

Annual Financial Report
of the
Town of Old Saybrook, Connecticut
Year Ended June 30, 2014

Town of Old Saybrook, Connecticut

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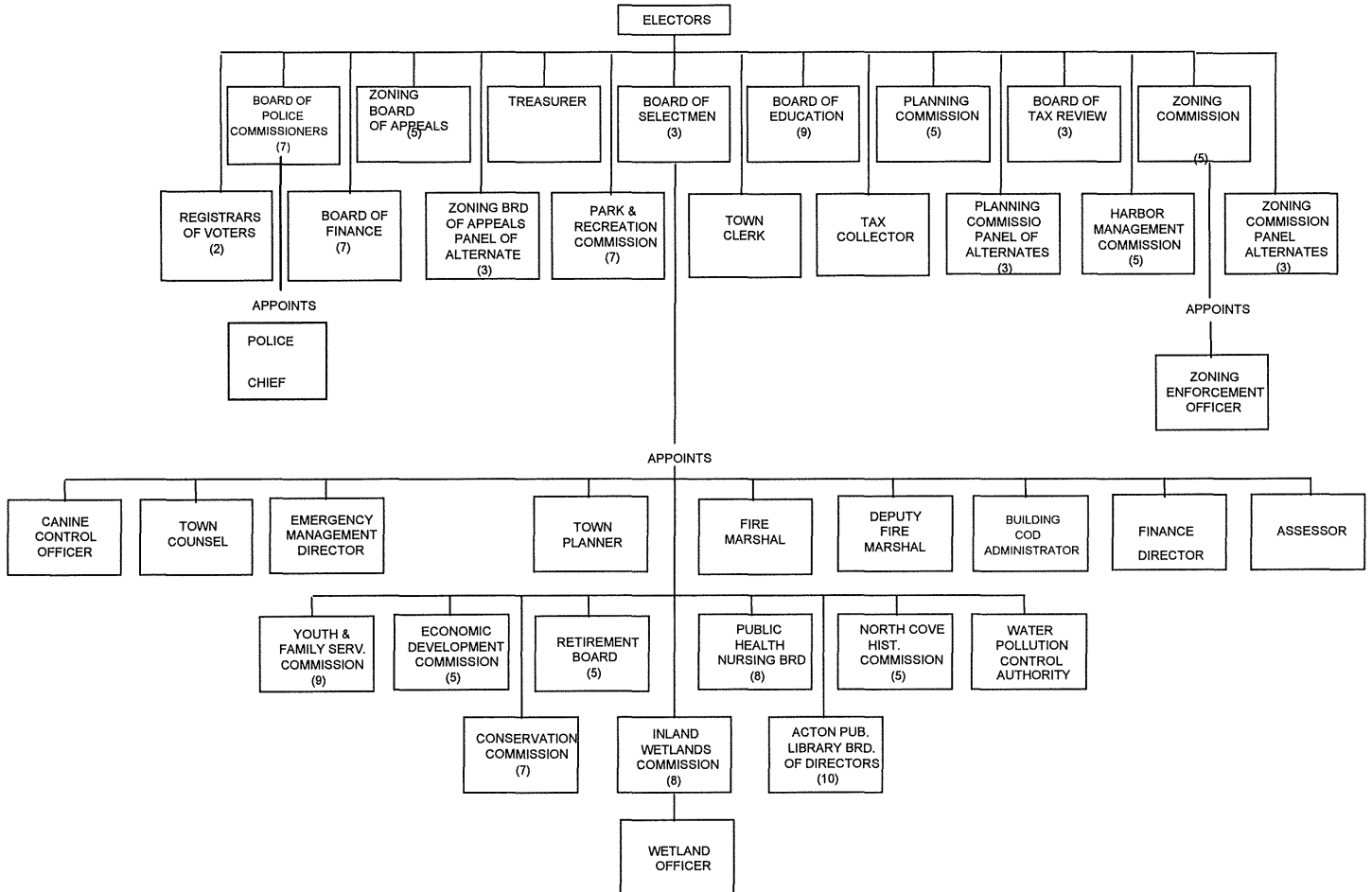
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Introductory Section

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, 2014, 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, 2014, 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 pension and other post-employment benefits plan schedules on pages 5 to 11 and pages 55 to 60, 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, 2014, 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.

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

New London, Connecticut
December 30, 2014

Management's Discussion and Analysis For the Year Ended June 30, 2014

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, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$74,133,788 (*net position*). Of this amount, the unrestricted net position is a deficit of \$10,801,846. The deficit position of unrestricted net position is primarily due to unspent bond proceeds of \$11,278,350 that are included in restricted net position.
- The Town's total net position decreased by \$2,476,806. The decrease is mainly attributable to interest payments on debt incurred for the police building project and various school construction projects.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$14,163,936, an increase of \$9,199,786 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,865,764 or 7.04% of total general fund budgetary expenditures and transfers out.
- The Town's total long-term bonded indebtedness increased by \$14,061,000 (81%) during the current fiscal year. The key factors in this increase were scheduled principal payments of \$1,575,000 and current refunding payment of \$2,380,000. Those retirements were offset by the addition of \$15,676,000 in general obligation bonds which are to be used for construction of the new police building and various school construction projects and the issuance of \$2,340,000 of refunding bonds.

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.

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 29 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 26 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.

Management's Discussion and Analysis (Continued)

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 \$74,133,788 at the close of the most recent fiscal year.

Town of Old Saybrook Net Position		
	2014	2013
Current and other assets	\$ 27,688,240	\$ 16,560,471
Capital assets (net)	<u>94,377,540</u>	<u>92,305,187</u>
Total assets	<u>122,065,780</u>	<u>108,865,658</u>
Deferred outflows of resources	<u>457,914</u>	<u>414,919</u>
Current liabilities	10,610,082	7,140,077
Noncurrent liabilities	<u>33,684,911</u>	<u>20,888,356</u>
Total liabilities	<u>44,294,993</u>	<u>28,028,433</u>
Deferred inflows of resources	<u>4,094,913</u>	<u>4,641,550</u>
Net position:		
Net investment in capital assets	73,491,897	73,450,395
Restricted:		
Endowments:		
Nonspendable	5,000	4,246
Expendable	1,184	1,938
Grant programs	45,436	45,207
Katrina relief	5,676	617
Public safety	20,428	20,473
Education	87,663	99,944
Capital projects	11,278,350	
Unrestricted (deficit)	<u>(10,801,846)</u>	<u>2,987,774</u>
Total net position	<u>\$ 74,133,788</u>	<u>\$ 76,610,594</u>

Management's Discussion and Analysis (Continued)

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 \$2,476,806 primarily due to work on the clean water project.

Town of Old Saybrook Changes in Net Position

	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 2,530,648	\$ 2,293,166
Operating grants and contributions	6,023,340	6,009,824
Capital grants and contributions	29,654	343,327
General revenues:		
Property taxes	37,995,840	36,386,749
Gain (loss) on sale of assets	(38,261)	411,436
Grants and contributions not restricted to specific programs	582,478	701,025
Investment income	197,271	134,348
Total revenues	<u>47,320,970</u>	<u>46,279,875</u>
Expenses:		
General government	5,804,868	5,688,414
Public safety	6,914,030	5,601,550
Public works	4,593,980	4,766,882
Health and welfare	1,390,968	476,756
Culture and recreation	1,776,547	2,168,920
Education	28,574,507	27,281,159
Interest expense	742,876	614,735
Total expenses	<u>49,797,776</u>	<u>46,598,416</u>
Change in net position	(2,476,806)	(318,541)
Net position - July 1	<u>76,610,594</u>	<u>76,929,135</u>
Net position - June 30	<u>\$ 74,133,788</u>	<u>\$ 76,610,594</u>

Management's Discussion and Analysis (Continued)

Major revenue factors included:

- Property taxes increased by \$1,609,091 due to an increase in the mill rate required to fund increased spending as adopted in the 2013/2014 budget.
- Charges for services increased by \$237,482 primarily due to wastewater project fees collected.

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

- Public safety expenses increased by \$1,312,480 primarily due to activity related to the police building project.
- Health and welfare expenses increased by \$914,212 primarily due to an increase in the Town's expenses relating to the Senior Housing project.
- The cost of education services increased by \$1,293,348 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 \$14,163,936, an increase of \$9,199,786 in comparison with the prior year. Unassigned fund balance is \$(148,967). No amount of total fund balance is available for spending at the Town's discretion. The negative position is due to Capital Nonrecurring Fund projects that are currently being funded by interim funding obligations. The remainder of fund balance is not available for appropriation or spending by the Town and is classified as follows: Nonspendable \$5,000, Restricted \$160,387, Committed \$14,108,052 and Assigned \$39,464.

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 \$2,865,764. 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 7.04% of total general fund budgetary expenditures and other financing uses.

The fund balance of the Town's general fund decreased by \$510,620 during the current fiscal year due to capital outlay expenses related to police vehicles and down payments on a new fire truck.

Management's Discussion and Analysis (Continued)

Capital Projects Fund

Capital projects fund revenues and other financing sources exceeded expenditures and other financing uses by \$10,964,138. This increase in fund balance is due to issuance of general obligation bonds for the police building project and various school construction projects.

Capital Nonrecurring Fund

Capital nonrecurring fund expenditures and other financing uses exceeded revenues and other financing sources by \$1,523,491. 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 \$962,871. The overall increase was the result of additional appropriations of \$962,871.

