

**CITY OF TORRINGTON, CONNECTICUT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

# CITY OF TORRINGTON, CONNECTICUT

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## **Independent Auditors' Report**

Members of the City Council  
City of Torrington, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Torrington, Connecticut, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Torrington, Connecticut'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.

### ***Auditors' 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 of 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 auditors' 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 auditors consider 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Torrington, Connecticut, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof, 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 on pages 4 through 12, the budgetary comparison information on pages 49 through 53 and the supplementary pension information on pages 54 through 56 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, which 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 City of Torrington, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Torrington, Connecticut, as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 14, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2013 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the City of Torrington, 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 City of Torrington, Connecticut's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 23, 2014

**CITY OF TORRINGTON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

This discussion and analysis of the City of Torrington, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX. All amounts are expressed in thousands unless otherwise noted.

**Financial Highlights**

- The City's total net position increased by \$820 (1%) during fiscal year 2013/2014. The net position of governmental activities decreased by \$90 (.1%) while the net position of business type activities (WPCA) increased by \$910 (10%). An increase in governmental activities current assets was offset by a similar decrease in capital assets. Business activities had an increase in all asset groups and a decrease in liabilities.
- The City's tax collections increased by \$2,508 while grants and contributions not restricted to specific programs decreased by \$508. Government activity program revenues increased \$4,491 to \$53,120 with the largest increases reflected in operating and capital grants for education.
- Business type activity revenue increased \$957 (including capital contributions) while expenses and transfers increased \$529.
- The General Fund had a budgetary surplus of \$950. Actual revenues were \$475 more than budgeted mainly due to greater than anticipated supplemental motor vehicle tax billings and increased police outside duty activity. Despite a very costly winter, there was a \$475 balance remaining in the expenditure budget at fiscal year end.
- No portion of fund balance was appropriated to fiscal year 2013/2014.
- The unassigned balance of the General Fund for fiscal year end increased by \$967 to \$6,302 or 5% of general fund expenditures.
- The City Hall Renovation project has not yet been closed. Total costs to date are \$14,289 and there remains a capital project authorization of \$694.
- The City of Torrington's total bonded debt decreased by \$2,510 to \$26,920. No new bonded debt was issued. The City entered into a \$279 capital lease purchase agreement for an upgrade to police radios.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**Government-Wide Financial Statements**

The analysis of the City as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is

similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position the difference between assets and liabilities is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, health and welfare, parks, recreation and libraries, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### **Fund Financial Statements**

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the City Council establishes many other funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State and Federal Governments for education). The City's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self-Insurance Internal Service Fund.
- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other



financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**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 starting on page 24 of this report.

**Supplementary Information** - The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 57 through 68 of this report.

**Government-Wide Financial Analysis** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$78,735 at the close of the most recent fiscal year. Of this, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

**City's Net Position** - The City's combined net position increased in fiscal year 2013/2014 by \$820 (1.05%) to \$78,735. (See Table 1) Tables 1 and 2 focus on the net position of both the City's governmental and business type activities.

**TABLE 1**  
**NET POSITION**  
**(In Thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 35,523	\$ 33,328	\$ 2,387	\$ 1,983	\$ 37,910	\$ 35,311
Capital assets, net of accumulated depreciation	108,260	110,422	8,675	8,477	116,935	118,899
Total assets	<u>143,783</u>	<u>143,750</u>	<u>11,062</u>	<u>10,460</u>	<u>154,845</u>	<u>154,210</u>
Long-term debt outstanding	65,608	63,472	1,101	1,144	66,709	64,616
Other liabilities	9,266	11,280	135	400	9,401	11,680
Total liabilities	<u>74,874</u>	<u>74,752</u>	<u>1,236</u>	<u>1,544</u>	<u>76,110</u>	<u>76,296</u>
Net Position:						
Net investment in capital assets	80,901	80,442	7,739	7,215	88,640	87,657
Restricted	5	5			5	5
Unrestricted	<u>(11,998)</u>	<u>(11,449)</u>	<u>2,088</u>	<u>1,701</u>	<u>(9,910)</u>	<u>(9,748)</u>
Total Net Assets	<u>\$ 68,908</u>	<u>\$ 68,998</u>	<u>\$ 9,827</u>	<u>\$ 8,916</u>	<u>\$ 78,735</u>	<u>\$ 77,914</u>

