped 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 \$30,000 reported as landfill closure and postclosure care liability, represents the cumulative amount of postclosure care cost as of June 30, 2014. 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 \$76,072 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 <u>Paid</u>	Claims Payable <u>June 30</u>
2013-2014	\$ <u>7,952</u>	\$ <u>96,430</u>	\$ <u>88,912</u>	\$ <u>15,470</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.

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

At June 30, 2014 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		
Capital Non-Recurring Fund	\$ 227,061	\$ ---
Non-major Funds		
Senior Center Fund	\$ 1,226	\$ ---
Judea Cemetery Fund	\$ 1,844	\$ ---

Town of Washington
Notes to Financial Statements

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 \$368,641 is reported as an extraordinary item, \$486,322 and (117,681) for 2013 and 2014 respectively, 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, 2013 the Town implemented GASB Statement No. 65, items previously reported as Assets and Liabilities. The governmental funds report unavailable revenue from property taxes as deferred inflows of resources. These property taxes will be recognized as revenue in the year in which they become available.

The Town also adopted GASB Statement No. 67, Financial Reporting for Pension Plans, which resulted in numerous additional disclosure for the Town's defined benefit plan. This statement had no significant effect on the Town's reporting of its defined contribution pension plan.

Next fiscal year, the Town is required to adopt GASB Statement No. 68, Accounting and Financial Reporting for pensions. This statement will certainly have an effect on the net pension liability as reported in the government-wide 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, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:			
Property taxes	\$ 14,468,697	\$ 14,779,799	\$ 311,102
Interest and lien fees on property taxes	75,000	158,702	83,702
State of Connecticut - Grants:			
Veterans tax relief	1,400	1,078	(322)
Totally disabled	150	135	(15)
Judicial fines	1,000	1,085	85
Elderly homeowners	-	23,404	23,404
Lead funding	-	4,127	4,127
Boat grant	4,000	-	(4,000)
Municipal Revenue Sharing	20,000	16,196	(3,804)
State Real Property	12,500	31,545	19,045
Mashantuck Pequot/Mohegan fund	6,724	6,331	(393)
Educational cost sharing grant	240,000	240,147	147
Other State grants	54,306	2,249	(52,057)
Federal Grants	-	38,128	38,128
Telephone access tax	15,000	23,917	8,917
Refund from Regional School District 12	-	125,161	125,161
Contributions in lieu of taxes	69,000	62,110	(6,890)
Investment income	7,210	14,974	7,764
Lease income - Town building & Firehouse	22,200	22,200	-
Other fees and receipts:			
Building inspection	52,000	239,210	187,210
Building inspection - Excess revenue over budget offsets expenditures	-	(187,210)	(187,210)
Health permits	5,000	9,053	4,053
Zoning	3,000	5,042	2,042
Zoning Board of Appeals	1,500	1,410	(90)
Inland Wetlands/Conservation	3,500	2,905	(595)
IWCC Citation	-	1,815	1,815
Historic District	400	400	-
Transfer station	25,000	35,620	10,620
Private duty police	20,000	78,480	58,480
Private duty police - Excess revenue over budget offsets expenditures	-	(58,480)	(58,480)
Beach and boat ramp fees	5,000	13,910	8,910
Pistol permits	500	1,435	935
Use of Town buildings	1,000	2,575	1,575
Lake Waramaug Reimbursement	4,000	3,441	(559)
Town Clerk's fees including conveyance taxes	133,900	205,890	71,990
D.E.P. fees	5,000	11,820	6,820
Town Hall Insurance Claim	339,202	594,394	255,192
Propane Incident Revenues Offset against Insurance Claim	-	(317,500)	(317,500)
Resource Officer Reimbursement Reg'n 12	-	13,668	13,668
Bristol Resource Recovery Distributive Share	-	24,302	24,302
Scrap metal sales and other receipts	19,516	34,996	15,480
Amounts available for appropriation	\$ 15,615,705	\$ 16,268,464	\$ 652,759