During the year, revenues and other financing sources exceeded budgetary estimates by \$393,160. This was primarily due to property tax revenue and state grant revenue exceeding revenue estimates. Actual expenditures were in line with appropriation amount and ended just under budgetary estimates and transfers out by \$40,891.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$94,377,540 (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 project to rebuild the Town Mini Golf Course that had been destroyed by Hurricane Sandy
- A new police headquarters building project

Town of Old Saybrook Capital Assets - Net

	2014	2013
Land	\$ 11,763,330	\$ 11,763,330
Construction in progress	7,474,512	4,994,204
Buildings	12,884,362	13,157,776
Building improvements	25,271,517	25,736,127
Land improvements	1,308,908	857,697
Machinery and equipment	1,209,550	1,288,880
Vehicles	1,580,144	1,525,456
Infrastructure	32,885,217	32,981,717
TOTAL	\$ 94,377,540	\$ 92,305,187

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 \$31,501,000 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>2014</u>	<u>2013</u>
General purposes	\$ 19,689,000	\$ 11,034,000
Schools	<u>11,812,000</u>	<u>8,006,000</u>
Total	<u>\$ 31,501,000</u>	<u>\$ 19,040,000</u>

As of June 30, 2014, 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 \$264,690,580, 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 99.1% 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 2014/2015 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$2,865,764. The Town has not appropriated any portion of the general fund balance for spending in the 2014/2015 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, 2014

	Governmental Activities
<u>Assets</u>	
Current assets:	
Cash	\$ 24,134,470
Investments	1,234,633
Receivables:	
Property taxes	290,206
Intergovernmental	179,649
Other	18,845
Other	16,844
Total current assets	25,874,647
Noncurrent assets:	
Restricted assets:	
Temporarily restricted cash	329,382
Temporarily restricted investments	58,829
Permanently restricted cash	6,184
Total restricted assets	394,395
Receivables (net):	
Property taxes	358,585
Other noncurrent assets:	
Net pension asset	1,060,613
Capital assets (net of accumulated depreciation):	
Land	11,763,330
Construction in progress	7,474,512
Buildings	12,884,362
Building improvements	25,271,517
Infrastructure	32,885,217
Land improvements	1,308,908
Machinery and equipment	1,209,550
Vehicles	1,580,144
Total capital assets (net of accumulated depreciation)	94,377,540
Total noncurrent assets	96,191,133
Total assets	122,065,780
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	457,914

(Continued)

Town of Old Saybrook, Connecticut

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 2,850,235
Accrued liabilities	124,646
Accrued interest payable	533,712
Interim funding obligation	4,388,279
Unearned revenue	14,973
Performance bonds	388,211
Bonds payable	2,036,000
Capital leases	89,216
Compensated absences	184,810
	<hr/>
Total current liabilities	10,610,082
	<hr/>
Noncurrent liabilities:	
Bonds payable and related liabilities	30,313,717
Capital leases	182,974
Compensated absences	739,239
Net pension obligation	871
Net OPEB obligation	2,448,110
	<hr/>
Total noncurrent liabilities	33,684,911
	<hr/>
Total liabilities	44,294,993
	<hr/>
<u>Deferred Inflows of Resources</u>	
Advanced property tax collections	4,094,913
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	73,491,897
Restricted for:	
Endowments:	
Nonspendable	5,000
Expendable	1,184
Grant programs	45,436
Katrina relief	5,676
Public safety	20,428
Education	87,663
Capital projects	11,278,350
Unrestricted (deficit)	(10,801,846)
	<hr/>
Total net position	\$ 74,133,788
	<hr/>

(Concluded)

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Statement of Activities
Year Ended June 30, 2014

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	\$ 5,804,868	\$ 735,558	\$ 213,969	\$ -	\$ (4,855,341)
Public safety	6,914,030	341,722	165,732	-	(6,406,576)
Public works	4,593,980	296,358	419,120	-	(3,878,502)
Health and welfare	1,390,968	180,536	503,717	-	(706,715)
Culture and recreation	1,776,547	352,384	30,487	29,654	(1,364,022)
Education	28,574,507	624,090	4,690,315	-	(23,260,102)
Interest expense	742,876	-	-	-	(742,876)
Total	<u>\$ 49,797,776</u>	<u>\$ 2,530,648</u>	<u>\$ 6,023,340</u>	<u>\$ 29,654</u>	<u>\$ (41,214,134)</u>
General revenues:					
Property taxes					\$ 37,995,840
Grants and contributions not restricted to specific programs					582,478
Loss on sale of assets					(38,261)
Investment income					<u>197,271</u>
Total general revenues					<u>38,737,328</u>
Change in net position					(2,476,806)
Net position - July 1, 2013					<u>76,610,594</u>
Net position - June 30, 2014					<u>\$ 74,133,788</u>

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Balance Sheet
Governmental Funds
June 30, 2014

	General	Capital Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 8,454,248	\$ 13,153,294	\$ 1,462,408	\$ 1,070,704	\$ 24,140,654
Restricted cash	329,382	-	-	-	329,382
Investments	143,100	-	-	1,091,533	1,234,633
Restricted Investments	58,829	-	-	-	58,829
Receivables:					
Property taxes	518,539	-	-	-	518,539
Intergovernmental	67,503	-	79,759	32,387	179,649
Other	18,845	-	-	-	18,845
Other	-	-	-	16,844	16,844
Total assets	\$ 9,590,446	\$ 13,153,294	\$ 1,542,167	\$ 2,211,468	\$ 26,497,375
<u>Liabilities</u>					
Accounts payable	\$ 1,644,730	\$ 947,986	\$ 108,365	\$ 149,154	\$ 2,850,235
Accrued liabilities	124,646	-	-	-	124,646
Interim funding obligation	-	-	4,388,279	-	4,388,279
Unearned revenue	-	-	-	14,973	14,973
Performance bonds	388,211	-	-	-	388,211
Total liabilities	2,157,587	947,986	4,496,644	164,127	7,766,344
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	472,182	-	-	-	472,182
Advanced collections of property taxes	4,094,913	-	-	-	4,094,913
Total deferred inflows of resources	4,567,095	-	-	-	4,567,095
<u>Fund Balances</u>					
Nonspendable	-	-	-	5,000	5,000
Restricted	-	-	-	160,387	160,387
Committed	-	12,205,308	-	1,902,744	14,108,052
Assigned	-	-	-	39,464	39,464
Unassigned	2,865,764	-	(2,954,477)	(60,254)	(148,967)
Total fund balances	2,865,764	12,205,308	(2,954,477)	2,047,341	14,163,936
Total liabilities, deferred inflows of resources and fund balances	\$ 9,590,446	\$ 13,153,294	\$ 1,542,167	\$ 2,211,468	\$ 26,497,375

(Continued)

Town of Old Saybrook, Connecticut

Reconciliation of Fund Balances
to Net Position of Governmental Activities
June 30, 2014

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)	\$ 14,163,936
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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	92,305,187
Current additions	4,070,708
Depreciation expense	(1,941,894)
Disposal of assets	(56,461)

Other long-term assets are not available resources and, therefore, are not reported in the funds:

Property tax interest and lien accrual	176,252
Allowance for doubtful accounts	(46,000)
Net pension asset	1,060,613

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

Property tax receivable - accrual basis change	472,182
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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	(31,501,000)
Bond premium	(848,717)
Capital lease obligation	(272,190)
Deferred charges	457,914
Compensated absences	(924,049)
Net pension obligation	(871)
Net OPEB obligation	(2,448,110)
Accrued interest payable	(533,712)

Net position of governmental activities	<u>\$ 74,133,788</u>
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(Concluded)

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General	Capital Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 37,831,554	\$ -	\$ -	\$ -	\$ 37,831,554
Intergovernmental	4,106,868	29,654	419,120	1,757,296	6,312,938
Charges for services	958,178	276,207	5,650	1,290,613	2,530,648
Investment income	72,113	-	366	124,792	197,271
Contributions	-	-	-	322,534	322,534
Total revenues	42,968,713	305,861	425,136	3,495,235	47,194,945
Expenditures:					
Current:					
General government	5,537,281	-	-	89,982	5,627,263
Public safety	3,766,554	-	-	1,078,500	4,845,054
Public works	2,355,717	-	-	-	2,355,717
Health and welfare	530,109	-	-	832,353	1,362,462
Culture and recreation	1,208,423	-	-	205,565	1,413,988
Education	26,165,008	-	-	1,691,437	27,856,445
Capital outlay	657,015	4,113,238	2,245,191	-	7,015,444
Debt service	2,129,325	68,000	-	-	2,197,325
Total expenditures	42,349,432	4,181,238	2,245,191	3,897,837	52,673,698
Excess (deficiency) of revenues over expenditures	619,281	(3,875,377)	(1,820,055)	(402,602)	(5,478,753)
Other financing sources (uses):					
Issuance of debt	-	14,076,000	-	-	14,076,000
Issuance of debt - refunding bonds	-	2,340,000	-	-	2,340,000
Payment to refunded bond escrow agent	-	(2,426,247)	-	-	(2,426,247)
Bond premium	-	304,586	-	-	304,586
Proceeds from sale of assets	18,200	-	-	-	18,200
Issuance of capital lease	-	366,000	-	-	366,000
Transfers in	-	179,176	445,000	683,212	1,307,388
Transfers out	(1,148,101)	(10,851)	(148,436)	-	(1,307,388)
Net other financing sources (uses)	(1,129,901)	14,828,664	296,564	683,212	14,678,539
Net change in fund balances	(510,620)	10,953,287	(1,523,491)	280,610	9,199,786
Fund balances - July 1, 2013	3,376,384	1,252,021	(1,430,986)	1,766,731	4,964,150
Fund balances - June 30, 2014	\$ 2,865,764	\$ 12,205,308	\$ (2,954,477)	\$ 2,047,341	\$ 14,163,936

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, 2014

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)	\$ 9,199,786
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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	4,070,708
Depreciation expense	(1,941,894)

Total	2,128,814
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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	(56,461)
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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	148,469
Change in property tax interest and lien revenue	15,817

Total	164,286
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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	(15,676,000)
Issuance of refunding bonds	(2,340,000)
Issuance of capital lease	(366,000)
Bond premium	(304,586)
Deferred charges	86,247
Principal repayments:	
General obligation bonds and bond anticipation note	3,215,000
Refunding bonds	2,340,000
Capital lease	93,810

Total	(12,951,529)
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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, 2014

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	\$ (281,596)
Net amortization of premiums and deferred charges	27,235
Compensated absences	21,432
Net OPEB obligation	(396,648)
Net pension asset	(332,145)
Net pension obligation	20
Total	(961,702)
Change in net position of governmental activities (Exhibit B)	\$ (2,476,806)
	(Concluded)

Town of Old Saybrook, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes, interest and lien fees	\$ 37,650,157	\$ 37,650,157	\$ 37,831,554	\$ 181,397
Intergovernmental	1,120,296	1,120,296	1,291,868	171,572
Charges for services	930,100	930,100	958,178	28,078
Investment income	60,000	60,000	72,113	12,113
Total revenues	39,760,553	39,760,553	40,153,713	393,160
Expenditures:				
Current:				
General government	5,358,604	5,537,281	5,537,281	-
Public safety	3,607,398	3,719,469	3,766,554	(47,085)
Public works	2,443,938	2,395,766	2,355,717	40,049
Health and welfare	510,067	530,109	530,109	-
Culture and recreation	1,170,573	1,208,423	1,208,423	-
Board of Education	23,397,935	23,397,935	23,350,008	47,927
Capital outlay	488,988	657,015	657,015	-
Debt service	2,172,050	2,129,325	2,129,325	-
Total expenditures	39,149,553	39,575,323	39,534,432	40,891
Excess (deficiency) of revenues over expenditures	611,000	185,230	619,281	434,051
Other financing sources (uses):				
Appropriation of fund balance	-	962,871	-	(962,871)
Proceeds from sale of assets	-	-	18,200	18,200
Transfers out	(611,000)	(1,148,101)	(1,148,101)	-
Net other financing sources (uses)	(611,000)	(185,230)	(1,129,901)	(944,671)
Net change in fund balance	\$ -	\$ -	(510,620)	\$ (510,620)
Fund balance - July 1, 2013			3,376,384	
Fund balance - June 30, 2014			\$ 2,865,764	