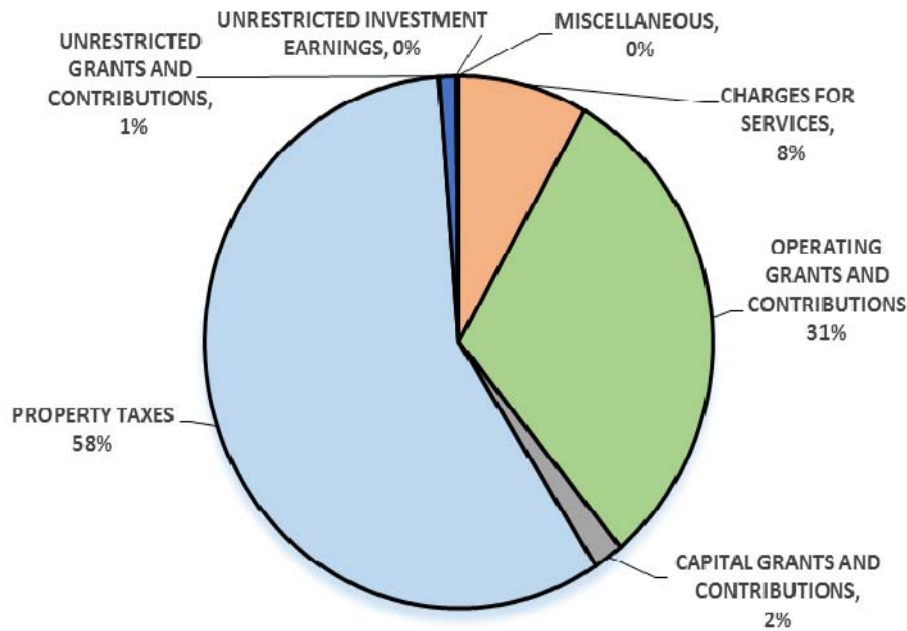
Total net position of the City's governmental activities decreased \$90 (.1%) to \$68,908. Total assets increased by \$33 (0%) from fiscal year 2012/2013. An increase of \$2.1M in current assets was offset by a \$2.1M decrease in capital assets. Depreciation expenses exceeded asset acquisitions.

An increase in current and capital assets net of depreciation along with reduced long term debt and other liabilities resulted in a \$911 (10%) increase to the net position of the Water Pollution Control Authority.

Unrestricted Net Position - the portion of net position that can be used to finance day to day operations for government activities is (\$11,998). This amount is a deficit because certain long term liabilities are funded when they come due rather than when they are incurred (sick, vacation, OPEB). The unrestricted portion of net position for business type activities increased \$387 to \$2,088 (22%).

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services:						
General government	\$ 4,569	\$ 4,373	\$	\$	\$ 4,569	\$ 4,373
Public safety	1,377	928			1,377	928
Public works	273	251			273	251
Public health and social services	483	496			483	496
Recreation	197	236			197	236
Education	854	757			854	757
Sewer			3,923	3,757	3,923	3,757
Operating grants and contributions	43,473	40,983			43,473	40,983
Capital grants and contributions	1,894	605	791		2,685	605
General revenues:						
Property taxes	81,734	79,226			81,734	79,226
Grants and contributions not restricted to specific purposes	1,544	2,052			1,544	2,052
Unrestricted investment earnings	46	56	117		46	56
Miscellaneous	160	93			160	93
Transfers	589				589	-
Total revenues	<u>137,193</u>	<u>130,056</u>	<u>4,714</u>	<u>3,757</u>	<u>141,907</u>	<u>133,813</u>
Program expenses:						
General government	8,773	10,099			8,773	10,099
Public safety	28,208	25,865			28,208	25,865
Public works	12,098	11,121			12,098	11,121
Public health and social services	4,959	4,789			4,959	4,789
Recreation	657	773			657	773
Education	81,294	78,588			81,294	78,588
Debt interest and costs	1,291	1,393			1,291	1,393
Sewer			3,215	3,275	3,215	3,275
Transfers			589		589,000.0	-
Total program expenses and transfers	<u>137,280</u>	<u>132,628</u>	<u>3,804</u>	<u>3,275</u>	<u>141,084</u>	<u>135,903</u>
Increase (Decrease) in Net Position	\$ <u>(87)</u>	\$ <u>(2,572)</u>	\$ <u>910</u>	\$ <u>482</u>	\$ <u>823</u>	\$ <u>(2,090)</u>

The City's total revenue increased \$8,094 (6%) to \$141,907 (See Table 2). Approximately 60% of the City's revenues came from property taxes and sewer user fees totaling \$85,657. Additionally, \$7,753 (5.46%) of the revenue was generated by fees charged for services. The balance is the result of State and Federal grants and other miscellaneous revenue sources. The cost of all services increased \$5,181 (3.81%) from fiscal year 2013 to fiscal year 2014.



### Governmental Activities:

The City of Torrington's governmental activities net position decreased slightly (\$90) in fiscal year 2013/2014. The decrease was the net result of the following items:

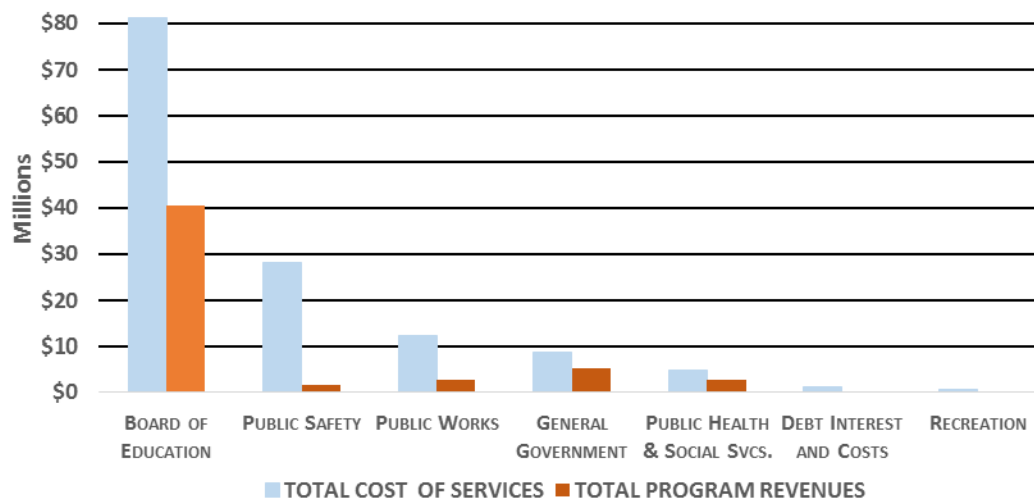
- A slight (.06%) increase in the 2012 Grand List along with a .99 mill rate increase to 34.46 mills resulted in a \$2,508 increase in property tax revenues to \$81,734.
- There was an increase of \$2,489 in operating grants and contributions. The largest portion was for education.
- There was an increase of \$1,289 in capital grants and contributions mainly for public works (various projects) and education (Forbes School).
- Program expenses increased \$4,652 primarily for education (\$2,706), public works (\$977) and public safety (\$2,343).

