

Annual Financial Report
of the
Town of Old Saybrook, Connecticut
Year Ended June 30, 2013

Town of Old Saybrook, Connecticut

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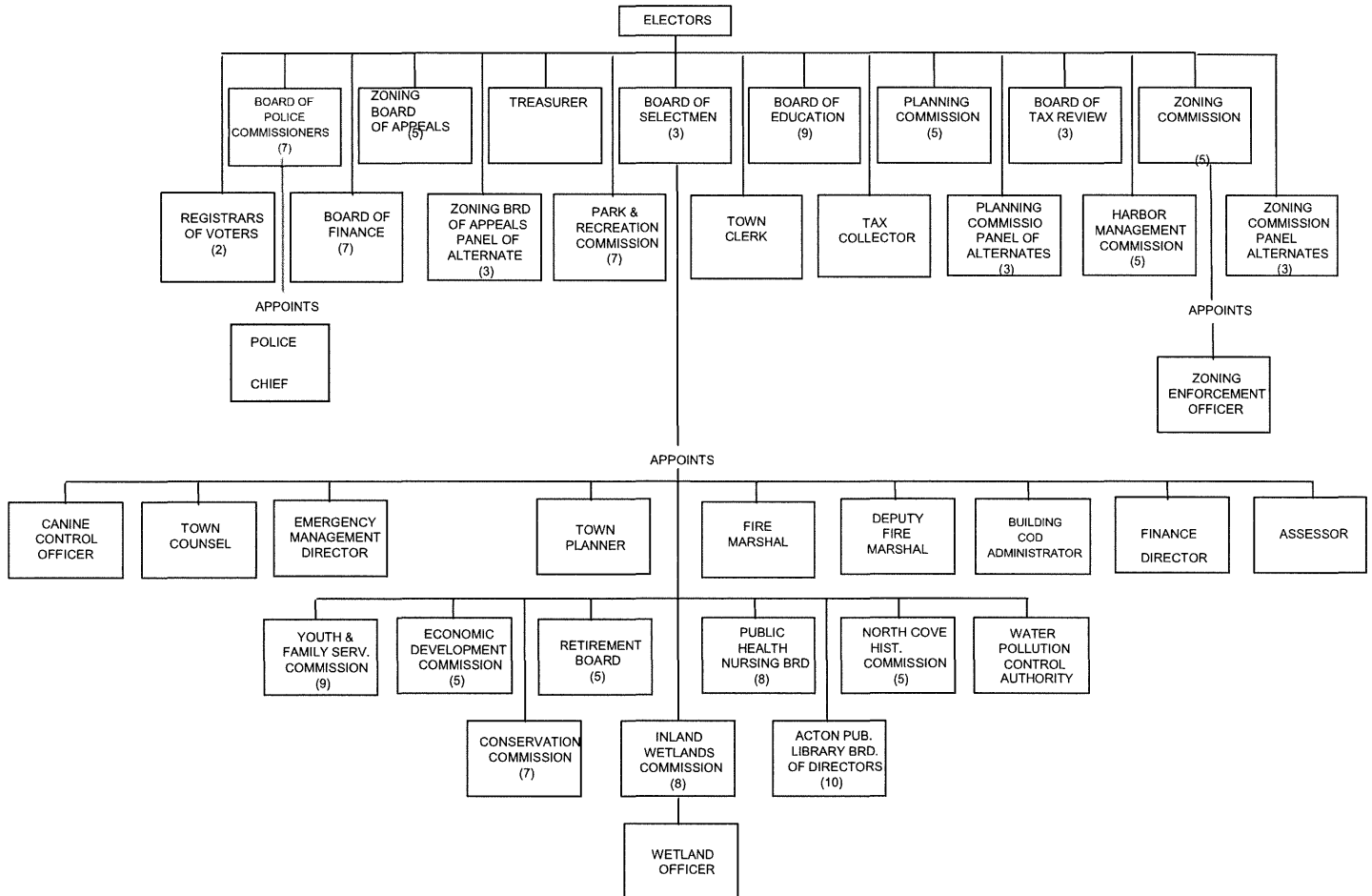
Town of Old Saybrook, Connecticut

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Introductory Section

Town of Old Saybrook, Connecticut Organizational Chart



Financial Section

Independent Auditor's Report

To the Board of Finance
Town of Old Saybrook, 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 Old Saybrook, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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 Old Saybrook, Connecticut, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of Funding Progress and Employer Contributions - Old Saybrook Retirement System and Old Saybrook Other Post Employment Benefit Plan on pages 5-11 and pages 49-51, respectively, 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 Old Saybrook, Connecticut's basic financial statements. The introductory section, supplemental schedules and trend information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

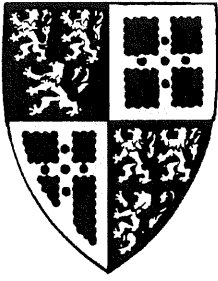
The introductory and trend information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the Town of Old Saybrook, 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 Old Saybrook, Connecticut's internal control over financial reporting and compliance.

CohnReznick LLP

New London, Connecticut
December 30, 2013



TOWN OF OLD SAYBROOK

Office of the Board of Selectmen

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Management's Discussion and Analysis For the Year Ended June 30, 2013

As management of the Town of Old Saybrook, Connecticut, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$76,610,594 (*net position*). Of this amount, \$2,987,774 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$318,541. The decrease is mainly attributable to expenditures on the clean water project.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,964,150, an increase of \$15,893 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,376,384 or 8.3% of total general fund expenditures and transfers out.
- The Town's total long-term bonded indebtedness decreased by \$205,000 (1%) during the current fiscal year. The key factors in this decrease were scheduled principal payments of \$1,805,000 offset by the addition of a \$1,600,000 bond anticipation note used for the purchase of the police building land.

Overview of the Basic Financial Statements

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. They provide both long-term and short-term information about the Town's overall financial status.

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

Overview of the Basic Financial Statements (Continued)

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements present only governmental activities whose functions are principally supported by taxes and intergovernmental revenues, since the Town does not operate any business-type activities. The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation and education.

The government-wide financial statements can be found on Exhibits A and B of this report.

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

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

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

The Town maintains 28 individual governmental funds. Information is presented separately in the balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital projects and the capital nonrecurring fund, all of which are considered to be major funds. Data from the other 25 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on Exhibits C, D and F.

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

The basic fiduciary fund financial statements can be found on Exhibits G and H.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on Exhibit I of this report.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$76,610,594 at the close of the most recent fiscal year.

Town of Old Saybrook Net Position		
	2013	2012
Current and other assets	\$ 16,560,471	\$ 14,486,408
Capital assets (net)	<u>92,305,187</u>	<u>91,942,041</u>
Total assets	<u>108,865,658</u>	<u>106,428,449</u>
Deferred outflows of resources	<u>414,919</u>	<u>450,984</u>
Other liabilities	7,140,077	5,491,151
Noncurrent liabilities	<u>20,888,356</u>	<u>20,077,356</u>
Total liabilities	<u>28,028,433</u>	<u>25,568,507</u>
Deferred inflows of resources	<u>4,641,550</u>	<u>4,381,791</u>
Net position:		
Net investment in capital assets	73,450,395	72,485,608
Restricted		
Endowments:		
Nonspendable	4,246	4,246
Expendable	1,938	
Grant programs	45,207	
Katrina relief	617	617
Public safety	20,473	85,544
Culture and recreation		79,961
Education	99,944	57,967
Unrestricted	<u>2,987,774</u>	<u>4,215,192</u>
Total net position	<u>\$ 76,610,594</u>	<u>\$ 76,929,135</u>

By far the largest portion of the Town's net position is its investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery and equipment and infrastructure), less any related debt used to acquire those assets that are 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.

Governmental activities. Governmental activities decreased the Town's net position by \$318,541 primarily due to work on the clean water project.

**Town of Old Saybrook
Changes in Net Position**

	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 2,293,166	\$ 2,311,161
Operating grants and contributions	6,009,824	5,029,489
Capital grants and contributions	343,327	326,453
General revenues:		
Property taxes	36,386,749	34,830,615
Gain on sale of assets	411,436	
Grants and contributions not restricted to specific programs	701,025	383,106
Investment income	<u>134,348</u>	<u>130,756</u>
Total revenues	<u>46,279,875</u>	<u>43,011,580</u>
Expenses:		
General government	5,688,414	5,056,781
Public safety	5,601,550	5,287,936
Public works	4,766,882	3,855,772
Health and welfare	476,756	699,129
Culture and recreation	2,168,920	1,891,907
Education	27,281,159	26,588,199
Interest expense	<u>614,735</u>	<u>570,586</u>
Total expenses	<u>46,598,416</u>	<u>43,950,310</u>
Change in net position	(318,541)	(938,730)
Net position - July 1	<u>76,929,135</u>	<u>77,867,865</u>
Net position - June 30	<u><u>\$ 76,610,594</u></u>	<u><u>\$ 76,929,135</u></u>

Major revenue factors included:

- Property taxes increased by \$1,556,134 due to an increase in the mill rate required to fund increased spending as adopted in the 2012/2013 budget.
- Operating grants and contributions increased by \$980,335 primarily due to FEMA reimbursements for Hurricane Sandy.
- Grants and contributions not restricted to specific programs increased by \$317,919 due to increased portion of Municipal Revenue Sharing revenue to the Town and a FEMA reimbursement to the general fund for expenditures relating to Hurricane Sandy.

In most cases, expenses closely paralleled inflation and growth in the demand for services, except as noted below:

- Public safety expenses increased by \$313,614 primarily due to an increase in the Town's expenses relating to Hurricane Sandy.
- Public works expenses increased \$911,110 primarily due to an increase in the Town's expenses relating to Hurricane Sandy.
- The cost of education services increased \$692,960 primarily due to increased operating costs, negotiated wage settlements, employee health insurance cost increases and additional accruals of compensated absences.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,964,150, an increase of \$15,893 in comparison with the prior year. Unassigned fund balance is \$1,797,049. Approximately 36.2% of total fund balance is available for spending at the Town's discretion. The remainder of fund balance is not available for appropriation or spending by the Town and is classified as follows: Nonspendable \$4,246, Restricted \$168,179, Committed \$2,957,744 and Assigned \$36,932.

General Fund

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,376,384. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 8.3% of total general fund expenditures and other financing uses.

The fund balance of the Town's general fund increased by \$808,486 during the current fiscal year due to increase in collection of property taxes due to mill rate adjustment and proceeds from the sale of Center Road.

Capital Projects Fund

Capital projects fund revenues and other financing sources exceeded expenditures and other financing uses by \$780,066. This increase in fund balance is due to grant funding received for the mini golf project.

Capital Nonrecurring Fund

Capital nonrecurring fund expenditures and other financing uses exceeded revenues and other financing sources by \$1,619,957. This is attributable to funds being expended for the waste water management project in excess of revenues received. This project will be financed partially by clean water funds and benefit assessments to property owners.

General Fund Budgetary Highlights

The final amended budget was increased by \$396,310. The overall increase was the result of additional appropriations of \$396,310.

During the year, revenues and other financing sources exceeded budgetary estimates by \$582,271. Budgetary estimates exceeded actual expenditures and transfers out by \$195,749.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$92,305,187 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles and infrastructure.

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

- A dock project
- A mini golf course project
- A public works garage project
- A police building project

**Town of Old Saybrook
Capital Assets - Net**

	2013	2012
Land	\$ 11,763,330	\$ 11,763,340
Construction in progress	4,994,204	3,109,136
Buildings	13,157,776	13,600,892
Building improvements	25,736,127	26,243,994
Land improvements	857,697	897,737
Machinery and equipment	1,288,880	1,349,373
Vehicles	1,525,456	1,526,269
Infrastructure	<u>32,981,717</u>	<u>33,451,300</u>
TOTAL	<u>\$ 92,305,187</u>	<u>\$ 91,942,041</u>

Additional information on the Town's capital assets can be found in Note III.C.