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Pension Trust Fund	Private- Purpose Trust Funds	Agency Funds
<u>Assets</u>			
Cash	\$ 443,011	\$ 96,337	\$ 325,321
Investments at fair value:			
Mutual funds:			
Money market mutual funds	592,578	23,700	-
Equity mutual funds	-	39,163	-
Equity mutual funds - International	-	36,554	-
Corporate bonds	-	96,900	-
Corporate bonds - International	-	15,618	-
U.S. Government Securities	-	8,205	-
U.S. Government Agency Securities	-	8,168	-
Certificates of deposit	-	67,741	90,854
Common stock	14,143,462	-	-
Corporate bonds	1,893,714	-	-
U.S. Government Securities	1,663,307	-	-
U.S. Government Agency Securities	1,492,452	-	-
Limited partnership	-	38,499	-
Total investments	19,785,513	334,548	90,854
Total assets	20,228,524	430,885	416,175
<u>Liability</u>			
Accounts payable	331	11,188	416,175
<u>Net Position</u>			
Net assets held in trust for pension benefits and other purposes	\$ 20,228,193	\$ 419,697	\$ -

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2014

	Pension Trust Fund	Private- Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 485,424	\$ -
Plan members	335,120	-
Other	-	15,870
Total contributions	820,544	15,870
Investment income (loss):		
Interest and dividends	417,546	4,817
Net change in fair value of investments	2,952,249	17,825
Total investment income (loss)	3,369,795	22,642
Less investment expense	153,240	-
Net investment income (loss)	3,216,555	22,642
Total additions	4,037,099	38,512
Deductions:		
Benefits	1,160,418	-
Administration	3,840	-
Other	-	31,500
Total deductions	1,164,258	31,500
Change in net position	2,872,841	7,012
Net position - July 1, 2013	17,355,352	412,685
Net position - June 30, 2014	\$ 20,228,193	\$ 419,697

See Notes to Financial Statements.

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**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
June 30, 2014

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
June 30, 2014**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 3% to 16% 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
June 30, 2014

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 performance bonds and endowment purposes. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of contract or the Town calls the bond for nonperformance. The endowment amounts are reflected in net position as restricted for other purposes. Endowment 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
June 30, 2014**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
June 30, 2014**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
June 30, 2014Committed

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
June 30, 2014**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
June 30, 2014

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, 2014.
9. There were additional appropriations of \$962,871 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	\$ 40,153,713	\$ 39,534,432	\$ 2,865,764
State contribution to Teachers' Retirement System	2,815,000	2,815,000	
Balance, GAAP basis, Exhibit D	<u>\$ 42,968,713</u>	<u>\$ 42,349,432</u>	<u>\$ 2,865,764</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**C. Deficit fund balances**

At June 30, 2014, the Town had a deficit fund balance in the following funds:

Nonmajor Governmental Funds

Emergency Management	\$ (56,396)
Senior Housing Grant	(3,858)

The deficits will be eliminated by contributions and future grant funding.

D. Excess of expenditures over appropriations

At June 30, 2014, expenditures exceeded appropriations in the following general fund department:

Department

Animal Control	\$ 47,085
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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 \$1,184 of appreciation available for appropriation at June 30, 2014.

F. Capital projects authorizations

The following is a summary of certain capital projects at June 30, 2014:

<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	200,278	41,970,922
Hepburn Cultural Arts Center	4,340,000	4,337,820	2,180
Public Works Garage Project	196,830	155,562	41,268
Ferry Dock Project	250,000	427,532	(177,532)
Emergency Communications	2,816,000	2,718,869	97,131
Mini Golf Repair Project	475,000	475,000	-
Police Building Project	11,195,000	4,037,582	7,157,418
School Renovations Projects 2014	4,481,000	-	4,481,000
Sidewalk Project	500,000	463,426	36,574
Total	<u>\$ 82,725,030</u>	<u>\$ 29,112,898</u>	<u>\$ 53,612,132</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014

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, 2014, \$24,809,881 (including certificates of deposit) of the Town's bank balance of \$25,789,428 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 22,253,893
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,555,988</u>
Total amount subject to custodial credit risk	<u>\$ 24,809,881</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, 2014, 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	\$ 616,278	\$	\$ 616,278	\$		\$
Equity mutual funds	39,163	39,163				
Equity mutual funds - International	36,554	36,554				
Corporate bonds	96,900			66,375	30,525	
Corporate bonds - International	15,618			12,979	2,639	
U.S. Government securities	8,205				8,205	
U.S. Government agency securities	8,168				8,168	
Certificates of deposit	382,979		382,979			
Bank money market accounts	43,073	43,073				
Common stock	14,712,430	14,712,430				
U.S. Government securities	1,869,903		71,077	828,606	648,624	321,596
U.S. Government agency securities	1,742,893			178,644	20,019	1,544,230
Corporate bonds	1,893,714		287,198	830,060	521,229	255,227
Limited partnership	38,499	38,499				
Total	\$ 21,504,377	\$ 14,869,719	\$ 1,357,532	\$ 1,916,664	\$ 1,239,409	\$ 2,121,053

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014

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	\$ 313,201	\$ 1,869,903	\$	\$	\$	\$	\$ 3,889	\$
AA	846,704				14,736	1,854	722	4,629
A	188,499				4,093	2,301	1,741	536
BBB	545,310				12,463	3,776	1,433	935
BB					22,896	4,863	264	1,461
B					14,479	1,656	104	380
CCC					17,411	389	52	151
Unrated			1,742,893	616,278	10,822	779		76
Total	\$ 1,893,714	\$ 1,869,903	\$ 1,742,893	\$ 616,278	\$ 96,900	\$ 15,618	\$ 8,205	\$ 8,168

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	\$ 14,712,430	\$ 501,354	\$ 14,211,076
Corporate bonds	1,893,714		1,893,714
U.S. Government securities	1,869,903		1,869,903
U.S. Government agency securities	1,742,893		1,742,893
Limited partnership	38,499	38,499	-
Total	\$ 20,257,439	\$ 539,853	\$ 19,717,586

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**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, 2014, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	Taxes	Interest & Lien Fees	Total
Current portion	\$ 235,723	\$ 54,483	\$ 290,206
Long-term portion	\$ 282,816	\$ 121,769	\$ 404,585
Less allowance for uncollectible	(17,000)	(29,000)	(46,000)
Net long-term portion	\$ 265,816	\$ 92,769	\$ 358,585

C. Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<u>Capital Assets, not being Depreciated:</u>				
Land	\$ 11,763,330	\$ -	\$ -	\$ 11,763,330
Construction in progress	4,994,204	3,575,837	1,095,529	7,474,512
Total Capital Assets, not being Depreciated	16,757,534	3,575,837	1,095,529	19,237,842
<u>Capital Assets, being Depreciated:</u>				
Buildings	34,014,851	155,562	-	34,170,413
Building improvements	28,833,852	43,620	-	28,877,472
Infrastructure	44,631,501	470,841	-	45,102,342
Land improvements	4,705,501	526,445	-	5,231,946
Machinery and equipment	3,068,884	107,578	-	3,176,462
Vehicles	4,892,322	286,354	295,562	4,883,114
Total Capital Assets, being Depreciated	120,146,911	1,590,400	295,562	121,441,749
Total Capital Assets	136,904,445	5,166,237	1,391,091	140,679,591

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<u>Less Accumulated Depreciation for:</u>				
Buildings	\$ 20,857,075	\$ 428,976	\$ -	\$ 21,286,051
Building improvements	3,097,725	508,230	-	3,605,955
Infrastructure	11,649,784	567,341	-	12,217,125
Land improvements	3,847,804	75,234	-	3,923,038
Machinery and equipment	1,780,004	186,908	-	1,966,912
Vehicles	3,366,866	175,205	239,101	3,302,970
Total Accumulated Depreciation	44,599,258	1,941,894	239,101	46,302,051
Total Capital Assets, being Depreciated, net	75,547,653	(351,494)	56,461	75,139,698
Capital Assets, net	\$ 92,305,187	\$ 3,224,343	\$ 1,151,990	\$ 94,377,540

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

General government	\$ 837,602
Public safety	213,466
Public works	159,085
Culture and recreation	84,338
Education	<u>647,403</u>

Total depreciation expense \$ 1,941,894

D. Interfund accounts**Interfund transfers**

A summary of interfund transfers for the year ended June 30, 2014 is as follows:

	Corresponding Fund	Transfer In	Transfer Out
Major funds:			
General fund:			
Capital projects	N/A	\$ -	\$ 30,740
Capital nonrecurring	N/A	-	445,000
Youth and family grants fund	N/A	-	345
Fire marshal	N/A	-	1,156
Emergency management	N/A	-	640,860
Administration fund	N/A	-	<u>30,000</u>
Total general fund		-	<u>1,148,101</u>
Capital projects fund:			
Capital projects	General Fund	30,740	-
Capital projects	Capital Nonrecurring Fund	148,436	-
Capital projects	Senior Housing Grant Fund	-	<u>10,851</u>
Total capital projects fund		<u>179,176</u>	<u>10,851</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014

	<u>Corresponding Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Capital nonrecurring fund:			
Capital nonrecurring	General Fund	\$ 445,000	\$ -
Capital nonrecurring	Capital Projects Fund	-	148,436
Total capital nonrecurring fund		<u>445,000</u>	<u>148,436</u>
Nonmajor governmental funds:			
Youth and family grants fund	General Fund	345	-
Fire marshal	General Fund	1,156	-
Emergency management	General Fund	640,860	-
Administration fund	General Fund	30,000	-
Senior housing grant fund	Capital Projects Fund	<u>10,851</u>	<u>-</u>
Total nonmajor governmental funds		<u>683,212</u>	<u>-</u>
Grand total		<u>\$ 1,307,388</u>	<u>\$ 1,307,388</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 payment is as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 166,000

The total cost for the lease for the year ended June 30, 2014 was \$166,000.