**TABLE 3**  
**GOVERNMENTAL ACTIVITIES**  
**(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General government	\$ 8,773	\$ 10,099	\$ 3,536	\$ 4,721
Public safety	28,208	25,865	26,705	24,476
Public works	12,098	11,121	9,293	8,896
Education	81,294	78,588	40,772	41,793
All others	6,907	6,955	3,857	4,113
Totals	<u>\$ 137,280</u>	<u>\$ 132,628</u>	<u>\$ 84,163</u>	<u>\$ 83,999</u>

The total cost of governmental services increased by \$4,652 (3.5%) to \$137,280 in 2013/2014. The increased cost of governmental services was offset by an increase in various program revenues. This resulted in a net cost increase of \$164 (.2%) to \$84,163. (See Table 3)

### Expenses and Program Revenues - Governmental Activities



**Business Type Activities:** WPCA business-type activities revenue increased by \$166 to \$3,923 while expenses decreased \$60 and capital transfers increased to \$589. Capital contributions (New Harwinton Pump Station) totaled \$791.

Sewer user fees remained the same for fiscal year 2013/2014. The residential rate was \$196.00/unit and the commercial rate was \$196.00 per 65,000 gallons of volume of flow.

### Financial Analysis of the Government's Funds

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

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

Fiscal year 2014 ended with the City's governmental funds reporting a combined ending fund balance of \$15,703 which was a \$1,348 increase over the previous year. The unassigned portion of the combined ending fund balance was \$6,142. The unassigned balance is available for spending at the government's discretion. The remaining \$9,560 fund balance is classified as either non-spendable, restricted, committed or assigned (see page 25 of financial statements for clarification) to indicate that it is not available for new spending because it has already been committed to liquidate contracts, purchase orders or other obligations.

The General Fund is the chief operating fund of the City of Torrington. At the end of fiscal year 2014, the General Fund total fund balance increased by \$417 to \$6,848. The unassigned portion grew by \$968 from \$5,334 to \$6,302. The unassigned fund balance represents 5.04% (prior year 4.47%) of total General Fund expenditures and total fund balance represents 5.48% (prior year 5.38%) of that same amount.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. WPCA activity which is recorded in the proprietary fund portion of the financial statements has already been addressed in the business-type activities.

The activity of the Internal Service Funds (self insured health insurance and equipment maintenance chargeback fund) is also contained in the proprietary fund financial statements. The net position of the internal service funds increased in the amount \$3,067 (108%) to \$5,897. The increase was the result of lower than anticipated claim costs along with a decreased "Incurred But Not Reported" health insurance claim liability.

### **General Fund Budgetary Highlights**

- Increased tax revenue from motor vehicle supplemental billing
- Fluctuations in State Funding
- \$0 fund balance appropriation
- Transfers out for continued funding of capital projects and reserves
- Increased revenue from employee health insurance cost shares
- \$475 unexpended budget balances in various departments
- Public Works expenses exceeded budgeted amounts due to harsh winter (costs covered by transfers)

### **Capital Assets and Debt Administration**

**Capital Assets** - The City's capital assets for its governmental and business type-activities as of June 30, 2014 total \$116,935 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net decrease of \$1,964 in the City's capital assets includes asset depreciation, asset acquisition and asset disposal activity for the current year. (See Table 4)

The capital asset decrease was due primarily to the following transactions:

- Depreciation
- Public Safety Equipment Purchases:
  - Regional Animal Control vehicle
  - (2) police interceptors
  - (2) fire department vehicles
  - 20 ton air conditioning unit for the firehouse.
- Education Equipment Purchases
  - District wide phone system and Wi-Fi project.
- Construction in Progress:
  - Senior center facility upgrade
  - THS track and field
  - Police radio upgrade
  - East Torrington sewer rehab project
  - Fuessenich Park bleachers
  - Coe Park renovation
  - Forbes roof project.

**TABLE 4**  
**CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**  
(In Thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 3,797	\$ 3,797	\$	\$	\$ 3,797	\$ 3,797
Land improvements	1,176	1,346	150	155	1,326	1,501
Buildings	62,698	64,643	543	565	63,241	65,208
Furniture and equipment	6,423	6,571	2,702	2,163	9,125	8,734
Infrastructure	17,637	18,803	5,281	5,594	22,918	24,397
Construction in progress	16,528	15,262			16,528	15,262
Total	\$ 108,259	\$ 110,422	\$ 8,676	\$ 8,477	\$ 116,935	\$ 118,899

**Debt** - At the end of the current fiscal year, the City had bonded debt outstanding of \$26,920 and Clean Water Notes outstanding of \$937. (See Table 5) This amount reflects a decrease of \$3,112 (10%) over fiscal year 2013. These liabilities are backed by the full faith and credit of the City. In addition to this debt, the City also had outstanding liabilities at June 30, 2014 totaling \$38,902 for compensated absences, capital leases, retirement obligations, net pension obligation, landfill closure and other post employment benefit costs.