Long-term debt. At the end of the current fiscal year, the Town had \$19,040,000 of long-term debt outstanding (excluding premium and deferred charge). All outstanding debt of the Town is general obligation debt and is backed by the full faith and credit of the Town.

**Town of Old Saybrook Outstanding Debt
General Obligation Bonds and Notes**

	<u>2013</u>	<u>2012</u>
General purposes	\$ 11,034,000	\$ 10,487,000
Schools	<u>8,006,000</u>	<u>8,758,000</u>
Total	<u>\$ 19,040,000</u>	<u>\$ 19,245,000</u>

As of June 30, 2013, the Town maintains an "Aa2" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$254,042,593, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III.G.

Economic Factors

Tax collections continue to be strong with a collection rate of 99.6% of the adjusted current year levy.

The Town is continuing its policy of "pay as you go" for many of its capital projects, saving debt service costs from the annual operating budget, and thus helping to minimize local tax rates.

All of these factors were considered in preparing the Town's budget for the 2013/2014 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$3,376,384. The Town has not appropriated any portion of the general fund balance for spending in the 2013/2014 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Treasurer, Town of Old Saybrook, 302 Main Street, Old Saybrook, CT 06475.

Basic Financial Statements

Town of Old Saybrook, Connecticut

Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash	\$ 12,240,494
Investments	1,552,362
Receivables:	
Property taxes	231,763
Intergovernmental	711,452
Other	60,371
Other	70,179
	<u>14,866,621</u>
Total current assets	
Noncurrent assets:	
Restricted assets:	
Permanently restricted:	
Cash	6,184
	<u>294,908</u>
Receivables (net):	
Property taxes	294,908
	<u>1,392,758</u>
Other noncurrent assets:	
Net pension asset	1,392,758
	<u>92,305,187</u>
Capital assets (net of accumulated depreciation):	
Land	11,763,330
Construction in progress	4,994,204
Buildings	13,157,776
Building improvements	25,736,127
Infrastructure	32,981,717
Land improvements	857,697
Machinery and equipment	1,288,880
Vehicles	1,525,456
	<u>93,999,037</u>
Total capital assets (net of accumulated depreciation)	
Total noncurrent assets	<u>108,865,658</u>
Total assets	<u>108,865,658</u>
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	414,919
	<u>414,919</u>

(Continued)

Town of Old Saybrook, Connecticut

Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
<u>Liabilities</u>	
Current liabilities:	
Cash overdraft	\$ 134,036
Accounts payable	1,533,351
Accrued liabilities	89,895
Accrued interest payable	252,116
Interim funding obligation	2,983,835
Unearned revenue	22,583
Performance bonds	360,165
Bonds payable	1,575,000
Compensated absences	189,096
	<hr/>
Total current liabilities	7,140,077
	<hr/>
Noncurrent liabilities:	
Bonds payable and related liabilities	18,079,618
Compensated absences	756,385
Net pension obligation	891
Net OPEB obligation	2,051,462
	<hr/>
Total noncurrent liabilities	20,888,356
	<hr/>
Total liabilities	28,028,433
	<hr/>
<u>Deferred Inflows of Resources</u>	
Advanced property tax collections	4,641,550
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	73,450,395
Restricted for:	
Endowments:	
Nonspendable	4,246
Expendable	1,938
Grant programs	45,207
Katrina relief	617
Public safety	20,473
Education	99,944
Unrestricted	2,987,774
	<hr/>
Total net position	\$ 76,610,594
	<hr/>

(Concluded)

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 5,688,414	\$ 677,540	\$ 168,533	\$	\$ (4,842,341)
Public safety	5,601,550	331,737	847,228		(4,422,585)
Public works	4,766,882	134,212	455,813	88,031	(4,088,826)
Health and welfare	476,756	153,858	147,588		(175,310)
Culture and recreation	2,168,920	279,980	226,096	220,346	(1,442,498)
Education	27,281,159	715,839	4,164,566	34,950	(22,365,804)
Interest expense	614,735				(614,735)
Total	\$ 46,598,416	\$ 2,293,166	\$ 6,009,824	\$ 343,327	\$ (37,952,099)
General revenues:					
Property taxes					\$ 36,386,749
Grants and contributions not restricted to specific programs					701,025
Gain on sale of assets					411,436
Investment income					134,348
Total general revenues					37,633,558
Change in net position					(318,541)
Net position - July 1, 2012					76,929,135
Net position - June 30, 2013					\$ 76,610,594

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Balance Sheet
Governmental Funds
June 30, 2013

	General	Capital Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 8,867,379	\$ 1,060,872	\$ 1,363,246	\$ 955,181	\$ 12,246,678
Investments	585,423			966,939	1,552,362
Receivables:					
Property taxes	412,236				412,236
Intergovernmental	250,000	220,346	210,378	30,728	711,452
Other	60,371				60,371
Other	45,725			24,454	70,179
Total assets	\$ 10,221,134	\$ 1,281,218	\$ 1,573,624	\$ 1,977,302	\$ 15,053,278
<u>Liabilities</u>					
Cash overdraft	\$	\$	\$	\$ 134,036	\$ 134,036
Accounts payable	1,429,427	29,197	20,775	53,952	1,533,351
Accrued liabilities	89,895				89,895
Interim funding obligation			2,983,835		2,983,835
Unearned revenue				22,583	22,583
Performance bonds	360,165				360,165
Total liabilities	1,879,487	29,197	3,004,610	210,571	5,123,865
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	323,713				323,713
Advanced collections of property taxes	4,641,550				4,641,550
Total deferred inflows of resources	4,965,263	-	-	-	4,965,263
<u>Fund Balances</u>					
Nonspendable				4,246	4,246
Restricted				168,179	168,179
Committed		1,252,021		1,705,723	2,957,744
Assigned				36,932	36,932
Unassigned	3,376,384		(1,430,986)	(148,349)	1,797,049
Total fund balances	3,376,384	1,252,021	(1,430,986)	1,766,731	4,964,150
Total liabilities, deferred inflows of resources and fund balances	\$ 10,221,134	\$ 1,281,218	\$ 1,573,624	\$ 1,977,302	\$ 15,053,278

(Continued)

Town of Old Saybrook, Connecticut

Reconciliation of Fund Balances
to Net Position of Governmental Activities
June 30, 2013

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balances (Exhibit C, Page 1)	\$ 4,964,150
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning net capital assets	91,942,041
Current additions	2,258,830
Depreciation expense	(1,880,344)
Disposal of assets	(15,340)

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

Property tax interest and lien accrual	160,435
Property tax receivable - accrual basis change	323,713
Allowance for doubtful accounts	(46,000)
Net pension asset	1,392,758

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

Bonds and notes payable	(19,040,000)
Bond premium	(614,618)
Deferred charges	414,919
Compensated absences	(945,481)
Net pension obligation	(891)
Net OPEB obligation	(2,051,462)
Accrued interest payable	(252,116)

Net position of governmental activities	<u>\$ 76,610,594</u>
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(Concluded)

Town of Old Saybrook, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	General	Capital Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 36,383,563	\$	\$	\$	\$ 36,383,563
Intergovernmental	3,651,327	343,327	562,063	1,955,505	6,512,222
Charges for services	918,781	94,900	7,650	1,271,835	2,293,166
Investment income	51,600		1,143	81,605	134,348
Contributions				541,954	541,954
Total revenues	41,005,271	438,227	570,856	3,850,899	45,865,253
Expenditures:					
Current:					
General government	5,152,256			95,994	5,248,250
Public safety	3,377,295			1,317,411	4,694,706
Public works	2,256,830				2,256,830
Health and welfare	297,543			148,863	446,406
Culture and recreation	1,271,604			550,851	1,822,455
Education	24,745,084			1,783,387	26,528,471
Capital outlay	290,030	1,946,349	2,192,720		4,429,099
Debt service	2,449,919				2,449,919
Total expenditures	39,840,561	1,946,349	2,192,720	3,896,506	47,876,136
Excess (deficiency) of revenues over expenditures	1,164,710	(1,508,122)	(1,621,864)	(45,607)	(2,010,883)
Other financing sources (uses):					
Issuance of debt		1,600,000			1,600,000
Proceeds from sale of assets	426,776				426,776
Transfers in		688,188	547,672	92,905	1,328,765
Transfers out	(783,000)		(545,765)		(1,328,765)
Net other financing sources (uses)	(356,224)	2,288,188	1,907	92,905	2,026,776
Net change in fund balances	808,486	780,066	(1,619,957)	47,298	15,893
Fund balances - July 1, 2012	2,567,898	471,955	188,971	1,719,433	4,948,257
Fund balances - June 30, 2013	\$ 3,376,384	\$ 1,252,021	\$ (1,430,986)	\$ 1,766,731	\$ 4,964,150

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2013

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

Net change in fund balances - Total governmental funds (Exhibit D)	\$ 15,893
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	2,258,830
Depreciation expense	<u>(1,880,344)</u>

Total	<u>378,486</u>
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The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold

<u>(15,340)</u>

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

Change in property tax receivable - accrual basis change	(4,505)
Change in property tax interest and lien revenue	<u>7,691</u>

Total	<u>3,186</u>
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of debt	(1,600,000)
Bond premium	47,799
Deferred charges	(36,065)
Net OPEB obligation	(421,527)
Principal repayments:	
General obligation bonds	<u>1,805,000</u>

Total	<u>(204,793)</u>
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(Continued)

Town of Old Saybrook, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2013

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

Accrued interest payable	\$ 18,450
Other assets	(208,749)
Compensated absences	48,497
Net pension asset	(354,086)
Net pension obligation	<u>(85)</u>
Total	<u>(495,973)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (318,541)</u>
	(Concluded)

Town of Old Saybrook, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes, interest and lien fees	\$ 36,072,093	\$ 36,072,093	\$ 36,383,563	\$ 311,470
Intergovernmental	1,074,707	1,074,707	1,339,327	264,620
Charges for services	877,200	877,200	918,781	41,581
Investment income	87,000	87,000	51,600	(35,400)
Total revenues	38,111,000	38,111,000	38,693,271	582,271
Expenditures:				
Current:				
General government	5,201,370	5,152,700	5,152,256	444
Public safety	3,320,991	3,354,319	3,377,295	(22,976)
Public works	2,252,490	2,273,486	2,256,830	16,656
Health and welfare	287,023	297,543	297,543	-
Culture and recreation	1,310,923	1,301,059	1,271,604	29,455
Board of Education	22,462,000	22,462,000	22,433,084	28,916
Capital outlay	433,284	433,284	290,030	143,254
Debt service	2,449,919	2,449,919	2,449,919	-
Total expenditures	37,718,000	37,724,310	37,528,561	195,749
Excess (deficiency) of revenues over expenditures	393,000	386,690	1,164,710	778,020
Other financing sources (uses):				
Appropriation of fund balance		396,310		(396,310)
Proceeds from sale of assets			426,776	426,776
Transfers out	(393,000)	(783,000)	(783,000)	-
Net other financing sources (uses)	(393,000)	(386,690)	(356,224)	30,466
Net change in fund balance	\$ -	\$ -	808,486	\$ 808,486
Fund balance - July 1, 2012			2,567,898	
Fund balance - June 30, 2013			\$ 3,376,384	

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Pension Trust Fund	Private- Purpose Trust Funds	Agency Funds
<u>Assets</u>			
Cash	\$ 43,132	\$ 100,780	\$ 208,357
Investments at fair value:			
Mutual funds:			
Money market mutual funds	586,983	30,037	
Equity mutual funds - International		21,122	
Corporate bonds		95,276	
Corporate bonds - International		10,842	
U.S. Government Securities		37,182	
U.S. Government Agency Securities		15,696	
Certificates of deposit		67,470	90,000
Common stock	12,003,543		
Corporate bonds	1,901,625		
U.S. Government Securities	979,135		
U.S. Government Agency Securities	1,840,934		
Limited partnership		34,280	
Total investments	17,312,220	311,905	90,000
Total assets	17,355,352	412,685	298,357
<u>Liability</u>			
Accounts payable			298,357
<u>Net Position</u>			
Net assets held in trust for pension benefits and other purposes	\$ 17,355,352	\$ 412,685	\$ -