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, 2014 was as follows:

<u>Type of Obligation</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>
Interim Funding Obligation:				
Clean Water	<u>\$ 2,983,835</u>	<u>\$ 1,404,444</u>	<u>\$ -</u>	<u>\$ 4,388,279</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014

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, 2013	Additions	Deductions	Balance June 30, 2014	Current Portion
General Purpose:									
Refunding bonds	\$ 2,723,000	05/21/08	02/15/21	3.0%-4.5%	\$ 1,404,000	\$ -	\$ 180,000	\$ 1,224,000	\$ 177,000
Refunding bonds	5,650,000	03/19/09	07/15/23	2.0%-4.25%	4,170,000	-	390,000	3,780,000	385,000
Improvement bonds	2,980,000	07/07/09	01/01/24	2.625%-4.0%	2,580,000	-	2,580,000	-	-
Refunding bonds	1,412,000	08/15/10	08/15/26	1.5%-4.0%	1,280,000	-	130,000	1,150,000	125,000
Improvement bonds	1,200,000	10/31/13	11/01/33	2.0%-4.0%	-	1,200,000	-	1,200,000	45,000
Improvement bonds	9,995,000	10/31/13	11/01/33	2.0%-4.0%	-	9,995,000	-	9,995,000	360,000
Refunding bonds	2,340,000	12/04/13	07/15/23	2.0%-4.0%	-	2,340,000	-	2,340,000	110,000
Total general purpose					9,434,000	13,535,000	3,280,000	19,689,000	1,202,000
School Bonds:									
Refunding bonds	1,737,000	05/21/08	02/15/21	3.0%-4.5%	896,000	-	115,000	781,000	113,000
Refunding bonds	7,943,000	08/15/10	08/15/26	1.5%-4.0%	7,110,000	-	560,000	6,550,000	550,000
Improvement bonds	1,200,000	10/31/13	11/01/33	2.0%-4.0%	-	1,200,000	-	1,200,000	45,000
Improvement bonds	3,281,000	10/31/13	11/01/33	2.0%-4.0%	-	3,281,000	-	3,281,000	126,000
Total school					8,006,000	4,481,000	675,000	11,812,000	834,000
Total bonds and notes					17,440,000	18,016,000	3,955,000	31,501,000	2,036,000
Bond anticipation note					1,600,000	-	1,600,000	-	-
Bond premiums					614,618	304,586	70,487	848,717	-
Total bonds, notes and related liabilities					19,654,618	18,320,586	5,625,487	32,349,717	2,036,000
Compensated absences					945,481	61,849	83,281	924,049	184,810
Net pension obligation - Fire					891	74,193	74,213	871	-
Capital leases					-	366,000	93,810	272,190	89,216
Net OPEB obligation					2,051,462	936,648	540,000	2,448,110	-
Total long-term obligations					\$ 22,652,452	\$ 19,759,276	\$ 6,416,791	\$ 35,994,937	\$ 2,310,026

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
2015	\$ 2,036,000	\$ 1,231,548
2016	2,360,000	940,475
2017	2,375,000	872,831
2018	2,390,000	804,982
2019	2,385,000	730,338
2020 - 2024	10,650,000	2,468,271
2025 - 2029	5,180,000	1,155,159
2030 - 2034	4,125,000	411,499
	<u>\$ 31,501,000</u>	<u>\$ 8,615,103</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

June 30, 2014

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	\$ 85,079,115	\$ 19,689,000	\$ 65,390,115
Schools	170,158,230	11,812,000	158,346,230
Sewers	141,798,525	-	141,798,525
Urban renewal	122,892,055	-	122,892,055
Pension deficit	113,438,820	-	113,438,820

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$264,690,580.

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. Current year refunding

In December of 2013, The Town issued \$2,340,000 of general obligation bonds for a current refunding of \$2,380,000 of general obligation bonds. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$137,267 and a reduction of \$159,227 in future debt service payments.

4. Prior years' advanced refunding

In prior years, the Town had 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, 2014, the amount of defeased debt outstanding but removed from the Town's financial statements amounted to \$13,620,000.

5. Subsequent event

On November 20, 2014, the Town issued \$3,000,000 of general obligation bonds with an interest rate of 1.25-4.00% maturing in December 2034. The bonds will be used to purchase 930 acres of open space known as "The Preserve".

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**H. Capital Lease**

At June 30, 2014, the Town is committed under a lease for multiple vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Vehicles totaling \$239,641 and accumulated amortization of \$17,393 are recorded under capital leases as of June 30, 2014. Amortization of vehicles under capital leases is included with depreciation expense.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments as of June 30, 2014:

Year Ending <u>June 30,</u>	
2015	\$ 93,811
2016	93,810
2017	<u>93,810</u>
Total	281,431
Less amount representing interest	<u>9,241</u>
Present value of minimum lease payments	<u>\$ 272,190</u>

I. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$87,663 at June 30, 2014.

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**J. Fund balance classifications**

As of June 30, 2014, 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	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
<u>Restricted:</u>					
Donor purposes	-	-	-	1,184	1,184
Grant programs	-	-	-	45,436	45,436
Katrina relief	-	-	-	5,676	5,676
Public safety	-	-	-	20,428	20,428
Education	-	-	-	87,663	87,663
Total restricted	-	-	-	160,387	160,387
<u>Committed:</u>					
General government	-	-	-	1,067,724	1,067,724
Public safety	-	-	-	109,235	109,235
Parks and recreation programs	-	-	-	171,748	171,748
Library	-	-	-	72,863	72,863
Insurance	-	-	-	21,817	21,817
Police services	-	-	-	49,482	49,482
Gateway	-	-	-	28,447	28,447
Youth and family	-	-	-	125,571	125,571
Senior Housing	-	-	-	14,139	14,139
Education	-	-	-	241,718	241,718
Capital outlay	-	12,205,308	-	-	12,205,308
Total committed	-	12,205,308	-	1,902,744	14,108,052
<u>Assigned:</u>					
Public safety	-	-	-	362	362
Parks and recreation	-	-	-	16,972	16,972
Probate	-	-	-	16,008	16,008
Police explorer	-	-	-	5,428	5,428
Shellfish commission	-	-	-	694	694
Total assigned	-	-	-	39,464	39,464
<u>Unassigned</u>	2,865,764		(2,954,477)	(60,254)	(148,967)
Total	\$ 2,865,764	\$12,205,308	\$ (2,954,477)	\$ 2,047,341	\$ 14,163,936

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**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
June 30, 2014**2. Summary of significant accounting policies and plan asset matters****a. Valuation of investments**

Investments are valued at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

3. Classes of employees covered

Plan Participants at July 1, 2013 (Town) and July 1, 2013 (Fire)

	<u>Town</u>	<u>Fire</u>
Retirees and beneficiaries currently receiving benefits	67	8
Terminated employees entitled to benefits but not yet receiving them	14	18
Active plan members	<u>114</u>	<u>76</u>
Total plan participants	<u>195</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.

The plan's normal retirement date of any police participant is the first day of the month coinciding with or next following the earlier of the member's 60th birthday or the attainment of 25 years of credited service. For any non-police participant, the normal retirement date shall be the first day of the month coinciding with or next following the earlier of the member's 62nd birthday and the completion of 5 years of credited service. The plan's early retirement date of any participant who is 55 years of age and has completed at least 15 years of credited service is the first day of any month on or after such date in which the participant elects to terminate employment and retire prior to his or her normal retirement date.

Town of Old Saybrook, Connecticut

Notes to Statements June 30, 2014

The retirement benefits at normal retirement:

Police participants with 25 or more years of credited service - 2% of participant's final average earnings multiplied by such participant's years of credited service. The maximum multiple for credited service is 35 years.

Police participants retiring prior to age 62 and have not completed 25 years of credited service:

- Benefit payable prior to attainment of age 62 – 2% of participant's final average earnings multiplied by such participant's years of credited service. The maximum multiple for credited service is 35 years.
- Benefit payable after attainment of age 62 – 1.5% of participant's final average earnings multiplied by such participant's years of credited service. The maximum multiple for credited service is 35 years.

Non-Police participants – 1.5% of participant's final average earnings multiplied by such participant's years of credited service prior to July 1, 1988 plus 2% of participant's final average earnings multiplied by such participant's years of credited service after June 30, 1988. The maximum multiple for credited service is 35 years.

The retirement benefits at early retirement:

Early retirement benefits are computed in accordance with the benefits under normal retirement date but shall be reduced by one-half percent (1/2%) for each month by which such participant's early retirement date precedes his or her normal retirement date.

Fire Company Plan

The plan covers substantially all active volunteers of the Old Saybrook Fire Company #1. In order to be eligible for the plan, the employee must complete one year of service. Administrative costs are financed from investment earnings.

The retirement benefits at normal retirement:

The plan's normal retirement date of members in the plan is the first day of the month coinciding with or next following the member's 65th birthday. The normal retirement benefit received annually is as follows:

- Effective July 1, 2014 - \$270 multiplied by years of credited service up to a maximum of 30 years.
- For members who retire after July 1, 2003 but prior to July 1, 2014 - \$215 multiplied by years of credited service up to a maximum of 25 years.
- For members who retire prior to July 1, 2003 - \$174 multiplied by years of credited service up to a maximum of 25 years.

Town of Old Saybrook, Connecticut

Notes to Statements
June 30, 2014

The retirement benefits at early retirement:

The plan's early retirement date of any member who is 55 years of age and has completed at least 15 years of credited service is the first day of any subsequent month after election to retire but not later than his normal retirement date. Such benefit will be reduced by 6% per year for each year that early retirement date precedes normal retirement date.

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.12. - Annual Pension Cost and Net Pension Obligation (Asset). The contributions for the year ended June 30, 2014 represent 9.05% of covered payroll.

c. Employee contributions

Town 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. Investments

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension and Benefits Board. It is the policy of the Town's Pension and Benefits Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>Town Plan</u>	<u>Fire Plan</u>
Large Cap Growth	30.00%	30.00%
Large Cap Value	30.00%	30.00%
Core Fixed Income	40.00%	40.00%

6. Concentrations

There were no investments in any one organization that represented 5% or more of the pension plans' net position.