**City's Outstanding Bond and Clean Water Fund Debt:**

*Long-Term Debt*

**TABLE 5**  
**OUTSTANDING DEBT AT YEAR-END (Net of Depreciation)**  
(In Thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation Bonds	\$ 26,920	\$ 29,430	\$	\$	\$ 26,920	\$ 29,430
Clean Water Fund Loans		277	937	1,262	937	1,539
Total	\$ 26,920	\$ 29,707	\$ 937	\$ 1,262	\$ 27,857	\$ 30,969

No bonded debt was issued in 2013/2014.

The City's governmental and business type total bonded debt decreased by \$2,510 (8.5%) during the current fiscal year.

In May of 2012, the City was issued an "Aa3" rating from Moody's Investors Services for general obligation debt.

Additional information on the City's long-term debt can be found in Note 7 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate (not seasonally adjusted) for the City of Torrington is 5.5 % which is lower than the state rate of 6.3% but equal to the national rate of 5.5 % (Per: CT Department of Labor - 10/14)
- Population growth: Torrington .4%, State of CT .4%
- Job Growth: Torrington -.2%, State of CT .2%

All of these factors were considered in preparing the City's budget for the 2014/2015 fiscal year.

The fiscal year 2014/2015 mill rate of 36.32 reflects an increase of 1.86 mills above that of fiscal year 2013/2014.

There was no designation of fund balance applied to the 2014/2015 budget.

The total budget for fiscal year 2014/2015 is \$123,013.

## **Requests for Information**

This financial report is designed to provide a general overview of the City'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 City Comptroller, 140 Main Street, Torrington, CT 06790.

## CITY OF TORRINGTON, CONNECTICUT

## STATEMENT OF NET POSITION

JUNE 30, 2014

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 27,573,353	\$ 2,360,259	\$ 29,933,612
Receivables, net	7,625,365	26,099	7,651,464
Inventory	29,333		29,333
Due from fiduciary	51,980		51,980
Prepaid assets	243,333		243,333
Capital assets not being depreciated	20,325,197		20,325,197
Capital assets being depreciated, net	87,934,387	8,675,481	96,609,868
Total assets	<u>143,782,948</u>	<u>11,061,839</u>	<u>154,844,787</u>
<b>Liabilities:</b>			
Accounts and other payables	9,065,890	84,734	9,150,624
Unearned revenue	201,137		201,137
Noncurrent liabilities:			
Due within one year	4,109,044	58,533	4,167,577
Due in more than one year	61,499,120	1,091,647	62,590,767
Total liabilities	<u>74,875,191</u>	<u>1,234,914</u>	<u>76,110,105</u>
<b>Net Position:</b>			
Net investment in capital assets	80,901,012	7,738,723	88,639,735
Restricted for:			
Trust purposes:			
Nonexpendable	4,852		4,852
Unrestricted	(11,998,107)	2,088,202	(9,909,905)
Total Net Position	<u>\$ 68,907,757</u>	<u>\$ 9,826,925</u>	<u>\$ 78,734,682</u>

The accompanying notes are an integral part of the financial statements



## CITY OF TORRINGTON, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 8,773,100	\$ 4,568,600	\$ 668,775	\$	\$ (3,535,725)	\$	\$ (3,535,725)
Public safety	28,208,066	1,376,403	117,444	9,037	(26,705,182)		(26,705,182)
Public works	12,097,950	271,766	1,519,027	1,013,805	(9,293,352)		(9,293,352)
Public health and social services	4,958,585	483,170	2,123,298		(2,352,117)		(2,352,117)
Recreation	657,072	197,188	50,349		(409,535)		(409,535)
Board of Education	81,293,921	854,169	38,797,337	870,676	(40,771,739)		(40,771,739)
Debt interest and costs	1,291,354		196,301		(1,095,053)		(1,095,053)
Total governmental activities	137,280,048	7,751,296	43,472,531	1,893,518	(84,162,703)	-	(84,162,703)
Business-type activities:							
Sewer	3,214,586	3,923,073		790,620		1,499,107	1,499,107
Total	\$ 140,494,634	\$ 11,674,369	\$ 43,472,531	\$ 2,684,138	(84,162,703)	1,499,107	(82,663,596)
General revenues:							
Property taxes					81,734,315		81,734,315
Grants and contributions not restricted to specific programs					1,543,522		1,543,522
Unrestricted investment earnings					45,867	117	45,984
Miscellaneous					160,269		160,269
Transfers					588,804	(588,804)	-
Total general revenues					84,072,777	(588,687)	83,484,090
Change in net assets					(89,926)	910,420	820,494
Net Position at Beginning of Year					68,997,683	8,916,505	77,914,188
Net Position at End of Year					\$ 68,907,757	\$ 9,826,925	\$ 78,734,682