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Pension Trust Fund	Private- Purpose Trust Funds
	<hr/>	<hr/>
Additions:		
Contributions:		
Employer	\$ 427,949	\$
Plan members	228,636	
Other		21,880
	<hr/>	<hr/>
Total contributions	656,585	21,880
	<hr/>	<hr/>
Investment income (loss):		
Interest and dividends	412,926	3,819
Net change in fair value of investments	1,579,942	1,602
	<hr/>	<hr/>
Total investment income (loss)	1,992,868	5,421
	<hr/>	<hr/>
Less investment expense	126,797	
	<hr/>	<hr/>
Net investment income (loss)	1,866,071	5,421
	<hr/>	<hr/>
Total additions	2,522,656	27,301
	<hr/>	<hr/>
Deductions:		
Benefits	1,067,767	
Administration	3,600	
Other	150	26,588
	<hr/>	<hr/>
Total deductions	1,071,517	26,588
	<hr/>	<hr/>
Change in net position	1,451,139	713
	<hr/>	<hr/>
Net position - July 1, 2012	15,904,213	411,972
	<hr/>	<hr/>
Net position - June 30, 2013	\$ 17,355,352	\$ 412,685
	<hr/>	<hr/>

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

History and Organization

The Town of Old Saybrook, Connecticut (the "Town") was incorporated in 1854. The Town covers 18.3 square miles located in Middlesex County. The Town operates under a Town Meeting/Board of Selectmen/Board of Finance form of government and provides a full range of services including public safety (police and fire), public works, sanitation, parks and recreation, health and social services, planning and zoning, and education.

I. Summary of Significant Accounting Policies**A. 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. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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*.

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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Town of Old Saybrook, Connecticut

Notes to Financial Statements

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

The Town reports the following major governmental funds:

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

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

The Capital and Nonrecurring Fund accounts for the financial revenues to be used for major capital asset construction and/or purchases funded substantially by grants and general fund appropriations.

Additionally, the Town reports the following fund types:

The Pension Trust Funds account for the activities of the Town Employees' Retirement System and the Firefighters' Retirement System, which accumulate resources for pension benefit payments to qualified employees.

The Private-Purpose Trust Funds are used to account for assets held by the Town in a trustee capacity, or as an agent on behalf of others.

The Agency Funds account for monies held on behalf of students, other community groups and performance bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Town functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Town of Old Saybrook, Connecticut

Notes to Financial Statements

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**1. Deposits and Investments**

Deposits - The Town considers cash as cash on hand, demand deposits and money market accounts.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital projects fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Allowable investments under the pension funds' investment policy consist of investment grade corporate bonds as rated by Standard and Poor's, government bonds issued and guaranteed by the U.S. Treasury and U.S. Agencies, Federally insured certificates of deposit and equities consisting of stocks and mutual funds. Funds may also be invested in the high yield sector (bonds below investment grade) provided the investment is made in mutual funds and does not comprise more than 10% of the equity portion of the portfolio. Professional money managers are employed to manage the assets allocated to them. The Board of Selectmen, as trustee of the pension plans, is responsible for overall investment policy. Any change in investment manager or individual security purchase must have their approval. The pension committee acts as advisor to the Board of Selectmen.

Investments for the Town are reported at fair value.

2. Receivables and Payables**a. Interfunds**

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

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 4% to 18% of outstanding receivable balances and are calculated based upon prior collection history.

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

Town of Old Saybrook, Connecticut

Notes to Financial Statements

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

3. Restricted Assets

The restricted assets are for endowment purposes. The amounts are reflected in net position as restricted for other purposes. Investment income is approved for expenditure by the individual Boards responsible for each fund.

4. Capital Assets

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

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

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-100
Building improvements	20-100
Land improvements	20-100
Machinery and equipment	5-20
Vehicles	10-20
Infrastructure	20-75
Intangible assets	30-50

Town of Old Saybrook, Connecticut

Notes to Financial Statements

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one type of item that qualifies for reporting in this category.

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from one source: property taxes (including advance collections, if any). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

7. Compensated Absences

Employees accumulate by a prescribed formula for absence due to vacation and sickness based upon the various union contracts and the Town's personnel policies. The eligibility for sick pay in some instances does vest. The general fund is the primary source to liquidate compensated absences. Expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid with available resources; for example, as a result of employee resignations and retirements.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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

9. Fund Equity and Net Position

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

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

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

Unrestricted Net Position

This category presents the net position of the Town which is not restricted.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Town of Old Saybrook, Connecticut**Notes to Financial Statements****Committed**

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Town Meeting.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by an action of the Board of Finance or by a properly approved purchase order.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Finance has provided otherwise in its commitment or assignment actions.

10. Use of Estimates

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

11. Comparative Data/Reclassifications

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

Town of Old Saybrook, Connecticut

Notes to Financial Statements

II. Stewardship, Compliance and Accountability**A. Budgets and Budgetary Accounting**

The Town's general budget policies are as follows:

1. Each board, commission, department, agency or officer of the Town shall, on or before January 15th of each year, submit to the First Selectman a detailed estimate of the expenditures to be made by said board, commission, department, agency or officer for the Town's fiscal year beginning July 1st of that year, together with a statement of revenues (other than tax revenues) which are estimated to be collected by such board, commission, department, agency or officer for said ensuing fiscal year; provided, however, that said submission by the Board of Education shall be on or before March 1st of each year, rather than January 15th thereof. For those boards, commissions, departments, agencies and officials which provide programs and services, budgets shall be accompanied by a statement or statements, in narrative form, describing such programs or services, which have been accomplished or expect to be accomplished during its present fiscal year, and those such programs and services which are expected to be accomplished in the next ensuing fiscal year.
2. The First Selectman shall compile all general government budgets, excluding the Board of Education, no later than February 15th of each year, and present to the Board of Selectmen a consolidated proposed budget.
3. On or before March 1st of each year, the Board of Selectmen and Board of Education shall present its completed budget to the Board of Finance. Following the receipt of said budget from the Board of Selectmen, the Board of Finance will present the proposed General Government Budget. Also, prior to April 1st, the Board of Finance will hold a public hearing at which time the Board of Education will present the proposed Board of Education Budget. Following such public hearings and at least two (2) weeks before the Annual Town Budget Meeting, the Board of Finance shall hold a public hearing, at which time it will present a proposed Town Budget, together with a statement of anticipated revenues and estimated mill rate based upon such proposed Town Budget. The Board of Finance may hold additional public hearings, if it deems necessary. At any of the public hearings referred to in this section, any elector or taxpayer may be heard regarding the proposed budget for the next ensuing fiscal year.
4. The Annual Budget Meeting shall be held not less than one month prior to the beginning of the next ensuing fiscal year for the purpose of action upon the budget, in accordance with the provisions of Section 7-388 of the General Statutes of the State of Connecticut, as amended.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

5. The Town Clerk shall prepare and have available in her office a mandatory petition at least 14 days prior to the first Annual Budget Meeting, if, at least 24 hours prior to such meeting, at least 100 persons entitled to vote at such meeting have signed such petition (or a petition conforming to the requirements of Section 7-7 of the General Statutes of Connecticut on the same question), then the question of the adoption of said proposed Annual Budget shall be decided by a "yes" or "no" vote on the voting machines in accordance with the same provisions of Section 7-7 of the General Statutes of Connecticut. In the event that a proposed budget shall be rejected, then the same procedure shall be established with regard to any subsequent budget meetings for that fiscal year; provided, however, that such mandatory petition shall be available 5 days prior to any subsequent meeting.
6. The Board of Finance shall lay a tax on the grand list in accordance with General Statutes 7-344 only after both the General Government and Board of Education budgets have been approved, provided that, if any fiscal year shall begin without a budget having been approved, the Board of Finance shall be authorized to lay such tax on the grand list as the Board deems advisable in accordance with General Statutes 7-344.
7. Budgetary control is maintained at the department level. However, the Board of Finance may transfer between budget items and between departments, thus amending the budget, as long as total expenditures are not exceeded. Any transfers to one line item totaling \$25,000 or more for the year must be approved by Town Meeting.
8. The Board of Education is authorized under state law to transfer unexpended balances from one account to another within its total line appropriation. Such transfers were made during the year ended June 30, 2013.
9. There were additional appropriations of \$396,310 approved during the year.
10. Classification of certain revenues and expenditures under accounting principles generally accepted in the United States of America ("GAAP") differ from classifications used for budgetary purposes.

B. Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures and fund balance between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, budgetary basis, Exhibit F	\$ 38,693,271	\$ 37,528,561	\$3,376,384
State contribution to Teachers' Retirement System	2,312,000	2,312,000	
Balance, GAAP basis, Exhibit D	<u>\$ 41,005,271</u>	<u>\$ 39,840,561</u>	<u>\$ 3,376,384</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

C. Deficit Fund Balances

At June 30, 2013, the Town had a deficit fund balance in the following funds:

<u>Nonmajor Governmental Funds</u>	
Emergency Management	\$ 126,330
Administration Fund	22,019

The deficits will be eliminated by contributions and charges for services.

D. Excess of Expenditures over Appropriations

At June 30, 2013, expenditures exceeded appropriations in the following general fund department:

<u>Department</u>	
Animal Control	\$ 22,978

E. Donor-Restricted Endowments

The Town has received certain endowments for the perpetual care of the Upper Cemetery. The amounts are reflected in net position as restricted for perpetual care. Investment income is approved for expenditure by the board of the benefiting activity. There was \$1,938 of appreciation available for appropriation at June 30, 2013.

F. Capital Projects Authorizations

The following is a summary of certain capital projects at June 30, 2013:

<u>Capital Project</u>	<u>Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
School Renovation Projects	\$ 16,300,000	\$ 16,296,829	\$ 3,171
Wastewater Management System	42,171,200	194,168	41,977,032
Hepburn Cultural Arts Center	4,340,000	4,337,820	2,180
Public Works Garage Project	140,000	110,790	29,210
Ferry Dock Project	250,000	221,768	28,232
Emergency Communications	2,816,000	2,696,966	119,034
Mini Golf Repair Project	475,000	273,585	201,415
Sidewalk Project	500,000	463,426	36,574
Total	<u>\$ 66,992,200</u>	<u>\$ 24,595,352</u>	<u>\$ 42,396,848</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

III. Detailed Notes

A. Cash and Investments

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$13,104,982 (including certificates of deposit) of the Town's bank balance of \$14,073,636 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 11,744,484
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,360,498</u>
Total amount subject to custodial credit risk	<u>\$ 13,104,982</u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

At June 30, 2013, the Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities.