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

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, 2014

	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures:					
General Government					
Selectmen	\$ 153,315	\$ -	\$ 153,315	\$ 152,859	\$ (456)
Assessor	72,325	-	72,325	86,925	14,600
Tax Collector	54,270	-	54,270	61,915	7,645
Town Clerk	71,525	-	71,525	66,216	(5,309)
Town Treasurer	14,056	-	14,056	14,211	155
Building Department	6,975	-	6,975	194,058	187,083
Building Department - Excess revenue over budget	-	-	-	(187,210)	(187,210)
Probate Court	6,549	-	6,549	6,766	217
Elections	28,475	-	28,475	21,997	(6,478)
Auditor	27,000	-	27,000	27,481	481
Board of Assessment Appeals	2,350	-	2,350	1,442	(908)
Planning Commission	25,334	-	25,334	23,114	(2,220)
Zoning Commission	51,631	-	51,631	52,839	1,208
Zoning Board of Appeals	8,431	-	8,431	7,301	(1,130)
Inland Wetlands	78,445	-	78,445	65,434	(13,011)
Historic District Commission	7,049	-	7,049	4,960	(2,089)
Conservation Commission	6,081	-	6,081	5,982	(99)
Housing Commission	1,561	-	1,561	-	(1,561)
Operation of Town Hall	89,787	-	89,787	97,964	8,177
Town Garage / Salt Building	23,900	-	23,900	25,633	1,733
Surety Bonds and Insurance	158,023	-	158,023	155,766	(2,257)
Accident & Health Insurance and committed reimbursable costs	353,400	-	353,400	361,290	7,890
Office Expense	36,300	-	36,300	40,631	4,331
Payroll Taxes	108,547	-	108,547	114,105	5,558
Board of Finance	27,514	-	27,514	27,264	(250)
Continuing Appropriations:					
Revaluation	-	55,860	55,860	42,460	(13,400)
Conservation & Development	10,000	3,422	13,422	4,625	(8,797)
Total General Government	1,422,843	59,282	1,482,125	1,476,028	(6,097)
Public Safety					
Fire Marshal	41,150	-	41,150	39,629	(1,521)
Fire Department	162,000	-	162,000	162,071	71
Police	270,033	-	270,033	332,390	62,357
Private duty police - Excess revenue over budget	-	-	-	(58,480)	(58,480)
Emergency Management	58,960	-	58,960	57,148	(1,812)
Open Burning Official	599	-	599	599	-
Lake Waramaug Authority	9,986	-	9,986	8,237	(1,749)
EMT Awards	10,000	-	10,000	10,000	-
Total Public Safety	552,728	-	552,728	551,594	(1,134)
Highways					
General Maintenance	618,145	-	618,145	507,385	(110,760)
Winter Maintenance	415,602	-	415,602	510,834	95,232
Street Lighting	28,500	-	28,500	28,183	(317)
Total Highways	1,062,247	-	1,062,247	1,046,402	(15,845)
Sanitation					
Transfer Station	293,698	-	293,698	274,817	(18,881)
Recycling	144,900	-	144,900	124,782	(20,118)
Total Sanitation	438,598	-	438,598	399,599	(38,999)

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

Continuation of Financial Statements
 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, 2014