The accompanying notes are an integral part of the financial statements

## CITY OF TORRINGTON, CONNECTICUT

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>City Hall Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,857,734	\$	\$ 8,720,114	\$ 20,577,848
Receivables, net	5,127,025		2,460,986	7,588,011
Due from other funds	211,667			211,667
Inventories			29,333	29,333
Total Assets	<u>\$ 17,196,426</u>	<u>\$ -</u>	<u>\$ 11,210,433</u>	<u>\$ 28,406,859</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts and claims payable	\$ 6,052,720	\$	\$ 1,379,992	\$ 7,432,712
Deferred revenue			201,137	201,137
Due to other funds		159,687		159,687
Total liabilities	<u>6,052,720</u>	<u>159,687</u>	<u>1,581,129</u>	<u>7,793,536</u>
Deferred inflows of resources:				
Unavailable revenue - loans receivable			527,605	527,605
Unavailable revenue - sewer receivables			86,956	86,956
Unavailable revenue - school construction payments	4,295,985			4,295,985
Total deferred inflows of resources	<u>4,295,985</u>		<u>614,561</u>	<u>4,910,546</u>
Fund balances:				
Nonspendable			29,333	29,333
Restricted			2,919,501	2,919,501
Committed	337,772		6,065,909	6,403,681
Assigned	207,895			207,895
Unassigned	6,302,054	(159,687)		6,142,367
Total fund balances	<u>6,847,721</u>	<u>(159,687)</u>	<u>9,014,743</u>	<u>15,702,777</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,196,426</u>	<u>\$ -</u>	<u>\$ 11,210,433</u>	<u>\$ 28,406,859</u>

(Continued on next page)

## CITY OF TORRINGTON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are  
different because of the following:

Fund balances - total governmental funds	\$ 15,702,777
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Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 215,228,243	
Less accumulated depreciation	<u>(106,968,659)</u>	
Net capital assets		108,259,584

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

School building grant receivable	4,295,985
Sewer receivable	86,956
Loans receivable	527,605

Internal service funds are used by management to charge the costs of  
risk management to individual funds. The assets and liabilities of  
the internal service funds are reported with governmental activities  
in the statement of net assets.

5,896,978

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

Bonds payable	(26,920,000)
Interest payable on bonds	(253,964)
Clean Water fund loans	
Early retirement settlements	(5,455,633)
Net pension obligation	(1,146,766)
Net OPEB obligation	(27,352,700)
Landfill closure and postclosure	(396,000)
Compensated absences	(3,898,493)
Capital lease obligation	<u>(438,572)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 68,907,757</u>
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The accompanying notes are an integral part of the financial statements

## CITY OF TORRINGTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>City Hall Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 81,734,315	\$	\$	\$ 81,734,315
Sewer line fees			114,704	114,704
Intergovernmental	36,531,569		8,915,804	45,447,373
Charges for services	5,669,125			5,669,125
Investment income	41,546		199	41,745
Program income			1,262,737	1,262,737
Other revenues	1,408,339		1,124,425	2,532,764
Total revenues	<u>125,384,894</u>	<u>-</u>	<u>11,417,869</u>	<u>136,802,763</u>
Expenditures:				
Current:				
General government	4,466,115		552,649	5,018,764
Public safety	15,765,067		87,908	15,852,975
Public works	7,761,094		2,146,061	9,907,155
Public health and social services	2,816,041		2,037,540	4,853,581
Pension and miscellaneous	13,197,861			13,197,861
Recreation	340,683		305,702	646,385
Education	76,389,179		5,739,268	82,128,447
Other	78,072			78,072
Capital outlay		33,417	1,821,131	1,854,548
Debt service	4,185,554			4,185,554
Total expenditures	<u>124,999,666</u>	<u>33,417</u>	<u>12,690,259</u>	<u>137,723,342</u>
Excess (Deficiency) of Revenues over Expenditures	<u>385,228</u>	<u>(33,417)</u>	<u>(1,272,390)</u>	<u>(920,579)</u>
Other Financing Sources (Uses):				
Issuance of capital lease			279,560	279,560
Transfers in	1,497,860		2,054,595	3,552,455
Transfers out	(1,465,791)		(97,860)	(1,563,651)
Total other financing sources (uses)	<u>32,069</u>	<u>-</u>	<u>2,236,295</u>	<u>2,268,364</u>
Net Change in Fund Balances	417,297	(33,417)	963,905	1,347,785
Fund Balances at Beginning of Year	<u>6,430,424</u>	<u>(126,270)</u>	<u>8,050,838</u>	<u>14,354,992</u>
Fund Balances at End of Year	<u>\$ 6,847,721</u>	<u>\$ (159,687)</u>	<u>\$ 9,014,743</u>	<u>\$ 15,702,777</u>

(Continued on next page)

## CITY OF TORRINGTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 1,347,785
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	3,162,145
Depreciation expense	(5,323,868)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources:

Change in net assets differs from the change in fund balance by the cost of the assets sold	(287)
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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 funds are not reported in the statement of activities:

Housing loan receivable-accrual basis change	527,605
Sewer receivable - accrual basis change	4,104
School building grants	(732,181)

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 has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	2,510,000
Clean Water fund loan payments	276,940
Capital lease proceeds	(279,560)
Capital lease payments	113,869