Type of Investment	Fair Value	N/A	Investment Maturities (in Years)			
			Less Than 1	1-5 Years	5-10 Years	Over 10 Years
<u>Mutual funds:</u>						
Money market mutual funds	\$ 687,487	\$	\$ 687,487	\$		\$
Equity mutual funds - International	21,122	21,122				
Corporate bonds	95,276			95,276		
Corporate bonds - International	10,842			10,842		
U.S. Government securities	37,182			37,182		
U.S. Government agency securities	15,696		15,696			
Certificates of deposit	381,814		381,814			
Common stock	12,465,861	12,465,861				
U.S. Government securities	1,263,614		734,863	164,503	219,291	144,957
U.S. Government agency securities	2,351,688			120,971	75,554	2,155,163
Corporate bonds	1,901,625		291,688	776,135	669,347	164,455
Limited partnership	34,280	34,280				
Total	\$ 19,266,487	\$ 12,521,263	\$ 2,111,548	\$ 1,204,909	\$ 964,192	\$ 2,464,575

Town of Old Saybrook, Connecticut

Notes to Financial Statements

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 of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

The Town's investments subject to credit risk had average ratings as follows by Standard & Poor's:

Average Rating	Corporate Bonds	U.S. Government Securities	U.S. Government Agency Securities	Money Market Mutual Funds	Corporate Bonds Mutual Funds	Corporate Bonds Int'l Mutual Funds	U.S. Gov't Securities Mutual Funds	U.S. Gov't Agency Securities Mutual Funds
AAA	\$ 353,284	\$ 1,263,614	\$ 260,694	\$	\$ 3,242	\$ 1,995	\$ 6,549	\$ 8,442
AA	525,680				16,120	1,995	1,611	1,202
A	401,003				6,078	3,046	4,825	3,362
BBB	621,658				19,702	2,277	2,588	2,217
BB					20,696	911	723	287
B					9,829	618	1,054	94
CCC					11,695		761	92
Unrated			2,090,994	687,487	7,914		19,071	
Total	<u>\$ 1,901,625</u>	<u>\$ 1,263,614</u>	<u>\$ 2,351,688</u>	<u>\$ 687,487</u>	<u>\$ 95,276</u>	<u>\$ 10,842</u>	<u>\$ 37,182</u>	<u>\$ 15,696</u>

Custodial credit risk - The Town does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Town's investments in the pension trust funds are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The following Town investments are held by the counterparty's trust department or agent but not in the Town's name and, therefore, are subject to custodial credit risk.

	Total	Less Insured Amounts	Amount Subject to Custodial Credit Risk
Common stock	\$ 12,465,861	\$ 501,354	\$ 11,964,507
Corporate bonds	1,901,625		1,901,625
U.S. Government securities	1,263,614		1,263,614
U.S. Government agency securities	2,351,688		2,351,688
Limited partnership	34,280	34,280	-
Total	<u>\$ 18,017,068</u>	<u>\$ 535,634</u>	<u>\$ 17,481,434</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2013, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	Taxes	Interest & Lien Fees	Total
Current portion	\$ 185,761	\$ 46,002	\$ 231,763
Long-term portion	\$ 226,475	\$ 114,433	\$ 340,908
Less allowance for uncollectibles	(17,000)	(29,000)	(46,000)
Net long-term portion	\$ 209,475	\$ 85,433	\$ 294,908

C. Capital Assets

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<u>Capital Assets, not being Depreciated:</u>				
Land	\$ 11,763,340	\$	\$ 10	\$ 11,763,330
Construction in progress	3,109,136	1,885,068		4,994,204
Total Capital Assets, not being Depreciated	14,872,476	1,885,068	10	16,757,534
<u>Capital Assets, being Depreciated:</u>				
Buildings	34,084,851		70,000	34,014,851
Building improvements	28,833,852			28,833,852
Infrastructure	44,557,063	74,438		44,631,501
Land improvements	4,673,007	32,494		4,705,501
Machinery and equipment	2,950,413	118,471		3,068,884
Vehicles	4,769,822	148,359	25,859	4,892,322
Total Capital Assets, being Depreciated	119,869,008	373,762	95,859	120,146,911
Total Capital Assets	134,741,484	2,258,830	95,869	136,904,445

Town of Old Saybrook, Connecticut

Notes to Financial Statements

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<u>Less Accumulated Depreciation for:</u>				
Buildings	\$ 20,483,959	\$ 427,786	\$ 54,670	\$ 20,857,075
Building improvements	2,589,858	507,867		3,097,725
Infrastructure	11,105,763	544,021		11,649,784
Land improvements	3,775,270	72,534		3,847,804
Machinery and equipment	1,601,040	178,964		1,780,004
Vehicles	3,243,553	149,172	25,859	3,366,866
Total Accumulated Depreciation	42,799,443	1,880,344	80,529	44,599,258
Total Capital Assets, being Depreciated, net	77,069,565	(1,506,582)	15,330	75,547,653
Capital Assets, net	\$ 91,942,041	\$ 378,486	\$ 15,340	\$ 92,305,187

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

General government	\$ 838,552
Public safety	189,912
Public works	135,713
Culture and recreation	80,374
Education	<u>635,793</u>

Total depreciation expense \$ 1,880,344

D. Interfund Accounts**Interfund Transfers**

A summary of interfund transfers for the year ended June 30, 2013 is as follows:

	Corresponding Fund	Transfer In	Transfer Out
Major funds:			
General fund:			
Capital projects	N/A	\$	\$ 142,423
Capital nonrecurring	N/A		547,672
Parks and recreation development	N/A		53,526
Emergency management	N/A		2,180
Police program funds	N/A		35,261
Upper cemetery funds	N/A		<u>1,938</u>
Total general fund		-	<u>783,000</u>
Capital projects fund:			
Capital projects	General Fund	142,423	
Capital projects	Capital Nonrecurring Fund	<u>545,765</u>	
Total capital projects fund		<u>688,188</u>	-

Town of Old Saybrook, Connecticut

Notes to Financial Statements

	<u>Corresponding Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Capital nonrecurring fund:			
Capital nonrecurring	General Fund	\$ 547,672	\$
Capital nonrecurring	Capital Projects Fund		545,765
		<u>547,672</u>	<u>545,765</u>
Total capital nonrecurring fund			
Nonmajor governmental funds:			
Parks and recreation development	General Fund	53,526	
Emergency management	General Fund	2,180	
Police program funds	General Fund	35,261	
Upper cemetery funds	General Fund	1,938	
		<u>92,905</u>	<u>-</u>
Total nonmajor governmental funds			
Grand total		<u>\$ 1,328,765</u>	<u>\$ 1,328,765</u>

Transfers are used to account for the financing by the general fund of various program and activities in other funds.

E. Operating Lease

The Town signed a lease for the temporary police headquarters. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 166,000

The total cost for the lease for the year ended June 30, 2013 was \$48,000.

F. Short-Term Obligations - Interim Funding

The Town is using interim funding during the construction of the Clean Water Project prior to the issuance of the notes at the completion of the project.

Short-term obligation activity for the year ended June 30, 2013 was as follows:

<u>Type of Obligation</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>
Interim Funding Obligation:				
Clean Water	<u>\$ 1,511,772</u>	<u>\$ 1,472,063</u>	<u>\$</u>	<u>\$ 2,983,835</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

G. Changes in Long-Term Obligations

1. Summary of Changes

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

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Current Portion
General Purpose:									
Refunding bonds	\$ 2,723,000	05/21/08	02/15/21	3.0%-4.5%	\$ 1,737,000	\$	\$ 333,000	\$ 1,404,000	\$ 180,000
Refunding bonds	5,650,000	03/19/09	07/15/23	2.0%-4.25%	4,560,000		390,000	4,170,000	390,000
Improvement bonds	2,980,000	07/07/09	01/01/24	2.625%-4.0%	2,780,000		200,000	2,580,000	200,000
Refunding bonds	1,412,000	08/15/10	08/15/26	1.5%-4.0%	1,410,000		130,000	1,280,000	130,000
Total general purpose					10,487,000	-	1,053,000	9,434,000	900,000
School Bonds:									
Refunding bonds	1,737,000	05/21/08	02/15/21	3.0%-4.5%	1,108,000		212,000	896,000	115,000
Refunding bonds	7,943,000	08/15/10	08/15/26	1.5%-4.0%	7,650,000		540,000	7,110,000	560,000
Total school					8,758,000	-	752,000	8,006,000	675,000
Total bonds and notes					19,245,000	-	1,805,000	17,440,000	1,575,000
Bond anticipation note						1,600,000		1,600,000	
Bond premiums					662,417		47,799	614,618	
Total bonds, notes and related liabilities					19,907,417	1,600,000	1,852,799	19,654,618	1,575,000
Compensated absences					993,978	70,435	118,932	945,481	189,096
Net pension obligation					806	85		891	
Net OPEB obligation					1,629,935	421,527		2,051,462	
Total long-term obligations					\$ 22,532,136	\$ 2,092,047	\$ 1,971,731	\$ 22,652,452	\$ 1,764,096

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

The following is a summary of bond maturities.

Fiscal Year	Bonds Payable	
	Principal	Interest
2014	\$ 1,575,000	\$ 597,051
2015	1,550,000	553,213
2016	1,570,000	506,481
2017	1,585,000	457,037
2018	1,605,000	402,938
2019	1,595,000	341,569
2020	1,590,000	280,426
2021	1,560,000	217,932
2022	1,280,000	155,063
2023	1,135,000	108,675
2024	1,140,000	67,100
2025	500,000	32,988
2026	495,000	16,819
2027	260,000	4,388
	<u>\$ 17,440,000</u>	<u>\$ 3,741,680</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

2. Statutory Debt Limitations

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

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 81,656,548	\$ 11,034,000	\$ 70,622,548
Schools	163,313,096	8,006,000	155,307,096
Sewers	136,094,246		136,094,246
Urban renewal	117,948,347		117,948,347
Pension deficit	108,875,397		108,875,397

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$254,042,593.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

3. Prior Years' Advanced Refunding

In prior years, the Town has defeased bond issues by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Town's financial statements. As of June 30, 2013, the amount of defeased debt outstanding but removed from the Town's financial statements amounted to \$14,950,000.

4. Subsequent Event

On October 31, 2013, the Town issued \$15,676,000 of general obligation bonds with an interest rate of 2.0-4.0% maturing in November 2033. This issue permanently financed \$1,600,000 of bond anticipation notes. The bonds will be used to purchase land, construct a new police facility, construct a turf field and for various school projects.

On December 4, 2013, the Town issued \$2,340,000 of general obligation refunding bonds with an interest rate of 2.0-4.0% maturing in July 2023. These bonds refund the July 2009 issue.

H. Restricted Net Position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$99,944 at June 30, 2013.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

I. Fund Balance Classifications

As of June 30, 2013, fund balances are composed of the following:

Fund Balance Component	General Fund	Capital Projects	Capital Nonrecurring	Nonmajor Funds	Total
<u>Nonspendable:</u>					
Permanent fund principal	\$	\$	\$	\$ 4,246	\$ 4,246
<u>Restricted:</u>					
Donor purposes				1,938	1,938
Grant programs				45,207	45,207
Katrina relief				617	617
Public safety				20,473	20,473
Education				99,944	99,944
Total restricted	-	-	-	168,179	168,179
<u>Committed:</u>					
General government				943,126	943,126
Public safety				175,314	175,314
Parks and recreation programs				203,362	203,362
Library				74,709	74,709
Insurance				17,888	17,888
Police services				14,600	14,600
Gateway				23,470	23,470
Youth and family				118,245	118,245
Education				135,009	135,009
Capital outlay		1,252,021			1,252,021
Total committed	-	1,252,021	-	1,705,723	2,957,744
<u>Assigned:</u>					
Public safety				1,885	1,885
Parks and recreation				16,798	16,798
Probate				12,485	12,485
Police explorer				4,970	4,970
Shellfish commission				794	794
Total assigned	-	-	-	36,932	36,932
<u>Unassigned</u>	3,376,384		(1,430,986)	(148,349)	1,797,049
Total	\$ 3,376,384	\$ 1,252,021	\$ (1,430,986)	\$ 1,766,731	\$ 4,964,150

Town of Old Saybrook, Connecticut

Notes to Financial Statements

IV. Other Information**A. Risk Management**

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

Retrospectively Rated Policy

The commercial insurance carried for workers' compensation is a retrospectively rated policy for which the Town's contribution is based on the Town's loss experience. It is not possible to estimate the possible loss.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction of insurance coverage from amounts held in prior years.

B. Commitments and Litigation

The Town has been named as defendant in various claims and legal actions. The Town's attorney estimates that the potential claims against the Town not covered by insurance resulting from such claims and legal actions would not materially affect the financial condition of the Town.

The Town has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowances, if any, will not be material.