Town of Old Saybrook, Connecticut

Notes to Statements
June 30, 2014**7. Rate of return**

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.86% for the Town Plan and Fire Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

8. Net pension liability

The components of the net pension liability at June 30, 2014 were as follows:

	<u>Town Plan</u>	<u>Fire Plan</u>
Total pension liability	\$ 26,185,702	\$ 1,525,862
Plan fiduciary net position	<u>19,438,199</u>	<u>789,994</u>
Net pension liability	<u>\$ 6,747,503</u>	<u>\$ 735,868</u>
Plan fiduciary net position as percentage of the total pension liability	<u>74.23%</u>	<u>51.77%</u>

9. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement

The actuarial accrued liability is determined under the entry age method. Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

GASB 27

	<u>Town Plan</u>	<u>Fire Plan</u>
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	75% of expected actuarial value plus 25% actual market value	75% of expected actuarial value plus 25% actual market value
Post-retirement increases	None	None
Amortization method	Level dollar	Level dollar
Inflation	3.00%	3.00%
Salary increase	Age-based graded scale	N/A
Investment rate of return	8.00%, net of investment expense	8.00%, net of investment expense

Town of Old Saybrook, Connecticut

Notes to Statements
June 30, 2014

GASB 67

	<u>Town Plan</u>	<u>Fire Plan</u>
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair value	Fair value
Post-retirement increases	None	None
Amortization method	Level dollar	Level dollar
Inflation	3.00%	3.00%
Salary increase	3.50%	N/A
Cost of living adjustment	None	None
Investment rate of return	8.00%, net of investment expense	8.00%, net of investment expense
Mortality rates	RP-2000 Mortality Table with generational projection per Scale AA	RP-2000 Mortality Table with Blue Collar adjustment, with static projection of future mortality improvements to 2019 per Scale AA

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Long-Term Expected Real Rate of Return

<u>Asset Class</u>	<u>Town Plan</u>	<u>Fire Plan</u>
Cash	.50%	.50%
Core Fixed Income	2.20%	2.20%
Broad US Equities	6.12%	6.12%
Developed Foreign Equities	6.29%	6.29%

Discount rate

The discount rate used to measure the total pension liability was 6.34% for Town Plan and 8.00% for the Fire Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Town of Old Saybrook, Connecticut

Notes to Statements
June 30, 2014

Town Plan - Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient. The municipal bond rate used in the discount rate was 4.29% and was determined from Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate was reduced to 6.34% from the 6.61% used in the prior year valuation.

Fire Plan - Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability for the Town Plan, calculated using the discount rate of 6.34% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.34%) or 1-percentage-point higher (7.34%) than the current rate:

	1% Decrease (5.34%)	Current Discount (6.34%)	1% Increase (7.34%)
Net Pension Liability	\$ 9,739,346	\$ 6,747,503	\$ 4,237,212

The following presents the net pension liability for the Fire Plan, calculated using the discount rate of 8.00% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Net Pension Liability	\$ 928,872	\$ 735,868	\$ 572,126

Town of Old Saybrook, Connecticut

Notes to Statements
June 30, 2014**11. Funded status and funding progress (GASB 27)**

The funded status of the plan as of July 1, 2013 (Town Plan) and July 1, 2013 (Fire Plan) 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, 2013	\$17,394,679	\$21,066,367	\$(3,671,688)	82.6%	\$4,627,012	79.4%
<u>Fire Company Plan</u>						
July 1, 2013	\$ 672,022	\$ 1,480,253	\$ (808,231)	45.4%	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.

12. 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	\$ 712,919	\$ 74,213
Interest on net pension obligation	(111,421)	71
Adjustment to annual required contribution	<u>141,858</u>	<u>(91)</u>
Annual pension cost	743,356	74,193
Contributions made	<u>411,211</u>	<u>74,213</u>
Change in net pension asset (obligation)	(332,145)	20
Net pension asset (obligation), July 1, 2013	<u>1,392,758</u>	<u>(891)</u>
Net pension asset (obligation), June 30, 2014	<u>\$ 1,060,613</u>	<u>\$ (871)</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements

June 30, 2014

13. 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>			
2012	\$ 619,931	49%	\$ 1,746,844
2013	713,422	50%	1,392,758
2014	743,356	55%	1,060,613
<u>Fire Plan</u>			
2012	\$ 66,174	99%	\$ (806)
2013	68,698	100%	(891)
2014	74,193	100%	(871)

14. Plan Statements

Statement of Fiduciary Net Position
June 30, 2014

	<u>Town Plan</u>	<u>Fire Plan</u>
Assets		
Cash	\$ 402,468	\$ 40,543
Investments at fair value:		
Money market mutual funds	592,578	-
Common stock	13,591,184	552,278
Corporate bonds	1,696,541	197,173
U.S. Government Securities	1,663,307	-
U.S. Government Agency Securities	1,492,452	-
Total investments	<u>19,036,062</u>	<u>749,451</u>
Total Assets	19,438,530	789,994
Liabilities		
Accounts payable	<u>331</u>	<u>-</u>
Net position		
Net position held in trust for pension benefits	<u>\$ 19,438,199</u>	<u>\$ 789,994</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014

	Town Plan	Fire Plan
Additions		
Contributions:		
Employer	\$ 411,211	\$ 74,213
Plan members	<u>335,120</u>	
Total contributions	<u>746,331</u>	<u>74,213</u>
Investment income:		
Interest and dividends	402,576	14,970
Net change in fair value of investments	<u>2,857,961</u>	<u>94,288</u>
Total investment income	<u>3,260,537</u>	<u>109,258</u>
Less investment expense	<u>147,510</u>	<u>5,730</u>
Net investment income	<u>3,113,027</u>	<u>103,528</u>
Total additions	<u>3,859,358</u>	<u>177,741</u>
Deductions:		
Benefits	1,117,286	43,132
Administration	<u>3,840</u>	<u>-</u>
Total deductions	<u>1,121,126</u>	<u>43,132</u>
Change in net position	2,738,232	134,609
Net position, July 1, 2013	<u>16,699,967</u>	<u>655,385</u>
Net position, June 30, 2014	<u>\$ 19,438,199</u>	<u>\$ 789,994</u>

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.

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**b. Employer contributions**

Contribution 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's total plan contribution was \$540,000.

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.

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
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Town

July 1, 2012	\$ -	\$10,117,000	\$(10,117,000)	0.0%	\$16,534,000	(61.2%)
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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
June 30, 2014

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

Actuarial assumptions:

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	\$ 914,000
Interest on net OPEB obligation	143,602
Adjustment to annual required contribution	<u>(120,954)</u>
Annual OPEB cost	936,648
Contributions made	<u>(540,000)</u>
Change in net OPEB obligation	396,648
Net OPEB obligation - July 1, 2013	<u>2,051,462</u>
Net OPEB obligation - June 30, 2014	<u>\$ 2,448,110</u>

Town of Old Saybrook, Connecticut

Notes to Financial Statements
June 30, 2014**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>			
2012	\$ 869,554	56.5%	\$1,629,935
2013	938,527	55.1%	2,051,462
2014	936,648	57.7%	2,448,110

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 \$2,815,000.

Required Supplementary Information

Town of Old Saybrook, Connecticut

Required Supplementary Information
Schedules of Changes in the Net Pension Liability and Related Ratios - Old Saybrook Retirement Plans
Current Fiscal Year

	<u>Town Plan</u>	<u>Fire Plan</u>
	<u>2014</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 763,535	\$ 35,373
Interest	1,613,662	114,655
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	720,919	-
Benefit payments, including refunds of member contributions	(1,104,947)	(43,132)
Net change in total pension liability	<u>1,993,169</u>	<u>106,896</u>
Total pension liability, beginning	<u>24,192,533</u>	<u>1,418,966</u>
Total pension liability, ending (a)	<u>\$ 26,185,702</u>	<u>\$ 1,525,862</u>
Plan fiduciary net position		
Contributions - employer	\$ 411,211	\$ 74,213
Contributions - member	335,120	-
Net investment income	3,113,027	103,528
Benefit payments, including refunds of member contributions	(1,117,286)	(43,132)
Administrative expense	(3,840)	-
Net change in plan fiduciary net position	<u>2,738,232</u>	<u>134,609</u>
Plan fiduciary net position - beginning	<u>16,699,967</u>	<u>655,385</u>
Plan fiduciary net position - ending (b)	<u>\$ 19,438,199</u>	<u>\$ 789,994</u>
Town's net pension liability (a)- (b)	<u>\$ 6,747,503</u>	<u>\$ 735,868</u>
Plan fiduciary net position as a percentage of total pension liability	74.23%	51.77%
Covered employee payroll	\$ 4,542,061	N/A
Town's net pension liability as a percentage of covered employee payroll	148.56%	N/A

Notes to Schedule:

Amounts reported as changes of assumptions were primarily the result of adjustments in mortality rates.

Town of Old Saybrook, Connecticut

Required Supplementary Information
Schedules of Net Pension Liability - Old Saybrook Retirement Plans
Current Fiscal Year

	<u>Town Plan</u>	<u>Fire Plan</u>
	<u>2014</u>	<u>2014</u>
Total pension liability	\$ 26,185,702	\$ 1,525,862
Plan fiduciary net position	<u>19,438,199</u>	<u>789,994</u>
Net pension liability	<u>\$ 6,747,503</u>	<u>\$ 735,868</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74.23%</u>	<u>51.77%</u>

Town of Old Saybrook, Connecticut

Required Supplementary Information
Schedules of Town Contributions - Old Saybrook Retirement Plans
Last 10 Fiscal Years

Town Plan						
Actuarial Valuation Date July 1	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	% of ARC Contributed	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2004	\$ -	\$ 252,984	\$ (252,984)	N/A	\$ 3,025,053	8.36%
2005	-	268,649	(268,649)	N/A	3,155,338	8.51%
2006	-	272,794	(272,794)	N/A	3,339,550	8.17%
2007	34,656	283,054	(248,398)	816.8%	3,470,663	8.16%
2008	24,371	287,259	(262,888)	1178.7%	3,461,713	8.30%
2009	66,305	287,259	(220,954)	433.2%	3,574,134	8.04%
2010	475,358	298,579	176,779	62.8%	3,852,237	7.75%
2011	574,829	302,965	271,864	52.7%	3,737,359	8.11%
2012	675,246	359,336	315,910	53.2%	4,140,391	8.68%
2013	712,919	411,211	301,708	57.7%	4,542,061	9.05%

Fire Plan						
Actuarial Valuation Date July 1	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	% of ARC Contributed	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2004	\$ 34,981	\$ 35,500	\$ (519)	101.5%	N/A	N/A
2005	38,304	35,000	3,304	91.4%	N/A	N/A
2006	42,770	35,000	7,770	81.8%	N/A	N/A
2007	46,192	40,000	6,192	86.6%	N/A	N/A
2008	43,105	40,000	3,105	92.8%	N/A	N/A
2009	46,553	40,000	6,553	85.9%	N/A	N/A
2010	61,272	61,272	-	100.0%	N/A	N/A
2011	66,174	65,368	806	98.8%	N/A	N/A
2012	68,716	68,613	103	99.9%	N/A	N/A
2013	74,213	74,213	-	100.0%	N/A	N/A