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

Compensated absences	215,230
Net OPEB obligation	(4,844,900)
Net pension obligation	(637,318)
Landfill closure and postclosure	36,000
Early retirement settlements	473,820
Accrued interest	(6,609)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

	3,067,299
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Change in Net Position of Governmental Activities (Exhibit II)

	\$ <u>(89,926)</u>
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The accompanying notes are an integral part of the financial statements

## CITY OF TORRINGTON, CONNECTICUT

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2014

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>WPCA</b>	<b>Internal</b>
	<b>Enterprise Fund</b>	<b>Service Funds</b>
Assets:		
Cash and cash equivalents	\$ 2,360,259	\$ 6,995,505
Receivables, net	26,099	37,354
Prepaid expenses		243,333
Capital assets, net of accumulated depreciation	8,675,481	
Total assets	<u>11,061,839</u>	<u>7,276,192</u>
Liabilities:		
Current liabilities:		
Accounts and other payables	84,734	1,379,214
Notes payable	49,283	
Compensated absences	9,250	
Total current liabilities	<u>143,267</u>	<u>1,379,214</u>
Noncurrent liabilities:		
Bonds and notes payable	887,475	
Compensated absences	204,172	
Total noncurrent liabilities	<u>1,091,647</u>	<u>-</u>
Total liabilities	<u>1,234,914</u>	<u>1,379,214</u>
Net Position:		
Net investment in capital assets	7,738,723	
Unrestricted	<u>2,088,202</u>	<u>5,896,978</u>
Total Net Position	<u>\$ 9,826,925</u>	<u>\$ 5,896,978</u>

The accompanying notes are an integral part of the financial statements

## CITY OF TORRINGTON, CONNECTICUT

## PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities WPCA Enterprise Fund	Governmental Activities Internal Service Funds
Operating Revenues:		
Charges for services	\$ 3,461,209	\$ 20,247,838
Other	461,864	311,009
Total operating revenues	<u>3,923,073</u>	<u>20,558,847</u>
Operating Expenses:		
Payroll and employee benefits	1,341,097	712,607
Professional services	8,252	
Repairs and maintenance	106,090	282,274
Materials and supplies	117,842	22,692
Utilities	381,140	675,861
Other operating expense	544,763	4,358
Insurance and program services	87,923	14,397,878
Depreciation	605,744	
Total operating expenses	<u>3,192,851</u>	<u>16,095,670</u>
Operating Income	730,222	4,463,177
Nonoperating revenue (expense):		
Interest expense	(21,735)	
Capital Contributions	790,620	
Income on investments	117	4,122
Income before Transfers	1,499,224	4,467,299
Transfers Out	<u>(588,804)</u>	<u>(1,400,000)</u>
Change in Net Assets	910,420	3,067,299
Net Position at Beginning of Year	<u>8,916,505</u>	<u>2,829,679</u>
Net Position at End of Year	<u>\$ 9,826,925</u>	<u>\$ 5,896,978</u>

The accompanying notes are an integral part of the financial statements

## CITY OF TORRINGTON, CONNECTICUT

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities</b> <b>WPCA</b> <b>Enterprise Fund</b>	<b>Governmental Activities</b> <b>Internal</b> <b>Service Funds</b>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 3,461,209	\$ 20,566,157
Cash payments to employees for services	(1,429,020)	
Cash payments to supplies for goods and services	(1,141,053)	
Cash received from other sources	462,022	
Cash payments for insurance claims and premiums		(17,258,962)
Net cash provided by operating activities	<u>1,353,158</u>	<u>3,307,195</u>
Cash Flows from Noncapital Financing Activities:		
Transfers out	<u>(588,804)</u>	<u>(1,400,000)</u>
Cash Flows from Capital Financing Activities:		
Acquisitions of capital assets	(13,430)	
Principal payments	(325,247)	
Interest paid	(21,735)	
Net cash used in capital financing activities	<u>(360,412)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest received on investments	<u>117</u>	<u>4,122</u>
Net Increase in Cash and Cash Equivalents	404,059	1,911,317
Cash and Cash Equivalents at Beginning of Year	<u>1,956,200</u>	<u>5,084,188</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,360,259</u>	<u>\$ 6,995,505</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 730,222	\$ 4,463,177
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	605,744	
(Increase) decrease in accounts receivable	158	14,502
(Increase) decrease in prepaid expenses		86,500
Decrease in due to other funds		(186,443)
Increase (decrease) in accounts payable	<u>17,034</u>	<u>(1,070,541)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,353,158</u>	<u>\$ 3,307,195</u>

The accompanying notes are an integral part of the financial statements



## CITY OF TORRINGTON, CONNECTICUT

## FIDUCIARY FUNDS

## STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
Assets:		
Cash and cash equivalents	\$ 63,176	\$ 821,832
Investments:		
Bond funds	6,729	
Mutual funds - fixed income	30,311,690	
Mutual funds - equities	57,761,909	
Mutual funds - balanced funds	732,553	
Receivables:		
Other	<u>48,917</u>	<u>                    </u>
Total assets	<u>88,924,974</u>	<u>\$ 821,832</u>
Liabilities:		
Accounts and other payables	36,585	\$ 821,832
Due to other funds	<u>51,980</u>	<u>                    </u>
Total liabilities	<u>88,565</u>	<u>\$ 821,832</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 88,836,409</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF TORRINGTON, CONNECTICUT**