C. Pension Plans**1. Plan Description**Summary

The Town administers two single employer, defined benefit pension plans (Town of Old Saybrook Retirement Plan and Town of Old Saybrook Fire Company #1 Retirement Plan). The Fire Company Plan covers the Town's volunteer firefighters. The Town Plan, adopted on July 1, 1967 by actions of the Board of Selectmen, covers all other eligible employees. The Pension and Benefits Board makes recommendations for plan provisions which are approved by the Board of Selectmen. The pension plans are included in the financial statements as a single pension trust fund since the assets may be used to pay benefits or refunds of any plan member or beneficiary. Separate, stand-alone reports are not issued.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

2. Summary of Significant Accounting Policies and Plan Asset Matters**a. Basis of Accounting**

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the plan.

b. Valuation of Investments

Investments are valued at fair value. Securities traded on a national exchange are valued at the last reported sales price. There are no investments of 5% or greater in any one organization.

3. Classes of Employees CoveredPlan Participants at July 1, 2011 (Town) and July 1, 2011 (Fire)

	<u>Town</u>	<u>Fire</u>
Retirees and beneficiaries currently receiving benefits	63	8
Terminated employees entitled to benefits but not yet receiving them	11	18
Active plan members	<u>99</u>	<u>76</u>
Total plan participants	<u>173</u>	<u>102</u>
Number of participating employers	<u>1</u>	<u>1</u>

4. Benefit Provisions**a. Benefit Provisions**Town Plan

The plan's membership is open to substantially all Town employees with the exception of certified teachers and administrative personnel at the Board of Education. Administrative costs are financed from investment earnings.

Fire Company Plan

The plan covers substantially all active volunteers of the Old Saybrook Fire Company No. 1. In order to be eligible for the plan, the employee must complete one year of service. Administrative costs are financed from investment earnings.

Town of Old Saybrook, Connecticut

Notes to Statements

b. Employer Contributions

Recommended contributions to each of the plans are determined each year as part of the actuarial valuation using the entry age normal cost method.

The Town's contributions for the plans can be found in Note IV.C.7. - Annual Pension Cost and Net Pension Obligation (Asset). The contributions for the year ended June 30, 2013, represent 8.46% of covered payroll.

c. Employee ContributionsTown Plan

Plan members are required to contribute 5% of earnings to the Town Plan.

Fire Company Plan

Plan members are not required to contribute to the Plan.

5. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 (Town) and July 1, 2011 (Fire) was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age Normal	(A-B) Over (Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Over (Under) Funded AAL as a Percentage of Covered Payroll
<u>Town Plan</u>						
July 1, 2011	\$ 16,333,130	\$ 19,249,102	\$ (2,915,972)	84.9%	\$4,140,391	70.4%
<u>Fire Company Plan</u>						
July 1, 2011	\$ 535,642	\$ 938,391	\$ (402,749)	57.1%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress ("RSI"), immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

6. Actuarial Assumptions

The information presented as historical trend information was determined as part of the actuarial valuation as of the date indicated in the tabulation. Additional information as of the latest valuation is as follows:

	<u>Town</u>	<u>Fire</u>
Valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5 Year smoothing	Fair value
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	5.00%	N/A
Amortization method	Level dollar	Level dollar
Remaining amortization period	17 Years-closed	17 Years-open

7. Annual Pension Cost and Net Pension Obligation (NPO) Asset (NPA)

The changes in the NPO/NPA were as follows:

	<u>Town Plan</u>	<u>Fire Plan</u>
Annual required contribution	\$ 675,246	\$ 68,716
Interest on net pension obligation	(139,747)	64
Adjustment to annual required contribution	<u>177,923</u>	<u>(82)</u>
Annual pension cost	713,422	68,698
Contributions made	<u>359,336</u>	<u>68,613</u>
Change in net pension asset (obligation)	(354,086)	(85)
Net pension asset (obligation), July 1, 2012	<u>1,746,844</u>	<u>(806)</u>
Net pension asset (obligation), June 30, 2013	<u>\$ 1,392,758</u>	<u>\$ (891)</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

8. Three Year Trend Information

<u>Year Ended June 30,</u>	<u>Pension Cost (APC)</u>	<u>Annual Percentage of APC Contributed</u>	<u>Net Pension Asset/(Obligation)</u>
<u>Town Plan</u>			
2011	\$ 525,417	57%	\$ 2,063,810
2012	619,931	49%	1,746,844
2013	713,422	50%	1,392,758
<u>Fire Plan</u>			
2011	\$ 61,272	100%	\$
2012	66,174	99%	(806)
2013	68,698	100%	(891)

D. Other Post-Employment Benefits Plan

1. Plan Description

The Town administers one single-employer, post retirement healthcare plan for the Town, Police and Board of Education, the Town of Old Saybrook Other Post Employment Benefit ("OPEB") plan. The plan provides medical, dental benefits and life insurance to eligible retirees and their spouses. The plan does not issue stand-alone reports.

2. Benefit Provisions

a. Benefit Provisions

The Town plan provides for medical, dental and life insurance benefits for all eligible Town and Board of Education retirees. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from current operations.

b. Employer Contributions

Contributions requirements are established by the Pension and Benefits Board and approved by the Board of Selectmen. The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Town total plan contribution was \$517,000.

c. Employee Contributions

Retiree contributions are dependent on the covered group. Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement plan. These teachers are required to contribute the cost of the insurance to the Town.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

3. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Projected Unit Credit	(A-B) Over (Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Over (Under) Funded AAL as a Percentage of Covered Payroll
<u>Town</u>						
July 1, 2012	\$ -	\$10,117,000	\$(10,117,000)	0.0%	\$16,534,000	(61.2%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

4. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Town of Old Saybrook, Connecticut

Notes to Financial Statements

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

Valuation date	July 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent
Remaining amortization period	26 years-closed
Asset valuation method	Fair value
<u>Actuarial assumptions:</u>	
Investment rate of return	7.0%
Healthcare inflation rate:	
Initial	7.0%
Ultimate	4.6%
Projected salary increases	N/A

Assumption changes effective July 1, 2012 include a revision in the initial healthcare inflation rate from 6.5% to 7.0% and the ultimate inflation rate was revised from 4.7% to 4.6%. Medical and dental age curves were updated. Healthy and disabled mortality assumptions for all groups except teachers and administrators were updated. Assumptions for teachers and administrators were updated based on the assumptions used in the valuation of the Connecticut State Teachers' Retirement System's June 30, 2012 valuation.

5. Annual OPEB Cost and Net OPEB Obligation ("NOO")

The changes in the NOO were as follows:

	<u>Town</u>
Annual required contribution	\$ 918,000
Interest on net OPEB obligation	114,095
Adjustment to annual required contribution	<u>(93,568)</u>
Annual OPEB cost	938,527
Contributions made	<u>(517,000)</u>
Change in net OPEB obligation	421,527
Net OPEB obligation - July 1, 2012	<u>1,629,935</u>
Net OPEB obligation - June 30, 2013	<u>\$2,051,462</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

6. Three Year Trend Information

<u>Year Ending June 30</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
<u>Town</u>			
2011	\$ 876,845	53.9%	\$1,251,381
2012	869,554	56.5%	1,629,935
2013	938,527	55.1%	2,051,462

E. On-Behalf Payments

The amount recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the State on behalf of the Town's teachers was \$2,312,000.

Required Supplementary Information

Town of Old Saybrook, Connecticut

Required Supplementary Information
Old Saybrook Retirement System and Other Post Employment Benefit Plan

Schedules of Funding Progress

Actuarial Valuation Date July 1,	Town Pension Plan					
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL as a Percentage of Covered Payroll
2006	\$16,890,536	\$ 14,353,139	\$ 2,537,397	117.7%	\$ 3,470,663	73.1%
2007	17,514,675	14,901,747	2,612,928	117.5%	3,461,713	75.5%
2008	17,863,894	15,600,920	2,262,974	114.5%	3,574,134	63.3%
2009	15,330,433	16,824,391	(1,493,958)	91.1%	3,852,237	(38.8%)
2010	15,741,445	18,323,182	(2,581,737)	85.9%	3,737,359	(69.1%)
2011	16,333,130	19,249,102	(2,915,972)	84.9%	4,140,391	(70.4%)

Actuarial Valuation Date July 1,	Fire Company Pension Plan					
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL as a Percentage of Covered Payroll
2004	\$ 321,458	\$ 526,077	\$ (204,619)	61.1%	\$ -	-
2005	351,291	575,047	(223,756)	61.1%	-	-
2007	416,624	676,111	(259,487)	61.6%	-	-
2009	421,036	774,127	(353,091)	54.4%	-	-
2011	535,642	938,391	(402,749)	57.1%	-	-

(Continued)

Town of Old Saybrook, Connecticut

Required Supplementary Information
Old Saybrook Retirement System and Other Post Employment Benefit Plan

Schedules of Funding Progress

Actuarial Valuation Date July 1,	Town Other Post Employment Benefit Plan					
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL as a Percentage of Covered Payroll
2008	\$ -	\$ 10,041,000	\$(10,041,000)	0.0%	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	-	9,668,000	(9,668,000)	0.0%	N/A	N/A
2012	-	10,117,000	(10,117,000)	0.0%	\$ 16,534,000	(61.2%)
						(Concluded)

Town of Old Saybrook, Connecticut

Required Supplementary Information
Old Saybrook Retirement System and Other Post Employment Benefit Plan
Schedules of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
<u>Town Pension Plan</u>			
2008	\$ 34,656	\$ 271,769	784.2%
2009	24,371	283,054	1161.4%
2010	66,305	288,284	434.8%
2011	475,358	298,579	62.8%
2012	574,829	302,965	52.7%
2013	675,246	359,336	53.2%
<u>Fire Company Pension Plan</u>			
2008	\$ 46,192	\$ 40,000	86.6%
2009	43,105	40,000	92.8%
2010	46,553	46,553	100.0%
2011	61,272	61,272	100.0%
2012	66,174	65,368	98.8%
2013	68,716	68,613	99.9%
<u>Other Post Employment Benefit Plan</u>			
2009	\$ 786,000	\$ 356,000	45.3%
2010	826,000	414,000	50.1%
2011	867,000	473,000	54.6%
2012	852,000	491,000	57.6%
2013	918,000	517,000	56.3%

Supplemental Schedules

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

Town of Old Saybrook, Connecticut

General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Taxes, interest and lien fees:				
General property taxes	\$ 35,917,093	\$ 35,917,093	\$ 36,169,113	\$ 252,020
Interest and lien fees	100,000	100,000	149,630	49,630
Telecommunication tax	55,000	55,000	64,820	9,820
Total taxes, interest and lien fees	36,072,093	36,072,093	36,383,563	311,470
Intergovernmental:				
Educational equalization (ECS)	652,677	652,677	638,302	(14,375)
Municipal revenue sharing	77,661	77,661	108,978	31,317
Town aid road fund	125,625	125,625	123,612	(2,013)
Local capital improvement (LOCIP)	65,257	65,257	67,295	2,038
Grant in lieu of taxes	59,275	59,275	57,095	(2,180)
Elderly tax relief	67,000	67,000	65,750	(1,250)
Manufacturers' machinery and equipment	9,580	9,580		(9,580)
FEMA reimbursement			250,000	250,000
Mashantucket Pequot funds	5,132	5,132	15,879	10,747
Miscellaneous state revenues	12,500	12,500	12,416	(84)
Total intergovernmental	1,074,707	1,074,707	1,339,327	264,620
Charges for services:				
Board of selectmen			1,310	1,310
Town clerk fees	330,000	330,000	329,640	(360)
Assessor	1,800	1,800	606	(1,194)
Building department	120,000	120,000	224,882	104,882
Land use	6,000	6,000	35,558	29,558
Zoning board of appeals	2,800	2,800	10,245	7,445
Planning commission			1,744	1,744
Inland wetlands	1,600	1,600	1,170	(430)
Police department	5,000	5,000	11,930	6,930
Transfer station	135,000	135,000	105,575	(29,425)
Library fees and fines	5,000	5,000	4,696	(304)
Parks and recreation	240,000	240,000	138,130	(101,870)
Miscellaneous	30,000	30,000	53,295	23,295
Total charges for services	877,200	877,200	918,781	41,581
Investment income	87,000	87,000	51,600	(35,400)
Total revenues	38,111,000	38,111,000	38,693,271	582,271
Other financing sources:				
Appropriation of fund balance		396,310		(396,310)
Proceeds from sale of assets			426,776	426,776
Total other financing sources	-	396,310	426,776	30,466
Total revenues and other financing sources	\$ 38,111,000	\$ 38,507,310	\$ 39,120,047	\$ 612,737