Expenditures (continued):	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Conservation of Health					
Paramedic Service	\$ 23,972	\$ -	\$ 23,972	\$ 23,972	\$ -
Health Department	39,629	-	39,629	43,344	3,715
Visiting Nurses Associations	20,000	-	20,000	15,102	(4,898)
Hepatitis B Vaccinations	100	-	100	-	(100)
Total Conservation of Health	83,701	-	83,701	82,418	(1,283)
Recreation					
Parks and Recreation	116,758	119	116,877	116,909	32
After School Arts Program	2,500	-	2,500	2,500	-
Senior Center / Veterans Hall	54,987	-	54,987	54,955	(32)
Total Recreation	174,245	119	174,364	174,364	-
Social Services	9,945	-	9,945	8,094	(1,851)
Other Expenditures					
Gunn Memorial Library	146,000	-	146,000	146,000	-
Pension Expense	181,275	-	181,275	185,760	4,485
Council on Governments	7,648	-	7,648	5,247	(2,401)
Interlocal Advisory Board	10,330	-	10,330	10,330	-
Annual Repairs	35,000	-	35,000	34,333	(667)
New Preston Cemetery	3,000	-	3,000	3,000	-
Animal Control	33,344	-	33,344	33,965	621
Newsletter and Website	7,000	-	7,000	3,347	(3,653)
Financial Consultant	-	4,000	4,000	3,000	(1,000)
Pension legal costs	-	10,000	10,000	6,039	(3,961)
Propane Incident					
Boiler Replacement	-	36,517	36,517	36,515	(2)
Propane Insurance	-	-	-	295,968	295,968
Stage Renovations	-	-	-	21,532	21,532
Expenditures budgeted against Insurance Proceeds	-	-	-	(317,500)	(317,500)
Total Other Expenditures	423,597	50,517	474,114	467,536	(6,578)
Interest and principal - bond issue	56,348	-	56,348	56,348	-
Education	9,527,950	-	9,527,950	9,527,950	-
Total Expenditures	13,752,202	109,918	13,862,120	13,790,333	(71,787)
Operating Transfers Out:					
Legal litigation	80,000	34,169	114,169	9,222	(104,947)
Judea Cemetery	4,500	-	4,500	4,500	-
Non-recurring capital exp. fund	1,849,500	-	1,849,500	1,849,500	-
Highway Garage	-	160,000	160,000	160,000	-
Total transfers out	1,934,000	194,169	2,128,169	2,023,222	(104,947)
Total Expenditures and Transfers out	15,686,202	304,087	15,990,289	15,813,555	(176,734)
Excess (deficiency) of revenues over Expenditures and Transfers Out	(70,497)	(304,087)	(374,584)	454,909	829,493
Fund Balance at beginning of year	70,497	304,087	374,584	2,831,679	2,457,095
Fund Balance at end of year	\$ -	\$ -	\$ -	\$ 3,286,588	\$ 3,286,588

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, 2014

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 added to prior year's continuing appropriation and any expenditures are posted to General Government Zoning Department.

For budgeting purposes the Town recognizes as revenue educational refunds of prior year fund balances and other credits from Regional School District #12. GAAP requires that refunds for prior year and other credits be offset against educational expenditures.

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. Additionally, the Town budgets for insurance recovery claims net of expenditures. For GAAP purposes the gross revenue and expenditures are recognized resulting in the adjustment shown below.

The reconciliation from the budgetary basis to GAAP follows:

	General Fund		
	<u>Total Revenues and Other Financing Sources</u>	<u>Total Expenditures and Transfers</u>	<u>Fund Balance</u>
Actual - Non-GAAP Budgetary Basis Statement - June 30, 2014	\$ 16,268,464	\$ 15,813,555	\$ 3,286,588
Reverse Legal Litigation Transfer Out	-	(9,222)	9,222
Legal Litigation Expenditures - Zoning Commission	-	9,222	(9,222)
Prior Year Refund from RSD #12 Offsets Expenditures	(125,161)	(125,161)	-
To Gross up Revenue and Expenditures:			
Building Department	187,210	187,210	-
Private Duty Police	58,480	58,480	-
Insurance Claim Recovery	317,500	317,500	-
Actual GAAP - June 30, 2014	<u>\$ 16,706,493</u>	<u>\$ 16,251,584</u>	<u>\$ 3,286,588</u>

Town of Washington
Schedule of Changes in Net Pension Liability and Related Ratios
Last Fiscal Year