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Dollar
Remaining amortization period	20 years
Asset valuation method	Market Value
Inflation	3%
Salary increases, including longevity	3.5% for Town plan; N/A for Fire plan
Investment rate of return	8%, net of pension plan investment expense including inflation
Retirement age	Police - Earlier of age 60 or 25 years of service Others - Age 62 with 5 years of participation Fire - Age 65
Mortality	Town Plan - RP-2000 Combined Healthy Mortality Table, with generational projection per Mortality Projection Scale AA Fire Plan - RP-2000 Combined Healthy Mortality Table, with Blue Collar adjustment with static projection of future mortality improvements to 2019 per Scale AA

Town of Old Saybrook, Connecticut

Required Supplementary Information
Schedule of Investment Returns - Old Saybrook Retirement Plans

Money-Weighted Rate of Return for Fiscal year ended June 30,	Town Plan	Fire Plan
2014	16.86%	16.86%

Town of Old Saybrook, Connecticut
Required Supplementary Information
Schedule of Town Contributions - Other Post-Employment Benefits Plan

Other Post-Employment Benefits Plan						
Fiscal Year Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	% of ARC Contributed	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2009	\$ 786,000	\$ 356,000	\$ 430,000	45.3%	N/A	N/A
2010	826,000	414,000	412,000	50.1%	N/A	N/A
2011	867,000	473,000	394,000	54.6%	N/A	N/A
2012	852,000	491,000	361,000	57.6%	N/A	N/A
2013	918,000	517,000	401,000	56.3%	N/A	N/A
2014	914,000	540,000	374,000	59.1%	16,534,000	3.27%

Notes to Schedule

Valuation Date: July 1, 2012

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	Market value, as reported by the Town
Medical care inflation rate	Initial - 7.0%; ultimate - 4.6%
Investment rate of return	7.0%, net of OPEB plan investment expense including inflation
Mortality	RP-2000 Combined Healthy Mortality Table, applied on a fully generational basis using Mortality Projection Scale AA

Town of Old Saybrook, Connecticut

Required Supplementary Information
Schedules of Funding Progress
Old Saybrook Retirement Plans and Other Post-Employment Benefits Plan
Last 10 Fiscal Years **

Town Plan						
Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded (Excess) AAL	Annual Covered Payroll	Unfunded (Excess) AAL as % of Covered Payroll
2008	\$ 17,863,894	\$ 15,600,920	114.5%	\$ (2,262,974)	\$ 3,574,134	-63.3%
2009	15,330,433	16,824,391	91.1%	1,493,958	3,852,237	38.8%
2010	15,741,445	18,323,182	85.9%	2,581,737	3,737,359	69.1%
2011	16,333,130	19,249,102	84.9%	2,915,972	4,140,391	70.4%
2012	16,697,547	20,083,455	83.1%	3,385,908	4,542,061	74.5%
2013	17,394,679	21,066,367	82.6%	3,671,688	4,627,012	79.4%

Fire Plan						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
2004	\$ 321,458	\$ 526,077	61.1%	\$ 204,619	N/A	N/A
2005	351,291	575,047	61.1%	223,756	N/A	N/A
2007	416,624	676,111	61.6%	259,487	N/A	N/A
2009	421,036	774,127	54.4%	353,091	N/A	N/A
2011	535,642	938,391	57.1%	402,749	N/A	N/A
2013	672,022	1,480,253	45.4%	808,231	N/A	N/A

Other Post-Employment Benefits Plan						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
2008	\$ -	\$ 10,041,000	0.0%	\$ 10,041,000	N/A	N/A
2010	-	9,668,000	0.0%	9,668,000	N/A	N/A
2012	-	10,117,000	0.0%	10,117,000	\$ 16,534,000	61.2%

** The OPEB Plan does not have six years of data available for presentation.

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, 2014

	Original Budget	Additional Appropriation Amendments	Final Budget	Actual	Variance With Final Budget
Taxes, interest and lien fees:					
General property taxes	\$ 37,490,157	\$ -	\$ 37,490,157	\$ 37,631,778	\$ 141,621
Interest and lien fees	100,000	-	100,000	140,609	40,609
Telecommunication tax	60,000	-	60,000	59,167	(833)
Total taxes, interest and lien fees	37,650,157	-	37,650,157	37,831,554	181,397
Intergovernmental:					
Educational equalization (ECS)	709,858	-	709,858	709,390	(468)
Municipal revenue sharing	-	-	-	103,586	103,586
Town aid road fund	247,223	-	247,223	247,536	313
Local capital improvement (LOCIP)	83,170	-	83,170	67,503	(15,667)
Grant in lieu of taxes	-	-	-	55,471	55,471
Elderly tax relief	65,750	-	65,750	70,452	4,702
Mashantucket Pequot funds	-	-	-	15,545	15,545
Miscellaneous state revenues	14,295	-	14,295	22,385	8,090
Total intergovernmental	1,120,296	-	1,120,296	1,291,868	171,572
Charges for services:					
Board of selectmen	500	-	500	2,445	1,945
Town clerk fees	330,000	-	330,000	346,165	16,165
Assessor	1,000	-	1,000	205	(795)
Building department	200,000	-	200,000	257,978	57,978
Land use	30,000	-	30,000	21,515	(8,485)
Zoning board of appeals	10,000	-	10,000	10,000	-
Planning commission	-	-	-	612	612
Inland wetlands	1,600	-	1,600	1,012	(588)
Police department	12,000	-	12,000	9,115	(2,885)
Transfer station	100,000	-	100,000	106,917	6,917
Library fees and fines	5,000	-	5,000	5,449	449
Parks and recreation	180,000	-	180,000	135,638	(44,362)
Miscellaneous	60,000	-	60,000	61,127	1,127
Total charges for services	930,100	-	930,100	958,178	28,078
Investment income	60,000	-	60,000	72,113	12,113
Total revenues	39,760,553	-	39,760,553	40,153,713	393,160
Other financing sources:					
Appropriation of fund balance	-	962,871	962,871		(962,871)
Proceeds from sale of assets	-	-	-	18,200	18,200
Total other financing sources	-	962,871	962,871	18,200	(944,671)
Total revenues and other financing sources	\$ 39,760,553	\$ 962,871	\$ 40,723,424	\$ 40,171,913	\$ (551,511)

Town of Old Saybrook, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
Year Ended June 30, 2014

	Original Budget	Approved Transfers	Additional Appropriations	Final Budget	Actual	Variance With Final Budget
General government:						
Selectmen	\$ 269,054	\$ 2,117	\$ -	\$ 271,171	\$ 271,171	\$ -
Accounting	164,841	381	-	165,222	165,222	-
Tax collector	140,717	(939)	-	139,778	139,778	-
Computer network	60,190	859	-	61,049	61,049	-
Treasurer	57,721	(1,008)	-	56,713	56,713	-
Town clerk	188,393	256	-	188,649	188,649	-
Vital statistics	1,350	(393)	-	957	957	-
Architectural review board	3,101	(701)	-	2,400	2,400	-
Assessor	172,930	(4,160)	-	168,770	168,770	-
Tree warden	10,000	(1,100)	-	8,900	8,900	-
Town hall	366,605	13,814	-	380,419	380,419	-
Registrars	59,800	(19,652)	-	40,148	40,148	-
Building department	140,916	14,346	-	155,262	155,262	-
Land use department	274,172	(10,479)	-	263,693	263,693	-
Zoning commission	25,916	22,449	-	48,365	48,365	-
Zoning board of appeals	8,358	3,676	-	12,034	12,034	-
Board of finance	53,900	(4,316)	-	49,584	49,584	-
Assessment appeals	6,350	(1,350)	-	5,000	5,000	-
Planning commission	14,887	(1,650)	-	13,237	13,237	-
Pension benefits - retirees	30,570	20,428	-	50,998	50,998	-
Conservation commission	2,987	(519)	-	2,468	2,468	-
Economic development commission	27,048	(712)	-	26,336	26,336	-
Ethics commission	950	(950)	-	-	-	-
Inland wetlands	9,418	(979)	-	8,439	8,439	-
Contingency	20,000	27,638	34,729	82,367	82,367	-
Labor and personnel	60,000	(9,053)	-	50,947	50,947	-
Insurance	728,000	12,544	15,761	756,305	756,305	-
Legal	30,000	11,465	14,405	55,870	55,870	-
Payments to political subdivisions	146,176	(4,540)	-	141,636	141,636	-
Retiree health insurance	270,000	(44,251)	-	225,749	225,749	-
Retirement costs	10,000	-	-	10,000	10,000	-
Employee benefits	2,004,254	40,134	50,427	2,094,815	2,094,815	-
Total general government	5,358,604	63,355	115,322	5,537,281	5,537,281	-
Public safety:						
Fire department	272,659	(23)	-	272,636	272,636	-
Fire marshal	99,998	16,351	-	116,349	116,349	-
Police department	2,941,570	43,061	54,105	3,038,736	3,038,736	-
Emergency management	195,750	(4,132)	-	191,618	191,618	-
Marine patrol	55,250	(2,765)	-	52,485	52,485	-
Harbor management	22,171	5,474	-	27,645	27,645	-
Animal control	20,000	-	-	20,000	67,085	(47,085)
Total public safety	3,607,398	57,966	54,105	3,719,469	3,766,554	(47,085)

(Continued)

Town of Old Saybrook, Connecticut
General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
Year Ended June 30, 2014