Town of Old Saybrook, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
General government:				
Selectmen	\$ 256,519	\$ 283,171	\$ 283,171	\$ -
Accounting	159,471	160,446	160,446	-
Tax collector	138,022	133,696	133,696	-
Computer network	53,390	44,841	44,841	-
Treasurer	56,359	55,321	55,321	-
Town clerk	188,146	178,182	178,182	-
Vital statistics	1,350	636	636	-
Architectural review board	2,870	2,801	2,801	-
Assessor	156,511	154,939	154,939	-
Tree warden	10,000	6,000	6,000	-
Town hall	364,384	348,647	348,647	-
Registrars	57,838	59,787	59,787	-
Building department	129,514	139,490	139,490	-
Land use department	253,031	249,948	249,948	-
Zoning commission	27,380	37,939	37,939	-
Zoning board of appeals	13,076	19,001	19,001	-
Board of finance	53,925	55,107	55,107	-
Assessment appeals	3,300	3,375	3,375	-
Planning commission	16,400	14,566	14,566	-
Pension benefits - retirees	25,320	31,085	31,085	-
Conservation commission	3,100	892	892	-
Economic development commission	26,637	26,860	26,860	-
Ethics commission	1,050	17	17	-
Inland wetlands	13,247	6,896	6,896	-
Contingency	20,000	11,876	11,876	-
Labor and personnel	45,000	43,148	43,148	-
Insurance	686,689	698,584	698,584	-
Legal	30,000	40,725	40,725	-
Payments to political subdivisions	155,920	153,736	153,736	-
Retiree health insurance	392,393	268,403	267,959	444
Retirement costs	10,000			-
Employee benefits	1,850,528	1,922,585	1,922,585	-
Total general government	5,201,370	5,152,700	5,152,256	444
Public safety:				
Fire department	267,734	269,122	269,122	-
Fire marshal	93,720	106,526	106,526	-
Police department	2,769,628	2,768,599	2,768,599	-
Emergency management	105,298	116,642	116,642	-
Marine patrol	51,650	53,482	53,482	-
Harbor management	22,961	29,948	29,946	2
Animal control	10,000	10,000	32,978	(22,978)
Total public safety	3,320,991	3,354,319	3,377,295	(22,976)

(Continued)

Town of Old Saybrook, Connecticut
General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Public works:				
Water pollution control	\$ 134,556	\$ 116,556	\$ 99,900	\$ 16,656
Transfer station	581,835	589,187	589,187	-
Public works	899,699	897,018	897,018	-
Engineering	35,000	46,978	46,978	-
Rubbish	15,000	13,934	13,934	-
Traffic and street lights	148,500	131,087	131,087	-
Water system	437,900	478,726	478,726	-
Total public works	2,252,490	2,273,486	2,256,830	16,656
Health and welfare:				
Health district	147,972	150,753	150,753	-
Catastrophic illness	30,000	36,415	36,415	-
Social services	66,398	65,071	65,071	-
Public health nursing	42,653	45,304	45,304	-
Total health and welfare	287,023	297,543	297,543	-
Culture and recreation:				
Youth and family services	179,626	185,097	185,097	-
Acton public library	642,273	624,916	608,371	16,545
Parks and recreation department	365,841	365,841	364,622	1,219
Saybrook Point - Golf	56,790	43,268	38,297	4,971
Saybrook Point - Pavilion	10,300	10,524	10,524	-
Fort Saybrook/Exchange Club Parks	5,650	5,650	4,679	971
Open space maintenance	12,900	12,900	7,151	5,749
KHCAC	34,000	51,971	51,971	-
North Cove Historic District	3,543	892	892	-
Total culture and recreation	1,310,923	1,301,059	1,271,604	29,455
Board of Education	22,462,000	22,462,000	22,433,084	28,916
Capital outlay	433,284	433,284	290,030	143,254
Debt service:				
Principal	1,805,000	1,805,000	1,805,000	-
Interest	644,919	644,919	644,919	-
Total debt service	2,449,919	2,449,919	2,449,919	-
Total expenditures	37,718,000	37,724,310	37,528,561	195,749
Other financing uses:				
Transfers out	393,000	783,000	783,000	-
Total expenditures and other financing uses	\$ 38,111,000	\$ 38,507,310	\$ 38,311,561	\$ 195,749

(Concluded)

Town of Old Saybrook, Connecticut

Report of Tax Collector
Year Ended June 30, 2013

Grand List Year	Uncollected Taxes July 1, 2012	Current Year Levy	<u>Lawful Corrections</u>		Transfers to Suspense	Adjusted Taxes Collectible	<u>Collections</u>			Uncollected Taxes June 30, 2013
			Additions	Deductions			Taxes	Interest & Lien Fees	Total	
1996	\$ 6,106	\$	\$	6,106	\$	\$ -	\$	\$	\$ -	\$ -
1997	7,807			3,436		4,371			-	4,371
1998	7,966			3,539		4,427			-	4,427
1999	8,066			5,138		2,928			-	2,928
2000	8,274			5,263		3,011			-	3,011
2001	3,121					3,121			-	3,121
2002	3,272					3,272			-	3,272
2003	3,675					3,675			-	3,675
2004	3,889					3,889			-	3,889
2005	4,099				5	4,094			-	4,094
2006	4,230				5	4,225			-	4,225
2007	23,677				18,829	4,848	397	437	834	4,451
2008	38,622					38,622	9,536	4,134	13,670	29,086
2009	64,724			2,832		61,892	26,570	9,047	35,617	35,322
2010	208,173		236	20,424		187,985	123,681	29,207	152,888	64,304
Total Prior Years	395,701	-	236	46,738	18,839	330,360	160,184	42,825	203,009	170,176
2011		36,314,110	27,010	112,499		36,228,621	35,986,561	102,229	36,088,790	242,060
Total	\$ 395,701	\$ 36,314,110	\$ 27,246	\$ 159,237	\$ 18,839	\$ 36,558,981	\$ 36,146,745	\$ 145,054	\$ 36,291,799	\$ 412,236

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting Town's programs.

Town of Old Saybrook, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds						
	Federal and State School Grants	School Cafeteria	Connecticard	Law Enforcement Forfeiture	Insurance	Youth and Family Grants	Parks and Recreation Development
<u>Assets</u>							
Cash	\$ 33,276	\$ 44,762	\$ 33,383	\$ 20,473	\$ 17,888	\$ 17,149	\$ 110,329
Receivables:							
Intergovernmental		30,728					
Other		24,454					
Total assets	\$ 33,276	\$ 99,944	\$ 33,383	\$ 20,473	\$ 17,888	\$ 17,149	\$ 110,329
<u>Liabilities</u>							
Accounts payable	\$ 10,693	\$	\$ 11,704	\$	\$	\$ 1,278	\$
Unearned revenue	22,583						
Total liabilities	33,276	-	11,704	-	-	1,278	-
<u>Fund Balances</u>							
Restricted		99,944	21,679	20,473		15,871	
Committed					17,888		110,329
Total fund balances	-	99,944	21,679	20,473	17,888	15,871	110,329
Total liabilities and fund balances	\$ 33,276	\$ 99,944	\$ 33,383	\$ 20,473	\$ 17,888	\$ 17,149	\$ 110,329

(Continued)

Town of Old Saybrook, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds						
	Fire Marshal	Shellfish Commission	D.A.R.E. Program Fund	Parks and Recreation Program Fund	Emergency Management	Police Outside Services	Police Explorer Program
<u>Assets</u>							
Cash	\$ 1,885	\$ 794	\$ 7,657	\$ 101,391	\$	\$ 14,600	\$ 4,970
<u>Liabilities</u>							
Cash overdraft	\$	\$	\$	\$	\$ 112,017	\$	\$
Accounts payable				8,358	14,313		
Total liabilities	-	-	-	8,358	126,330	-	-
<u>Fund Balances</u>							
Restricted			7,657				
Committed				93,033		14,600	
Assigned	1,885	794					4,970
Unassigned					(126,330)		
Total fund balances	1,885	794	7,657	93,033	(126,330)	14,600	4,970
Total liabilities and fund balances	\$ 1,885	\$ 794	\$ 7,657	\$ 101,391	\$ -	\$ 14,600	\$ 4,970

(Continued)

Town of Old Saybrook, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds						
	Parks and Recreation Community Program Fund	Action Public Library Fund	Youth and Family Services Fund	Retirees' Health Care Fund	Katrina Relief Fund	Gateway Fund	Board of Education Fund
<u>Assets</u>							
Cash	\$ 15,444	\$ 52,787	\$ 119,276	\$	\$ 617	\$ 23,470	\$ 135,009
Investments	1,354	22,459		943,126			
Total assets	<u>\$ 16,798</u>	<u>\$ 75,246</u>	<u>\$ 119,276</u>	<u>\$ 943,126</u>	<u>\$ 617</u>	<u>\$ 23,470</u>	<u>\$ 135,009</u>
<u>Liabilities</u>							
Accounts payable	\$	\$ 537	\$ 1,031	\$	\$	\$	\$
<u>Fund Balances</u>							
Restricted					617		
Committed		74,709	118,245	943,126		23,470	135,009
Assigned	16,798						
Total fund balances	<u>16,798</u>	<u>74,709</u>	<u>118,245</u>	<u>943,126</u>	<u>617</u>	<u>23,470</u>	<u>135,009</u>
Total liabilities and fund balances	<u>\$ 16,798</u>	<u>\$ 75,246</u>	<u>\$ 119,276</u>	<u>\$ 943,126</u>	<u>\$ 617</u>	<u>\$ 23,470</u>	<u>\$ 135,009</u>

(Continued)

Town of Old Saybrook, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds

	Special Revenue Funds				Permanent Fund	Total Nonmajor Governmental Funds
	Administration Fund	Probate Court	Police Program Funds	Total Special Revenue Funds	Upper Cemetery Fund	
<u>Assets</u>						
Cash	\$	\$ 12,485	\$ 181,352	\$ 948,997	\$ 6,184	\$ 955,181
Investments				966,939		966,939
Receivables:						
Intergovernmental				30,728		30,728
Other				24,454		24,454
Total assets	\$ -	\$ 12,485	\$ 181,352	\$ 1,971,118	\$ 6,184	\$ 1,977,302
<u>Liabilities</u>						
Cash overdraft	\$ 22,019	\$	\$	\$ 134,036	\$	\$ 134,036
Accounts payable			6,038	53,952		53,952
Unearned revenue				22,583		22,583
Total liabilities	22,019	-	6,038	210,571	-	210,571
<u>Fund Balances</u>						
Nonspendable				-	4,246	4,246
Restricted				166,241	1,938	168,179
Committed			175,314	1,705,723		1,705,723
Assigned		12,485		36,932		36,932
Unassigned	(22,019)			(148,349)		(148,349)
Total fund balances	(22,019)	12,485	175,314	1,760,547	6,184	1,766,731
Total liabilities and fund balances	\$ -	\$ 12,485	\$ 181,352	\$ 1,971,118	\$ 6,184	\$ 1,977,302

(Concluded)