Total pension liability:	
Service Cost	\$ 95,575
Interest	171,697
Benefit payments, including refunds of member contributions	<u>(101,815)</u>
Net change in total pension liability	165,457
Total pension liability - beginning	<u>3,081,331</u>
Total pension liability - ending	<u>3,246,788</u>
Plan fiduciary net position:	
Contributions - employer	172,775
Net investment income	336,300
Benefit payments, including refunds of member contributions	<u>(117,428)</u>
Net change in plan fiduciary net position	391,647
Plan fiduciary net position - beginning	<u>2,561,856</u>
Plan fiduciary net position - ending	<u>2,953,503</u>
Net Pension Liability - Ending	\$ <u>293,285</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>90.96%</u>
Covered employee payroll	\$ <u>924,764</u>
Net pension liability as a percentage of covered employee payroll	<u>31.71%</u>

Town of Washington
Schedule of Employer Contributions
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 165,000	\$ 172,775	\$ 160,179	\$ 165,000	\$ 140,000	\$ 130,743	\$ 124,624	\$ 126,000	\$ 156,000	\$ 68,987
Contributions in relation to the actuarially determined contribution	151,353	172,775	155,330	164,697	144,849	130,743	124,624	126,880	126,128	68,987
Contribution Deficiency (Excess)	\$ 13,647	\$ -	\$ 4,849	\$ 303	\$ (4,849)	\$ -	\$ -	\$ (880)	\$ 29,872	\$ -
Covered employee payroll	\$ 924,764	\$ 975,124	\$ 959,248	\$ 981,076	\$ 872,321	\$ 901,743	\$ 762,308	\$ 824,763	\$ 810,138	\$ 632,844
Contributions as a percentage of covered employee payroll	16.37%	17.72%	16.19%	16.79%	16.61%	14.50%	16.35%	15.38%	15.57%	10.90%

Notes to Schedule

Valuation date:

January 1, 2013

Measurement date:

July 1, 2013

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate method, with no supplemental liability
Amortization method	Not applicable; cost method does not identify actuarial accrued liabilities separately
Remaining amortization period	Not applicable
Asset valuation method	Fair market value
Inflation	Not separately stated
Salary increases	3.5%
Investment rate of return	5.5%
Retirement age	100% normal retirement age
Mortality	1983 group annuity male mortality table (setback six years for female)

Town of Washington
Schedule of Investment Returns
Last Fiscal Year

2014

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

12.80%

**Town of Washington
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014**

	Judea Cemetery	Special Revenue Funds				Capital Project Fund		Total
		Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Affordable Housing Fund		
Assets:								
Cash and cash equivalents	\$ 8,610	\$ 87,725	\$ 5,682	\$ 5,733	\$ 6,229	\$ 167,540	\$	281,519
Investment - at market	65,207	21,512	3,595	-	-	143,462		233,776
Total Assets	\$ 73,817	\$ 109,237	\$ 9,277	\$ 5,733	\$ 6,229	\$ 311,002	\$	515,295
Liabilities:								
Accounts Payable	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$	2,500
Fund balances:								
Nonspendable:								
Perpetual Care Principal	66,294	-	-	-	-	-		66,294
Restricted for:								
Social services	-	-	9,277	-	-	-		9,277
Community beautification	-	-	-	5,733	-	-		5,733
Document preservation	-	-	-	-	6,229	-		6,229
Committed to:								
Parks and recreation	-	106,737	-	-	-	-		106,737
Cemetery operation	7,523	-	-	-	-	-		7,523
Affordable housing	-	-	-	-	-	311,002		311,002
Total Fund Balances	73,817	106,737	9,277	5,733	6,229	311,002		512,795
Total Liabilities and Fund Balance	\$ 73,817	\$ 109,237	\$ 9,277	\$ 5,733	\$ 6,229	\$ 311,002	\$	515,295