**FIDUCIARY FUNDS - PENSION TRUST FUND**

**STATEMENT OF CHANGES IN PLAN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2014**

## Additions:

## Contributions:

Employer	\$ 4,960,334
Employee	1,084,109
Total contributions	<u>6,044,443</u>

## Investment income:

Interest and dividends	64
Net appreciation in fair value of investments	12,832,844
Net investment income	<u>12,832,908</u>

Total additions	<u>18,877,351</u>
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## Deductions:

Benefits payments and withdrawals	7,004,246
Administration	<u>56,858</u>

Total deductions	<u>7,061,104</u>
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Net Increase	11,816,247
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Net Position Held in Trust for Pension Benefits at Beginning of Year	<u>77,020,162</u>
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Net Position Held in Trust for Pension Benefits at End of Year	<u><u>\$ 88,836,409</u></u>
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The accompanying notes are an integral part of the financial statements

# **CITY OF TORRINGTON, CONNECTICUT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Torrington, Connecticut (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

#### **A. Reporting Entity**

The City was incorporated as a City in 1740 and chartered as a City in 1923. The City covers an area of 40 square miles and is located in Litchfield County. The City is governed under the provision of its charter and the Connecticut General Statutes. The City operates under a Mayor and a City Council that consists of six members.

The City provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

#### **B. 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 City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. 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 proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

The City reports the following major governmental funds:

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

The City Hall Renovation fund is used to account for the renovation of the City Hall on Main Street.

The City reports the following major proprietary fund:

The Water Pollution Control Authority (WPCA) fund is used to account for activities that are funded by charging rates designed to cover the operations of the WPCA, including related capital assets.

Additionally, the City reports the following fund types:

The Internal Service Funds account for employee health insurance as well as maintenance provided to departments of the City and Board of Education.

The Pension Trust Funds account for the activities of the Public Employees' Retirement System, which accumulates resources for pension benefit payments to qualified City employees and Board of Education custodians.

Agency Funds account for monies held as a custodian for outside groups and agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain City functions because the 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 property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and of the City's internal service funds, are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

#### **D. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the City are reported at fair value.

#### **E. Receivables and Payables**

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). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of an allowance for uncollectibles.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are billed and due July 1 and motor vehicle supplement taxes are billed and due January 1. Certificates of continuing lien are filed against the real estate represented by delinquent real estate taxes within the year in which the tax is due. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month.

#### **F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. 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 asset lives are not capitalized.

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

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Building and building improvements	25-50
Infrastructure	10-65
Machinery and equipment	5-20
Licensed vehicles	8

Property, plant and equipment owned by the City's proprietary funds (WPCA) are recorded at acquisition cost, or if contributed property, at fair market value at the time of contribution.

Depreciation has been calculated on each class of depreciable property using the straight-line method, over the estimated useful lives ranging from 5 to 50 years.

## **H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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 or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: school construction grants, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

## **I. Compensated Absences**

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies but does not vest until the employee reaches retirement age. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for the remainder of the vacation and sick leave including an estimate of the non-vested portion, expected to be paid

in the future from governmental funds, is accounted for within the liabilities section of the government-wide financial statements. The vesting method using historical data used to calculate the liability.

Vested sick leave and accumulated vacation leave of the City's proprietary fund is recorded as an expense and liability within the fund, as the benefits accrue to employees.

## **J. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type 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 any significant applicable bond premium or discount.

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.

## **K. Fund Equity**

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - Net position are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City currently has no assets under restriction.

Unrestricted - This component consists of net position that does not meet the definition of "restricted" or "net invested in capital assets."

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (City Council).

Assigned Fund Balance - This balance represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the City Charter.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

General budget policies are as follows:

The City adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. On or before February 15 of each year, every department, board or commission of the City shall furnish to the City Council an estimate of the amount of money required for its business for the ensuing year. On or before March 20 of each year, the Board of Finance reviews the budgets submitted by the City Council. The Board of Education shall submit its proposed budget to the Board of Finance on or before the 15<sup>th</sup> day of April.

The Board of Finance/City Council held public hearings on the budget in May to obtain taxpayer comments. In mid-May, a joint meeting of the City Council and Board of Finance is held to make final recommendations on the budget. Prior to June 1, the Board of Finance votes final approval of the proposed budget and adopts the budget ordinance.

- Upon request by the City Council, the Board of Finance may authorize the transfer of any unencumbered appropriation from one department to another during the year. The Board of Finance may approve additional appropriations up to \$100,000. Additional appropriations of over \$100,000 must be approved by voter referendum whenever there is no offsetting revenue source to the appropriation so that it falls below this threshold. Additional appropriations totaled \$1,003,910 for the year ended June 30, 2014, none of which required a referendum.
- Formal budgetary integration is employed as a management control device during the year.
- The Board of Education, which is not a separate legal entity but a function of the City, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval.

### **B. Deficit Fund Equity and Accumulated Deficits**

The City Hall Renovations Fund had an accumulated deficit at June 30, 2014 of \$159,687. The fund balance deficit will be funded with permanent financing of ongoing projects.

The Maintenance Fund had a net asset deficit of \$312,774 as of June 30, 2014, which will be funded by future General Fund contributions.