	Original Budget	Approved Transfers	Additional Appropriations	Final Budget	Actual	Variance With Final Budget
Public works:						
Water pollution control	\$ 257,020	\$ (16,265)	\$ -	\$ 240,755	\$ 200,706	\$ 40,049
Transfer station	582,868	(53,264)	-	529,604	529,604	-
Public works	926,554	(43,227)	56,829	940,156	940,156	-
Engineering	43,000	5,268	-	48,268	48,268	-
Rubbish	15,000	2,910	-	17,910	17,910	-
Traffic and street lights	140,000	(4,917)	-	135,083	135,083	-
Water system	479,496	4,494	-	483,990	483,990	-
Total public works	2,443,938	(105,001)	56,829	2,395,766	2,355,717	40,049
Health and welfare:						
Youth and family services	190,200	2,989	-	193,189	193,189	-
Catastrophic illness	50,000	-	16,600	66,600	66,600	-
Health district	151,000	2,678	-	153,678	153,678	-
Social services	76,214	1,153	-	77,367	77,367	-
Public health nursing	42,653	(3,378)	-	39,275	39,275	-
Total health and welfare	510,067	3,442	16,600	530,109	530,109	-
Culture and recreation:						
Acton public library	659,421	13,646	17,147	690,214	690,214	-
Parks and recreation department	379,607	(1,366)	-	378,241	378,241	-
Saybrook Point - Golf	57,740	(13,458)	-	44,282	44,282	-
Saybrook Point - Pavilion	12,225	707	-	12,932	12,932	-
Fort Saybrook/Exchange Club Parks	5,750	131	-	5,881	5,881	-
Open space maintenance	11,500	162	-	11,662	11,662	-
Hepburn cultural arts center	41,000	20,459	-	61,459	61,459	-
North Cove Historic District	3,330	422	-	3,752	3,752	-
Total culture and recreation	1,170,573	20,703	17,147	1,208,423	1,208,423	-
Board of Education	23,397,935	-	-	23,397,935	23,350,008	47,927
Capital outlay	488,988	2,260	165,767	657,015	657,015	-
Debt service:						
Principal	1,575,000	-	-	1,575,000	1,575,000	-
Interest	597,050	(42,725)	-	554,325	554,325	-
Total debt service	2,172,050	(42,725)	-	2,129,325	2,129,325	-
Total expenditures	39,149,553	-	425,770	39,575,323	39,534,432	40,891
Other financing uses:						
Transfers out	611,000	-	537,101	1,148,101	1,148,101	-
Total expenditures and other financing uses	\$ 39,760,553	\$ -	\$ 962,871	\$ 40,723,424	\$ 40,682,533	\$ 40,891

(Concluded)

Town of Old Saybrook, Connecticut

Report of Tax Collector
Year Ended June 30, 2014

Grand List Year	Uncollected Taxes July 1, 2013	Current Year Levy	<u>Lawful Corrections</u>		Transfers to Suspense	Adjusted Taxes Collectible	<u>Collections</u>			Uncollected Taxes June 30, 2014
			Additions	Deductions			Taxes	Interest & Lien Fees	Total	
1997	\$ 4,371	\$ -	\$ -	\$ 4,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1998	4,427	-	-	-	-	4,427	-	-	-	4,427
1999	2,928	-	-	-	-	2,928	-	-	-	2,928
2000	3,011	-	-	-	-	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	-	-	1	-	3,888	-	-	-	3,888
2005	4,094	-	-	6	-	4,088	-	-	-	4,088
2006	4,225	-	-	7	-	4,218	-	-	-	4,218
2007	4,451	-	-	6	-	4,445	-	-	-	4,445
2008	29,086	-	-	5	21,453	7,628	2,482	2,019	4,501	5,146
2009	35,322	-	-	6	-	35,316	6,663	3,711	10,374	28,653
2010	64,304	-	-	1,722	-	62,582	27,775	8,114	35,889	34,807
2011	242,060	-	625	5,131	-	237,554	171,859	34,380	206,239	65,695
Total Prior Years	412,236	-	625	11,255	21,453	380,153	208,779	48,224	257,003	171,374
2012	-	37,852,209	18,200	56,748	-	37,813,661	37,466,496	89,441	37,555,937	347,165
Total	\$ 412,236	\$ 37,852,209	\$ 18,825	\$ 68,003	\$ 21,453	\$ 38,193,814	\$ 37,675,275	\$ 137,665	\$ 37,812,940	\$ 518,539

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, 2014

	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	\$ 11,239	\$ 38,432	\$ 21,222	\$ 20,428	\$ 21,817	\$ 26,006	\$ 94,490
Receivables:							
Intergovernmental	-	32,387	-	-	-	-	-
Other	-	16,844	-	-	-	-	-
Total assets	\$ 11,239	\$ 87,663	\$ 21,222	\$ 20,428	\$ 21,817	\$ 26,006	\$ 94,490
<u>Liabilities</u>							
Accounts payable	\$ 8,029	\$ -	\$ 983	\$ -	\$ -	\$ 5,603	\$ 1,063
Unearned revenue	3,210	-	-	-	-	-	-
Total liabilities	11,239	-	983	-	-	5,603	1,063
<u>Fund Balances</u>							
Restricted	-	87,663	20,239	20,428	-	20,403	-
Committed	-	-	-	-	21,817	-	93,427
Total fund balances	-	87,663	20,239	20,428	21,817	20,403	93,427
Total liabilities and fund balances	\$ 11,239	\$ 87,663	\$ 21,222	\$ 20,428	\$ 21,817	\$ 26,006	\$ 94,490

(Continued)

Town of Old Saybrook, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	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	\$ 362	\$ 694	\$ 4,794	\$ 84,978	\$ 34,889	\$ 49,482	\$ 5,428
<u>Liabilities</u>							
Accounts payable	\$ -	\$ -	\$ -	\$ 6,657	\$ 91,285	\$ -	\$ -
<u>Fund Balances</u>							
Restricted	-	-	4,794	-	-	-	-
Committed	-	-	-	78,321	-	49,482	-
Assigned	362	694	-	-	-	-	5,428
Unassigned	-	-	-	-	(56,396)	-	-
Total fund balances	362	694	4,794	78,321	(56,396)	49,482	5,428
Total liabilities and fund balances	\$ 362	\$ 694	\$ 4,794	\$ 84,978	\$ 34,889	\$ 49,482	\$ 5,428

(Continued)

Town of Old Saybrook, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	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	\$ 15,618	\$ 50,628	\$ 126,858	\$ -	\$ 5,676	\$ 28,859	\$ 255,120
Investments	1,354	22,455	-	1,067,724	-	-	-
Total assets	<u>\$ 16,972</u>	<u>\$ 73,083</u>	<u>\$ 126,858</u>	<u>\$ 1,067,724</u>	<u>\$ 5,676</u>	<u>\$ 28,859</u>	<u>\$ 255,120</u>
<u>Liabilities</u>							
Accounts payable	\$ -	\$ 220	\$ 1,287	\$ -	\$ -	\$ 412	\$ 1,639
Unearned revenue	-	-	-	-	-	-	11,763
Total liabilities	<u>-</u>	<u>220</u>	<u>1,287</u>	<u>-</u>	<u>-</u>	<u>412</u>	<u>13,402</u>
<u>Fund Balances</u>							
Restricted	-	-	-	-	5,676	-	-
Committed	-	72,863	125,571	1,067,724	-	28,447	241,718
Assigned	16,972	-	-	-	-	-	-
Total fund balances	<u>16,972</u>	<u>72,863</u>	<u>125,571</u>	<u>1,067,724</u>	<u>5,676</u>	<u>28,447</u>	<u>241,718</u>
Total liabilities and fund balances	<u>\$ 16,972</u>	<u>\$ 73,083</u>	<u>\$ 126,858</u>	<u>\$ 1,067,724</u>	<u>\$ 5,676</u>	<u>\$ 28,859</u>	<u>\$ 255,120</u>

(Continued)

Town of Old Saybrook, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
	Administration Fund	Probate Court	Senior Housing Grant	Police Program Funds	Total Special Revenue Funds	Upper Cemetery Fund	
<u>Assets</u>							
Cash	\$ 15,282	\$ 16,304	\$ 21,148	\$ 114,766	\$ 1,064,520	\$ 6,184	\$ 1,070,704
Investments	-	-	-	-	1,091,533	-	1,091,533
Receivables:							
Intergovernmental	-	-	-	-	32,387	-	32,387
Other	-	-	-	-	16,844	-	16,844
Total assets	\$ 15,282	\$ 16,304	\$ 21,148	\$ 114,766	\$ 2,205,284	\$ 6,184	\$ 2,211,468
<u>Liabilities</u>							
Accounts payable	\$ 1,143	\$ 296	\$ 25,006	\$ 5,531	\$ 149,154	\$ -	\$ 149,154
Unearned revenue	-	-	-	-	14,973	-	14,973
Total liabilities	1,143	296	25,006	5,531	164,127	-	164,127
<u>Fund Balances</u>							
Nonspendable	-	-	-	-	-	5,000	5,000
Restricted	-	-	-	-	159,203	1,184	160,387
Committed	14,139	-	-	109,235	1,902,744	-	1,902,744
Assigned	-	16,008	-	-	39,464	-	39,464
Unassigned	-	-	(3,858)	-	(60,254)	-	(60,254)
Total fund balances	14,139	16,008	(3,858)	109,235	2,041,157	6,184	2,047,341
Total liabilities and fund balances	\$ 15,282	\$ 16,304	\$ 21,148	\$ 114,766	\$ 2,205,284	\$ 6,184	\$ 2,211,468

(Concluded)

Town of Old Saybrook, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	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	\$ 787,429	\$ 218,788	\$ 11,894	\$ 434	\$ -	\$ 43,362	\$ -
Charges for services	-	409,389	-	-	-	165,478	-
Investment income	-	-	5	14	-	-	-
Contributions	25,551	-	-	-	153,398	-	6,020
Total revenues	812,980	628,177	11,899	448	153,398	208,840	6,020
Expenditures:							
Current:							
Health and welfare	-	-	-	493	149,469	204,653	-
Culture and recreation	-	-	13,339	-	-	-	22,922
Education	812,980	640,458	-	-	-	-	-
Total expenditures	812,980	640,458	13,339	493	149,469	204,653	22,922
Excess (deficiency) of revenues over expenditures	-	(12,281)	(1,440)	(45)	3,929	4,187	(16,902)
Other financing sources:							
Transfers in	-	-	-	-	-	345	-
Net change in fund balances	-	(12,281)	(1,440)	(45)	3,929	4,532	(16,902)
Fund balances - July 1, 2013	-	99,944	21,679	20,473	17,888	15,871	110,329
Fund balances - June 30, 2014	\$ -	\$ 87,663	\$ 20,239	\$ 20,428	\$ 21,817	\$ 20,403	\$ 93,427

(Continued)

Town of Old Saybrook, Connecticut

Combining Statement Of Revenues, Expenditures and Changes In Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	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	\$ -	\$ -	\$ -	\$ -	\$ 79,076	\$ -	\$ -
Charges for services	-	-	-	136,050	23,456	243,934	-
Contributions	-	-	4,100	-	-	-	750
Total revenues	-	-	4,100	136,050	102,532	243,934	750
Expenditures:							
Current:							
Public safety	2,679	-	6,963	-	673,458	209,052	292
Culture and recreation	-	100	-	150,762	-	-	-
Total expenditures	2,679	100	6,963	150,762	673,458	209,052	292
Excess (deficiency) of revenues over expenditures	(2,679)	(100)	(2,863)	(14,712)	(570,926)	34,882	458
Other financing sources:							
Transfers in	1,156	-	-	-	640,860	-	-
Net change in fund balances	(1,523)	(100)	(2,863)	(14,712)	69,934	34,882	458
Fund balances - July 1, 2013	1,885	794	7,657	93,033	(126,330)	14,600	4,970
Fund balances - June 30, 2014	\$ 362	\$ 694	\$ 4,794	\$ 78,321	\$ (56,396)	\$ 49,482	\$ 5,428