Town of Old Saybrook, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue Funds						
	Federal and State School Grants	School Cafeteria	Connecticard	Law Enforcement Forfeiture	Insurance	Youth and Family Grants	Parks and Recreation Development
Revenues:							
Intergovernmental	\$ 879,620	\$ 224,892	\$ 10,862	\$ 5,140	\$	\$ 42,896	\$ 35,000
Charges for services		470,393		750		153,858	
Investment income			7	25			
Contributions	109,752				147,682		20,122
Total revenues	989,372	695,285	10,869	5,915	147,682	196,754	55,122
Expenditures:							
Current:							
Health and welfare				2,500	146,363		
Culture and recreation			25,757			224,277	58,001
Education	989,372	653,308					
Total expenditures	989,372	653,308	25,757	2,500	146,363	224,277	58,001
Excess (deficiency) of revenues over expenditures	-	41,977	(14,888)	3,415	1,319	(27,523)	(2,879)
Other financing sources:							
Transfers in							53,526
Net change in fund balances	-	41,977	(14,888)	3,415	1,319	(27,523)	50,647
Fund balances - July 1, 2012		57,967	36,567	17,058	16,569	43,394	59,682
Fund balances - June 30, 2013	\$ -	\$ 99,944	\$ 21,679	\$ 20,473	\$ 17,888	\$ 15,871	\$ 110,329

(Continued)

Town of Old Saybrook, Connecticut

Combining Statement Of Revenues, Expenditures and Changes In Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue Funds						
	Fire Marshal	Shellfish Commission	D.A.R.E. Program Fund	Parks and Recreation Program Fund	Emergency Management	Police Outside Services	Police Explorer Program
Revenues:							
Intergovernmental	\$	\$	\$	\$	\$ 718,210	\$	\$
Charges for services				129,604		168,456	
Contributions	4,501		6,670		73,622		200
Total revenues	4,501	-	6,670	129,604	791,832	168,456	200
Expenditures:							
Current:							
Public safety			6,443		981,398	195,018	
Culture and recreation				150,577			
Total expenditures	-	-	6,443	150,577	981,398	195,018	-
Excess (deficiency) of revenues over expenditures	4,501	-	227	(20,973)	(189,566)	(26,562)	200
Other financing sources							
Transfers in					2,180		
Net change in fund balances	4,501	-	227	(20,973)	(187,386)	(26,562)	200
Fund balances - July 1, 2012	(2,616)	794	7,430	114,006	61,056	41,162	4,770
Fund balances - June 30, 2013	\$ 1,885	\$ 794	\$ 7,657	\$ 93,033	\$ (126,330)	\$ 14,600	\$ 4,970

(Continued)

Town of Old Saybrook, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue Funds						
	Parks and Recreation Community Program Fund	Action Public Library Fund	Youth and Family Services Fund	Retirees' Health Care Fund	Katrina Relief Fund	Gateway Fund	Board of Education Fund
Revenues:							
Charges for services	\$	\$	\$	\$	\$	\$	\$
Investment income	167	22		81,384		7,550	237,796
Contributions		53,862	104,692				
Total revenues	167	53,884	104,692	81,384	-	7,550	237,796
Expenditures:							
Current:							
Culture and recreation		27,901	64,338				
Education							140,707
Total expenditures	-	27,901	64,338	-	-	-	140,707
Net change in fund balances	167	25,983	40,354	81,384	-	7,550	97,089
Fund balances - July 1, 2012	16,631	48,726	77,891	861,742	617	15,920	37,920
Fund balances - June 30, 2013	\$ 16,798	\$ 74,709	\$ 118,245	\$ 943,126	\$ 617	\$ 23,470	\$ 135,009

(Continued)

Town of Old Saybrook, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue Funds				Permanent Fund	Total Nonmajor Governmental Funds
	Administration Fund	Probate Court	Police Program Funds	Total Special Revenue Funds	Upper Cemetery Fund	
Revenues:						
Intergovernmental	\$	\$	\$	\$	\$	\$
Charges for services	19,090	26,612	38,885	1,955,505		1,955,505
Investment income			57,726	1,271,835		1,271,835
Contributions	20,851			81,605		81,605
				541,954		541,954
Total revenues	39,941	26,612	96,611	3,850,899	-	3,850,899
Expenditures:						
Current:						
General government	71,841	24,153		95,994		95,994
Public safety			134,552	1,317,411		1,317,411
Health and welfare				148,863		148,863
Culture and recreation				550,851		550,851
Education				1,783,387		1,783,387
Total expenditures	71,841	24,153	134,552	3,896,506	-	3,896,506
Excess (deficiency) of revenues over expenditures	(31,900)	2,459	(37,941)	(45,607)	-	(45,607)
Other financing sources:						
Transfers in			35,261	90,967	1,938	92,905
Net change in fund balances	(31,900)	2,459	(2,680)	45,360	1,938	47,298
Fund balances - July 1, 2012	9,881	10,026	177,994	1,715,187	4,246	1,719,433
Fund balances - June 30, 2013	\$ (22,019)	\$ 12,485	\$ 175,314	\$ 1,760,547	\$ 6,184	\$ 1,766,731

(Concluded)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

Pension Trust Fund

A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of the defined benefit pension plan.

Private-Purpose Trust Funds

A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Town of Old Saybrook, Connecticut
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private-Purpose Trust Funds				Agency Funds			
	Connecticut Public Health Nurses Fund	Public Health Nurses Estate Bequest Fund	Mary E. Johnson Trust	Total Private- Purpose Trust Funds	Student Activities	Land Use	BOE Flexible Spending	Total Agency Funds
<u>Assets</u>								
Cash	\$ 49,190	\$ 51,590	\$	\$ 100,780	\$ 123,797	\$ 86,688	\$ (2,128)	\$ 208,357
Investments at fair value:								
Mutual funds:								
Money market mutual funds			30,037	30,037				-
Equity mutual funds - International			21,122	21,122				-
Corporate bonds			95,276	95,276				-
Corporate bonds - International			10,842	10,842				-
U.S. Government Securities			37,182	37,182				-
U.S. Government Agency Securities			15,696	15,696				-
Certificates of deposit		67,470		67,470	90,000			90,000
Limited partnership			34,280	34,280				-
Total assets	49,190	119,060	244,435	412,685	213,797	86,688	(2,128)	298,357
<u>Liability</u>								
Accounts payable					213,797	86,688	(2,128)	298,357
<u>Net Position</u>								
Net position held in trust	\$ 49,190	\$ 119,060	\$ 244,435	\$ 412,685	\$ -	\$ -	\$ -	\$ -

Town of Old Saybrook, Connecticut

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013**

	Private-Purpose Trust Funds				Total Private- Purpose Trust Funds
	Connecticut Public Health Nurses Fund	Public Health Nurses Estate Bequest Fund	Scholarship Trust Fund	Mary E. Johnson Trust	
Additions:					
Contributions	\$ 8,405	\$ 475	\$ 11	\$ 13,000	\$ 21,880
Interest and dividends		370		3,438	3,819
Net change in fair value of investments				1,602	1,602
Total additions	8,405	845	11	18,040	27,301
Deductions:					
Other	9,698	622	3,268	13,000	26,588
Change in net position	(1,293)	223	(3,257)	5,040	713
Net position - July 1, 2012	50,483	118,837	3,257	239,395	411,972
Net position - June 30, 2013	\$ 49,190	\$ 119,060	\$ -	\$ 244,435	\$ 412,685

Town of Old Saybrook, Connecticut

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Assets</u>				
Cash:				
Student activities	\$ 200,832	\$ 435,405	\$ 512,440	\$ 123,797
Land use	81,894	51,739	46,945	86,688
BOE flexible spending	483	3,735	6,346	(2,128)
	<hr/>			
Total cash	283,209	490,879	565,731	208,357
Investments:				
Student activities		90,000		90,000
	<hr/>			
Total assets	<u>\$ 283,209</u>	<u>\$ 580,879</u>	<u>\$ 565,731</u>	<u>\$ 298,357</u>
<u>Liabilities</u>				
Accounts payable:				
Student activities	\$ 200,832	\$ 525,405	\$ 512,440	\$ 213,797
Land use	81,894	51,739	46,945	86,688
BOE flexible spending	483	3,735	6,346	(2,128)
	<hr/>			
Total liabilities	<u>\$ 283,209</u>	<u>\$ 580,879</u>	<u>\$ 565,731</u>	<u>\$ 298,357</u>

Trend Information

Town of Old Saybrook, Connecticut

Net Position by Component
Last Ten Years
(Unaudited)

	Fiscal Year Ended									
	2013	2012	2011	(1) 2010	2009	2008	2007	2006	2005	2004
Net investment in capital assets	\$ 73,450,395	\$ 72,485,608	\$ 71,489,201	\$ 71,058,251	\$ 69,795,993	\$ 67,354,554	\$ 66,255,782	\$ 62,778,645	\$ 63,285,573	\$ 60,661,689
Restricted for:					1,035,102	1,881,926	3,509,207			
Endowments:										
Nonspendable	4,246	4,246	4,246	4,246						
Expendable	1,938									
Grant programs	45,207	617	28,825	21,986						
Katrina relief	617	85,544	25,474	28,535						
Public safety	20,473	79,961	33,906	41,539						
Education	99,944	57,967	81,371	56,693						
Unrestricted	2,987,774	4,215,192	6,204,842	6,577,999	6,637,832	7,974,955	5,785,427	8,690,934	7,665,776	8,842,023
Total net position	<u>\$ 76,610,594</u>	<u>\$ 76,929,135</u>	<u>\$ 77,867,865</u>	<u>\$ 77,789,249</u>	<u>\$ 77,468,927</u>	<u>\$ 77,211,435</u>	<u>\$ 75,550,416</u>	<u>\$ 71,469,579</u>	<u>\$ 70,951,349</u>	<u>\$ 69,503,712</u>

(1) Net position components restated in accordance with the provisions of GASB 54.

Table 2

Town of Old Saybrook, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

	Fiscal Year Ended									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General government	\$ 5,688,414	\$ 5,056,781	\$ 4,970,484	\$ 4,427,458	\$ 4,242,112	\$ 4,076,667	\$ 3,064,253	\$ 2,945,856	\$ 3,842,068	\$ 4,706,992
Public safety	5,601,550	5,287,936	4,573,192	4,130,680	4,162,448	3,791,256	3,632,988	3,399,269	3,248,714	3,157,719
Public works	4,766,882	3,855,772	3,462,070	3,414,762	2,959,787	2,989,405	2,314,150	1,677,493	1,557,716	1,401,960
Health and welfare	476,756	699,129	730,089	541,121	765,531	518,905	517,753	1,584,095	1,419,885	766,279
Culture and recreation	2,168,920	1,891,907	1,811,064	1,945,916	1,718,629	1,667,456	1,527,720	1,268,931	1,183,068	1,258,293
Education	27,281,159	26,588,199	25,732,893	24,583,728	24,110,427	26,903,656	20,968,386	20,262,667	18,591,986	16,137,894
Interest expense	614,735	570,586	763,780	921,275	981,833	1,025,684	1,015,730	850,190	775,859	741,923
Total expenses	46,598,416	43,950,310	42,043,572	39,964,940	38,940,767	40,973,029	33,040,980	31,988,501	30,619,296	28,171,060
Program revenues:										
Governmental activities:										
Charges for services:										
General government	677,540	811,498	618,550	714,595	550,294	782,577	722,325	770,152	881,540	742,765
Public safety	331,737	228,142	162,982	55,094	52,664	29,374	57,735	4,840	3,321	4,041
Public works	134,212	122,290	104,952	111,949	103,700	696,209	105,720	457,912	448,351	310,823
Health and welfare	153,858	126,426	53,501					80,782	1,347,819	25,856
Culture and recreation	279,980	399,070	441,336	461,146	358,773	398,212	327,686	205,439	199,508	237,837
Education	715,839	623,735	531,551	568,298	1,118,550	526,716	531,471			11,418
Operating grants and contributions	6,009,824	5,029,489	4,743,986	3,997,476	3,484,430	7,402,602	3,670,782	1,581,363	1,638,226	2,055,449
Capital grants and contributions	343,327	326,453	224,024	300,517	264,500	918,015	2,833,607	655,232	1,017,127	515,879
Total program revenues	8,646,317	7,667,103	6,880,882	6,209,075	5,932,911	10,753,705	8,249,326	3,755,720	5,535,892	3,904,068
Net expenses:										
Governmental activities	(37,952,099)	\$ (36,283,207)	(35,162,690)	(33,755,865)	(33,007,856)	(30,219,324)	(24,791,654)	(28,232,781)	(25,083,404)	(24,266,992)
General revenues:										
Governmental activities:										
Property taxes	36,386,749	34,830,615	34,654,101	33,272,869	32,632,001	30,784,939	29,292,790	27,347,677	25,615,662	24,166,577
Grants and contributions not restricted to specific programs	701,025	383,106	427,790	566,911	422,744	405,594	454,753	983,881	772,954	1,904,130
Investment income	134,348	130,756	159,415	236,407	210,573	689,900	780,802	391,262	142,425	89,018
Gain on sale of assets	411,436									
Miscellaneous								28,191		
Total general revenues	37,633,558	35,344,477	35,241,306	34,076,187	33,265,318	31,880,433	30,528,345	28,751,011	26,531,041	26,159,725
Change in net position	\$ (318,541)	(938,730)	\$ 78,616	\$ 320,322	\$ 257,462	\$ 1,661,109	\$ 5,736,691	\$ 518,230	\$ 1,447,637	\$ 1,892,733