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, 2014

	Special Revenue Funds						Capital	
	Judea Cemetery Fund	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Affordable Housing Fund	Totals	
Revenues:								
Investment income	\$ 156	\$ 38	\$ 20	\$ 6	\$ 3	\$ 1,403	\$	1,626
Program fees and other receipts	3,756	98,395	8,097	3,000	1,822	-		115,070
Total Revenues	3,912	98,433	8,117	3,006	1,825	1,403		116,696
Expenditures:								
Cemetery expenditures	10,256	-	-	-	-	-		10,256
Programs and Activities	-	90,785	9,343	700	1,645	-		102,473
Total Expenditures	10,256	90,785	9,343	700	1,645	-		112,729
Excess (Deficiency) of revenues over expenditures	(6,344)	7,648	(1,226)	2,306	180	1,403		3,967
Other Financing Sources:								
Operating transfers in	4,500	-	-	-	-	-		4,500
Net Change in Fund Balances	(1,844)	7,648	(1,226)	2,306	180	1,403		8,467
Fund Balances:								
Beginning of Year	75,661	99,089	10,503	3,427	6,049	309,599		504,328
End of Year	\$ 73,817	\$ 106,737	\$ 9,277	\$ 5,733	\$ 6,229	\$ 311,002	\$	512,795

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, 2014

	Volunteer Incentive Programs		Defined	Defined	
	Firefighters	EMT	Benefit Plan	Contribution Plan	Totals
Assets:					
Cash and cash equivalents	\$ 6,050	\$ 2,845	\$ 29,520	\$ -	\$ 38,415
Accrued interest	373	159	10,324	-	10,856
Investments - at fair value	381,833	162,236	2,913,659	-	3,457,728
Contribution receivable	-	-	-	3,344	3,344
Total assets	388,256	165,240	2,953,503	3,344	3,510,343
Net Position:					
Held in trust for pension benefits	\$ <u>388,256</u>	\$ <u>165,240</u>	\$ <u>2,953,503</u>	\$ <u>3,344</u>	\$ <u>3,510,343</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, 2014

	Volunteer Incentive Programs		Defined	Defined	
	Firefighters	EMT	Benefit Plan	Contribution Plan	Totals
Additions:					
Town contributions	\$ 11,500	\$ 10,000	\$ 172,775	\$ 3,344	\$ 197,619
Investment income:					
Change in fair values of investments	17,580	7,160	277,710	0	302,450
Interest and dividends	5,176	2,116	74,184	0	81,476
Gross investment income	22,756	9,276	351,894	0	383,926
Less: investment expense	2,093	878	15,594	0	18,565
Net investment income	20,663	8,398	336,300	0	365,361
Total additions	32,163	18,398	509,075	3,344	562,980
Deductions:					
Pension benefits	5,564	-	117,428	0	122,992
Change in Net Position	26,599	18,398	391,647	3,344	439,988
Net Position - Beginning of year	361,657	146,842	2,561,856	0	3,070,355
Net Position - End of year	\$ 388,256	\$ 165,240	\$ 2,953,503	\$ 3,344	\$ 3,510,343

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, 2014

ALCOHOL AND DRUG ABUSE PREVENTION FUND

	Balance				Balance
	July 1, 2013		Additions	Deductions	June 30, 2014
Assets:					
Cash	\$ 2,052	\$	5,407	\$ 5,313	\$ 2,146
Liabilities:					
Due to Participants	\$ 2,052	\$	5,407	\$ 5,313	\$ 2,146