(Continued)

Town of Old Saybrook, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	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:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	134,157
Charges for services	-	-	10,000	-	5,058	9,000	210,551
Investment income	174	-	-	124,598	1	-	-
Contributions	-	12,573	56,595	-	-	-	-
Total revenues	174	12,573	66,595	124,598	5,059	9,000	344,708
Expenditures:							
Current:							
Health and welfare	-	-	59,269	-	-	-	-
Culture and recreation	-	14,419	-	-	-	4,023	-
Education	-	-	-	-	-	-	237,999
Total expenditures	-	14,419	59,269	-	-	4,023	237,999
Net change in fund balances	174	(1,846)	7,326	124,598	5,059	4,977	106,709
Fund balances - July 1, 2013	16,798	74,709	118,245	943,126	617	23,470	135,009
Fund balances - June 30, 2014	\$ 16,972	\$ 72,863	\$ 125,571	\$ 1,067,724	\$ 5,676	\$ 28,447	\$ 241,718

(Continued)

Town of Old Saybrook, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
	Administration Fund	Probate Court	Senior Housing Grant	Police Program Funds	Total Special Revenue Funds	Upper Cemetery Fund	
Revenues:							
Intergovernmental	\$ -	\$ -	\$ 403,760	\$ 78,396	\$ 1,757,296	\$ -	\$ 1,757,296
Charges for services	12,480	26,612	-	38,605	1,290,613	-	1,290,613
Investment income	-	-	-	-	124,792	-	124,792
Contributions	60,571	-	-	2,976	322,534	-	322,534
Total revenues	73,051	26,612	403,760	119,977	3,495,235	-	3,495,235
Expenditures:							
Current:							
General government	66,893	23,089	-	-	89,982	-	89,982
Public safety	-	-	-	186,056	1,078,500	-	1,078,500
Health and welfare	-	-	418,469	-	832,353	-	832,353
Culture and recreation	-	-	-	-	205,565	-	205,565
Education	-	-	-	-	1,691,437	-	1,691,437
Total expenditures	66,893	23,089	418,469	186,056	3,897,837	-	3,897,837
Excess (deficiency) of revenues over expenditures	6,158	3,523	(14,709)	(66,079)	(402,602)	-	(402,602)
Other financing sources:							
Transfers in	30,000	-	10,851	-	683,212	-	683,212
Net change in fund balances	36,158	3,523	(3,858)	(66,079)	280,610	-	280,610
Fund balances - July 1, 2013	(22,019)	12,485	-	175,314	1,760,547	6,184	1,766,731
Fund balances - June 30, 2014	\$ 14,139	\$ 16,008	\$ (3,858)	\$ 109,235	\$ 2,041,157	\$ 6,184	\$ 2,047,341

(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, 2014

	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	\$ 50,013	\$ 46,324	\$ -	\$ 96,337	\$ 255,913	\$ 71,597	\$ (2,189)	\$ 325,321
Investments at fair value:								
Mutual funds:								
Money market mutual funds	-	-	23,700	23,700	-	-	-	-
Equity mutual funds	-	-	39,163	39,163	-	-	-	-
Equity mutual funds - International	-	-	36,554	36,554	-	-	-	-
Corporate bonds	-	-	96,900	96,900	-	-	-	-
Corporate bonds - International	-	-	15,618	15,618	-	-	-	-
U.S. Government Securities	-	-	8,205	8,205	-	-	-	-
U.S. Government Agency Securities	-	-	8,168	8,168	-	-	-	-
Certificates of deposit	-	67,741	-	67,741	90,854	-	-	90,854
Limited partnership	-	-	38,499	38,499	-	-	-	-
Total assets	50,013	114,065	266,807	430,885	346,767	71,597	(2,189)	416,175
<u>Liability</u>								
Accounts payable	10,000	1,188	-	11,188	346,767	71,597	(2,189)	416,175
<u>Net Position</u>								
Net position held in trust for other purposes	\$ 40,013	\$ 112,877	\$ 266,807	\$ 419,697	\$ -	\$ -	\$ -	\$ -

Town of Old Saybrook, Connecticut

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Private-Purpose Trust Funds			Total Private- Purpose Trust Funds
	Connecticut Public Health Nurses Fund	Public Health Nurses Estate Bequest Fund	Mary E. Johnson Trust	
Additions:				
Contributions	\$ 6,870	\$ 1,000	\$ 8,000	\$ 15,870
Interest and dividends	-	270	4,547	4,817
Net change in fair value of investments	-	-	17,825	17,825
Total additions	6,870	1,270	30,372	38,512
Deductions:				
Other	16,047	7,453	8,000	31,500
Change in net position	(9,177)	(6,183)	22,372	7,012
Net position - July 1, 2013	49,190	119,060	244,435	412,685
Net position - June 30, 2014	\$ 40,013	\$ 112,877	\$ 266,807	\$ 419,697

Town of Old Saybrook, Connecticut

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>Assets</u>				
Cash:				
Student activities	\$ 123,797	\$ 607,465	\$ 475,349	\$ 255,913
Land use	86,688	35,640	50,731	71,597
BOE flexible spending	(2,128)	-	61	(2,189)
Total cash	208,357	643,105	526,141	325,321
Investments:				
Student activities				
Certificates of deposit	90,000	854	-	90,854
Total assets	<u>\$ 298,357</u>	<u>\$ 643,959</u>	<u>\$ 526,141</u>	<u>\$ 416,175</u>
<u>Liabilities</u>				
Accounts payable:				
Student activities	\$ 213,797	\$ 608,319	\$ 475,349	\$ 346,767
Land use	86,688	35,640	50,731	71,597
BOE flexible spending	(2,128)	-	61	(2,189)
Total liabilities	<u>\$ 298,357</u>	<u>\$ 643,959</u>	<u>\$ 526,141</u>	<u>\$ 416,175</u>

Trend Information

Table 1

Town of Old Saybrook, Connecticut

Net Position by Component
Last Ten Years
(Unaudited)

	Fiscal Year Ended									
	2014	2013	2012	2011	(1) 2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 73,491,897	\$ 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
Restricted for:						1,035,102	1,881,926	3,509,207		
Endowments:										
Nonspendable	5,000	4,246	4,246	4,246	4,246	-	-	-	-	-
Expendable	1,184	1,938	-	-	-	-	-	-	-	-
Grant programs	45,436	45,207	617	28,825	21,986	-	-	-	-	-
Katrina relief	5,676	617	85,544	25,474	28,535	-	-	-	-	-
Public safety	20,428	20,473	79,961	33,906	41,539	-	-	-	-	-
Education	87,663	99,944	57,967	81,371	56,693	-	-	-	-	-
Capital projects	11,278,350									
Unrestricted (deficit)	(10,801,846)	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
Total net position	\$ 74,133,788	\$ 76,610,594	\$ 76,929,135	\$ 77,867,865	\$ 77,789,249	\$ 77,468,927	\$ 77,211,435	\$ 75,550,416	\$ 71,469,579	\$ 70,951,349

(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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
Governmental activities:										
General government	\$ 5,804,868	\$ 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
Public safety	6,914,030	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
Public works	4,593,980	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
Health and welfare	1,390,968	476,756	699,129	730,089	541,121	765,531	518,905	517,753	1,584,095	1,419,885
Culture and recreation	1,776,547	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
Education	28,574,507	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
Interest expense	742,876	614,735	570,586	763,780	921,275	981,833	1,025,684	1,015,730	850,190	775,859
Total expenses	49,797,776	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
Program revenues:										
Governmental activities:										
Charges for services:										
General government	735,558	677,540	811,498	618,550	714,595	550,294	782,577	722,325	770,152	881,540
Public safety	341,722	331,737	228,142	162,982	55,094	52,664	29,374	57,735	4,840	3,321
Public works	296,358	134,212	122,290	104,952	111,949	103,700	696,209	105,720	457,912	448,351
Health and welfare	180,536	153,858	126,426	53,501	-	-	-	-	80,782	1,347,819
Culture and recreation	352,384	279,980	399,070	441,336	461,146	358,773	398,212	327,686	205,439	199,508
Education	624,090	715,839	623,735	531,551	568,298	1,118,550	526,716	531,471	-	-
Operating grants and contributions	6,023,340	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
Capital grants and contributions	29,654	343,327	326,453	224,024	300,517	264,500	918,015	2,833,607	655,232	1,017,127
Total program revenues	8,583,642	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
Net expenses:										
Governmental activities	(41,214,134)	(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)
General revenues:										
Governmental activities:										
Property taxes	37,995,840	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
Grants and contributions not restricted to specific programs	582,478	701,025	383,106	427,790	566,911	422,744	405,594	454,753	983,881	772,954
Investment income	197,271	134,348	130,756	159,415	236,407	210,573	689,900	780,802	391,262	142,425
Gain (loss) on sale of assets	(38,261)	411,436	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	28,191	-
Total general revenues	38,737,328	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
Change in net position	\$ (2,476,806)	\$ (318,541)	\$ (938,730)	\$ 78,616	\$ 320,322	\$ 257,462	\$ 1,661,109	\$ 5,736,691	\$ 518,230	\$ 1,447,637

Town of Old Saybrook, Connecticut

Schedule of Debt Limitation
Year Ended June 30, 2014

Total tax collections (including interest and lien fees) for the year ended June 30, 2014	\$ 37,812,940
Reimbursement for revenue loss:	
Tax relief for elderly freeze	-
Base for debt limitation computation	<u>\$ 37,812,940</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation: (1)					
2 1/4 times base	\$ 85,079,115	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	170,158,230	-	-	-
3 3/4 times base	-	-	141,798,525	-	-
3 1/4 times base	-	-	-	122,892,055	-
3 times base	-	-	-	-	113,438,820
Total debt limitation	<u>85,079,115</u>	<u>170,158,230</u>	<u>141,798,525</u>	<u>122,892,055</u>	<u>113,438,820</u>
Indebtedness:					
Bonds payable	19,689,000	11,812,000	-	-	-
Bond anticipation notes	-	-	-	-	-
Net indebtedness	<u>19,689,000</u>	<u>11,812,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 65,390,115</u>	<u>\$ 158,346,230</u>	<u>\$ 141,798,525</u>	<u>\$ 122,892,055</u>	<u>\$ 113,438,820</u>

(1) The total of the above net indebtedness amounts to : \$ 31,501,000

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 264,690,580

There is no overlapping debt.