Town of Old Saybrook, Connecticut

Schedule of Debt Limitation
Year Ended June 30, 2013

Total tax collections (including interest and lien fees) for the year ended June 30, 2013	\$ 36,291,799
Reimbursement for revenue loss:	
Tax relief for elderly freeze	-
Base for debt limitation computation	<u>\$ 36,291,799</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation: (1)					
2 1/4 times base	\$ 81,656,548	\$	\$	\$	\$
4 1/2 times base		163,313,096			
3 3/4 times base			136,094,246		
3 1/4 times base				117,948,347	
3 times base					108,875,397
Total debt limitation	<u>81,656,548</u>	<u>163,313,096</u>	<u>136,094,246</u>	<u>117,948,347</u>	<u>108,875,397</u>
Indebtedness:					
Bonds payable	9,434,000	8,006,000			
Bond anticipation notes	<u>1,600,000</u>				
Net indebtedness	<u>11,034,000</u>	<u>8,006,000</u>	-	-	-
Debt limitation in excess of outstanding and authorized debt	<u>\$ 70,622,548</u>	<u>\$ 155,307,096</u>	<u>\$ 136,094,246</u>	<u>\$ 117,948,347</u>	<u>\$ 108,875,397</u>

- (1) The total of the above net indebtedness amounts to : \$ 19,040,000
- In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 254,042,593
- There is no overlapping debt.

**Federal Single Audit
and
State Single Audit
of the
Town of Old Saybrook, Connecticut
Year Ended June 30, 2013**

Town of Old Saybrook, Connecticut

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**Federal
Single
Audit**

Town of Old Saybrook, Connecticut
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	State Project Number	Expenditures
<u>U.S. Department of Agriculture:</u>			
Passed through State Department of Education:			
School Breakfast Program	10.553	12060-20508-82079-170005	\$ 52,419
National School Lunch Program - Cash	10.555	12060-20560-82079-170005	103,049
National School Lunch Program - Commodities	10.555	12060-20560-82079	<u>46,984</u>
Total Child Nutrition - Cluster			<u>202,452</u>
<u>Environmental Protection Agency:</u>			
Passed through State Department of Energy and Environmental Protection:			
Capitalization Grants for Clean Water			
State Revolving Funds	66.458	12060-DEP43720-22509	<u>455,813</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through State Department of Economic and			
Community Development:			
Community Development Block Grants/State's Program and			
Non-Entitlement Grants in Hawaii	14.228	12060-ECD46350-20730	<u>34,950</u>
<u>U.S. Department of Justice:</u>			
Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	12060-OPM20350-29002	<u>7,500</u>
<u>U.S. Department of Transportation:</u>			
Passed through State Department of Transportation:			
ARRA - Highway Planning and Construction	20.205	12062-DOT57151-29015	88,031
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12062-DOT57513-22086	<u>9,943</u>
Total U.S. Department of Transportation			<u>97,974</u>
<u>U.S. Department of Education:</u>			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies		12060-20679-82070-2012-17002	1,741
Title I Grants to Local Educational Agencies		12060-20679-82070-2013-17002	<u>84,986</u>
Total Title I Grants to Local Educational Agencies	84.010		<u>86,727</u>
Special Education - Cluster:			
Special Education - Grants to States (IDEA, Part B)		12060-20977-82032-2012-170002	12,868
Special Education - Grants to States (IDEA, Part B)		12060-20977-82032-2013-170002	<u>294,548</u>
Total Special Education - Grants to States (IDEA, Part B)	84.027		<u>307,416</u>
Special Education - Preschool Grants (IDEA Preschool)		12060-20983-82032-2012-170002	369
Special Education - Preschool Grants (IDEA Preschool)		12060-20983-82032-2013-170002	<u>10,250</u>
Total Special Education - Preschool Grants (IDEA Preschool)	84.173		<u>10,619</u>
Total Special Education - Cluster			<u>318,035</u>
Improving Teacher Quality State Grants		12060-20858-84131-2012-170002	5,313
Improving Teacher Quality State Grants		12060-20858-84131-2013-170002	<u>34,598</u>
Total Improving Teacher Quality State Grants	84.367		<u>39,911</u>
Total U.S. Department of Education			<u>444,673</u>
<u>Environmental Health & Safety Department:</u>			
Passed through State Office of Emergency Management and Homeland Security:			
Disaster Grants - Public Assistance	97.036	12060-DPS32990-21891	<u>1,074,460</u>
Total Expenditures of Federal Awards			<u>\$ 2,317,822</u>

Town of Old Saybrook, Connecticut

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

1. Significant Accounting Policies

The accounting policies of the Town of Old Saybrook, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to Federal awards:

Basis of Presentation

The accompanying schedule of expenditures of Federal awards is presented on the modified accrual basis of accounting and a current financial resources measurement focus. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Noncash Federal Awards

The Town received and expended \$46,984 of USDA donated commodities under the National School Lunch Program.

Town of Old Saybrook, Connecticut
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Summary Schedule of Prior Audit Findings

Finding No. 2012-1 Prior Period Adjustment

Condition:

A prior period adjustment was reported for not properly recording a donation in the prior year.

Current Status:

Donations were properly recorded.

Town of Old Saybrook, Connecticut

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with OMB
Circular A-133, Section 510(a)? yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.027/84.173	Special Education Cluster
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes x no

II - Financial Statement Findings

None

III - Federal Awards Findings and Questioned Costs

None

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 Old Saybrook, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Saybrook, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 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'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.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

New London, Connecticut
December 30, 2013

Independent Auditor's Report on Compliance for Each
Major Federal Program; Report on Internal Control over
Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133

Board of Finance
Town of Old Saybrook, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Town of Old Saybrook, Connecticut's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major Federal programs for the year ended June 30, 2013. The Town's major Federal programs are identified in the summary of auditor's 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 Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major Federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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 Federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town 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 Federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Federal 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 Federal 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 Federal 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Saybrook, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated December 30, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

New London, Connecticut
December 30, 2013

**State
Single
Audit**

Town of Old Saybrook, Connecticut
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013

State Grantor/Pass-through Grantor/Program Title	State Grant Program Core-CT Number	State Project Number	Expenditures
<u>Department of Education:</u>			
Child Nutrition State Matching Grant	11000-SDE64370-16211	11000-16072-82051-2013-170005	\$ 5,420
Healthy Foods Initiative	11000-SDE64370-16212	11000-16212-82010-2013-170005	10,554
Adult Education	11000-SDE64370-17030	11000-17030-84003-2013-170013	4,861
Youth Services Bureau	11000-SDE64370-17052	11000-17052-82079-2013-170002	38,008
Youth Services Bureau Enhancement	11000-SDE64370-16201	11000-16201-82079-2013-170005	4,888
Health and Welfare - Private Schools	11000-SDE64370-17034	11000-17034-82010-2013-170006	5,231
School Breakfast Program	11000-SDE64370-17046	11000-17046-82057-2013	6,278
School Breakfast Program	11000-SDE64370-17046	11000-17046-82058-2013	188
<u>Office of Policy and Management:</u>			
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011		366
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018		65,750
Property Tax Relief for Veterans	11000-OPM20600-17024		8,698
Local Capital Improvement Program	12050-OPM20600-40254		67,295
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004		57,095
Housing Zone Program	12060-OPM20600-90526		35,000
<u>Department of Economic and Community Development:</u>			
Small Town Economic Assistance Program (STEAP)	12052-ECD46000-42411-149		220,346
<u>Department of Public Safety:</u>			
Drug Asset Forfeiture	12060-DPS32155-35142		5,140
<u>Department of Energy and Environmental Protection:</u>			
Clean Water Fund	21015-DEP43720-42318		1,472,063
<u>Department of Transportation:</u>			
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459		123,612
<u>Department of Emergency Services and Public Protection:</u>			
Telecommunications Fund	12060-DPS32740-35190		28,942
<u>Connecticut State Library:</u>			
State Grants to Public Libraries	11000-CSL66051-17003		1,212
Connecticard	11000-CSL66051-17010		9,650
Total State Financial Assistance before Exempt Programs			<u>2,170,597</u>
<u>Exempt Programs:</u>			
<u>Office of Policy and Management:</u>			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005		15,879
Municipal Revenue Sharing	12060-OPM20600-35458		108,978
<u>Department of Education:</u>			
Public School Transportation	11000-SDE64370-17027	11000-17027-82010-2012-170005	3,210
Education Cost Sharing	11000-SDE64370-17041-82010	11000-17041-82010-2012-170002	638,302
Excess Costs Student Based and Equity	11000-SDE64370-17047	1100-17047-82163-2012	424,855
Nonpublic School Transportation	11000-SDE64370-17049	11000-17049-82010-2011-170006	142
Total Exempt Programs			<u>1,191,366</u>
Total State Financial Assistance			<u>\$ 3,361,963</u>

See Notes to Schedule of State Financial Assistance.

Town of Old Saybrook, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2013

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Old Saybrook, Connecticut, under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including general government, public safety, public works, health and welfare, culture and recreation and education.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Old Saybrook, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board.

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 expenditures reported on the schedule of expenditures of state financial assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, 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.

2. Loan Program

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2013:

Department of Environmental Protection:

Clean Water Funds 21015-DEP43720-42318

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
Interim funding obligation	\$ 1,511,772	\$ 1,472,063	\$	\$ 2,983,835

Town of Old Saybrook, Connecticut
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Summary Schedule of Prior Audit Findings

Finding No. 2012-1 Prior Period Adjustment

Condition:

A prior period adjustment was reported for not properly recording a donation in the prior year.

Current Status:

Donations were properly recorded.

Town of Old Saybrook, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

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 programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core CT Number</u>	<u>Expenditures</u>
Department of Economic and Community Development:		
Small Town Economic Assistance Program	12052-ECD46000-42411-149	\$ 220,346
Department of Energy and Environmental Protection:		
Clean Water Fund	21015-DEP43720-42318	\$ 1,472,063
<ul style="list-style-type: none"> Dollar threshold used to distinguish between Type A and Type B programs: 		\$ 200,000

II - Financial Statement Findings

None

III - State Financial Assistance Findings and Questioned Costs

None

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 Old Saybrook, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Saybrook, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 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'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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

New London, Connecticut
December 30, 2013

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 Old Saybrook, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Old Saybrook, 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's major state programs for the year ended June 30, 2013. The Town's major state programs are identified in the summary of auditor's 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'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'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's compliance.

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town 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'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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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 the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Town of Old Saybrook, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated December 30, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

New London, Connecticut
December 30, 2013