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, 2014

	Taxes Receivable July 1, 2013	LAWFUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS			Total Net Collections	Taxes Receivable June 30, 2014
		Lawful Additions	Corrections Reductions			Interest, liens and other costs	Refunds and Adjustments			
Grand List : October 1,										
2012 \$	14,776,491 \$	15,417 \$	(68,391) \$	- \$	14,723,517 \$	14,552,366 \$	69,094 \$	7,456 \$	14,628,916 \$	178,607
2011	200,998	-	(79)	-	200,919	119,500	31,390	44	150,934	81,463
2010	65,706	-	-	(9,775)	55,931	42,451	16,555	-	59,006	13,480
2009	39,731	-	-	-	39,731	29,432	17,012	-	46,444	10,299
2008	21,903	-	-	-	21,903	14,772	8,768	-	23,540	7,131
2007	3,873	-	-	-	3,873	2,416	785	-	3,201	1,457
2006	1,402	-	-	-	1,402	-	-	-	-	1,402
Suspense book collections	-	-	-	6,071	6,071	6,071	7,870	-	13,941	-
Totals	\$ 15,110,104 \$	15,417 \$	(68,470) \$	(3,704) \$	15,053,347 \$	14,767,008 \$	151,474 \$	7,500 \$	14,925,982 \$	293,839

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, 2014

Total tax collections (including interest and lien fees) for the year ended June 30, 2014 **\$ 14,925,982**

Reimbursement for revenue loss on :
 Tax relief for elderly - (CGS 12-129d) 23,404

Total Receipts From Taxation For The Year Ended June 30, 2014 (Base) **\$ 14,949,386**

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times Base	\$ 33,636,119	\$ -	\$ -	\$ -	-
4 1/2 times Base	-	67,272,237	-	-	-
3 3/4 times Base	-	-	56,060,198	-	-
3 1/4 times Base	-	-	-	48,585,505	-
3 times Base	-	-	-	-	44,848,158
Total Debt Limitation	33,636,119	67,272,237	56,060,198	48,585,505	44,848,158

Indebtedness:

Shepaug Regional School District #12
 Bonds payable (Town's share is 44.48%)

Due June 1, 2016 - \$260,000	-	115,648	-	-	-
Bank term loan due August 15, 2018 - \$2,200,000	-	978,560	-	-	-
Total Indebtedness	-	1,094,208	-	-	-

Debt Limitation In Excess Of
Outstanding And Authorized Debt **\$ 33,636,119 \$ 66,178,029 \$ 56,060,198 \$ 48,585,505 \$ 44,848,158**

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, 2014, 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 November 25, 2014.

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.

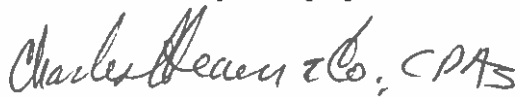
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

November 25, 2014

AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S 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, 2014. 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, 2014.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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, 2014 and have issued our report thereon dated November 25, 2014, 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.

November 25, 2014

Town of Washington
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

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	\$ 23,404
Property Tax Reimbursement - disability exemption	11000-OPM20600-17011	135
Property Tax Relief For Veterans	11000-OPM20600-17024	1,078
Reimbursement For Tax Loss On State Owned Property	11000-OPM20600-17004	31,545
Judicial Branch		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	1,085
Connecticut State Library		
Historical Documents Preservation Grant	12060-CSL66094-35150	4,000
Department of Public Health		
Children Health Initiative	11000-DPH48766-12126	3,658
Total State Financial Assistance before exempt programs		64,905
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	6,331
Municipal Revenue Sharing	12060-OPM20600-35457	16,345
Total Exempt programs		262,823
Total State Financial Assistance		\$ 327,728

See accompanying Notes to Schedule

**Town of Washington
State Financial Assistance Programs
Notes to Schedule
Year Ended June 30, 2014**

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 accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

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, 2014**

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, 2014 and issued our unmodified report thereon dated November 25, 2014.

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

We have issued an unmodified 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:		
Reimbursement for Tax Loss on State Owned Property	11000-OPM20600-17004	\$ <u>31,545</u>
Department of Public Health Children Health Initiative	11000-DPH48766-1212b	\$ <u>3,658</u>
Dollar threshold used to distinguish between Type A and Type B Programs		\$ <u>100,000</u>

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

We issued reports, dated November 25, 2014, 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.