## **3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore,



investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

## **Deposits**

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposit will not be returned. The City does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$28,248,001 of the City's bank balance of \$29,003,348 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 25,390,922
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>2,857,079</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 28,248,001</u>

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

## **Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2014, the City's cash equivalents amounted to \$3,527,993. All cash equivalents are invested in Bank of America Money Market Fund is not rated.

## Investments

As of June 30, 2014, the City had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)	
			1-10	More Than 10
Interest-bearing investments:				
Government backed fixed income funds	AAA	\$ 6,729	\$ 404	\$ 6,325
Other investments:				
Mutual funds fixed	N/A	30,311,690		
Mutual funds balanced	N/A	732,553		
Mutual funds equity	N/A	57,761,909		
Total Investments		\$ 88,812,881		

*Interest Rate Risk* - The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The City investment policy states that assets shall be invested in a manner consistent with generally accepted fiduciary standards. Assets are to be diversified in order to minimize the impact of large losses in individual investments. Investments held by the City are mutual fund type investments which are not rated.

*Concentration of Credit Risk* - The City's investment policy does not limit an investment in any one issuer in excess of five percent of the City's total investments.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

## 4. RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	WPCA	Nonmajor and Other	Total
Receivables:				
Accounts	\$ 364,990	\$ 26,099	\$ 277,069	\$ 668,158
Intergovernmental	4,762,035		1,742,583	6,504,618
Loans			527,605	527,605
Net Total Receivables	\$ 5,127,025	\$ 26,099	\$ 2,547,257	\$ 7,700,381

## 5. CAPITAL ASSETS

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,797,034	\$	\$	\$ 3,797,034
Construction in progress	15,262,433	2,056,889	791,159	16,528,163
Total capital assets not being depreciated	<u>19,059,467</u>	<u>2,056,889</u>	<u>791,159</u>	<u>20,325,197</u>
Capital assets being depreciated:				
Land improvements	5,769,713	13,456		5,783,169
Building and system	87,726,844			87,726,844
Furniture and equipment	26,395,027	1,882,959	154,985	28,123,001
Infrastructure	73,270,032			73,270,032
Total capital assets being depreciated	<u>193,161,616</u>	<u>1,896,415</u>	<u>154,985</u>	<u>194,903,046</u>
Less accumulated depreciation for:				
Land improvements	4,424,096	182,727		4,606,823
Building and system	23,084,198	1,944,555		25,028,753
Furniture and equipment	19,824,125	2,030,173	154,698	21,699,600
Infrastructure	54,467,070	1,166,413		55,633,483
Total accumulated depreciation	<u>101,799,489</u>	<u>5,323,868</u>	<u>154,698</u>	<u>106,968,659</u>
Total capital assets being depreciated, net	<u>91,362,127</u>	<u>(3,427,453)</u>	<u>287</u>	<u>87,934,387</u>
Governmental Activities Capital Assets, Net	<u>\$ 110,421,594</u>	<u>\$ (1,370,564)</u>	<u>\$ 791,446</u>	<u>\$ 108,259,584</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Land improvements	\$ 824,300	\$	\$	\$ 824,300
Building and system	919,250			919,250
Furniture and equipment	10,727,349	804,050		11,531,399
Infrastructure	7,579,715			7,579,715
Total capital assets being depreciated	<u>20,050,614</u>	<u>804,050</u>	<u>-</u>	<u>20,854,664</u>
Less accumulated depreciation for:				
Land improvements	669,235	4,840		674,075
Building and system	353,996	22,543		376,539
Furniture and equipment	8,564,149	265,597		8,829,746
Infrastructure	1,986,059	312,764		2,298,823
Total accumulated depreciation	<u>11,573,439</u>	<u>605,744</u>	<u>-</u>	<u>12,179,183</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,477,175</u>	<u>\$ 198,306</u>	<u>\$ -</u>	<u>\$ 8,675,481</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 211,313
Public safety	1,153,522
Public works	1,805,221
Health and safety	53,745
Recreation	4,325
Education	<u>2,095,742</u>
Total Depreciation Expense - Governmental Activities	\$ <u>5,323,868</u>
Business-type activities:	
Water	\$ <u>605,744</u>

### Construction Commitments

The status of appropriation for current capital projects as of June 30, 2014 is presented below:

	<u>Project Authorization</u>	<u>Expenditures</u>	<u>Balance</u>
City Hall Renovations	\$ 14,982,597	\$ 14,287,879	\$ 694,718

## 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from primary government:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Pension Trust Fund	\$ 51,980
General Fund	City Hall Renovations	<u>159,687</u>
		\$ <u>211,667</u>

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

Interfund transfers:

	<u>Transfers In</u>		<u>Total Transfers Out</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	
Transfers out:			
General Fund	\$	\$ 1,465,791	\$ 1,465,791
Nonmajor Governmental	97,860		97,860
WPCA		588,804	588,804
Internal Service Fund	<u>1,400,000</u>		<u>1,400,000</u>
Total Transfers In	\$ <u>1,497,860</u>	\$ <u>2,054,595</u>	\$ <u>3,552,455</u>

The above transfers represent normal budgetary and other recurring transfers.

## 7. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 29,430,000	\$	\$ 2,510,000	\$ 26,920,000	\$ 2,515,000
Clean Water Fund loans	276,940		276,940	-	
Capital lease obligation	272,881	279,560	113,869	438,572	176,027
Net pension obligation	509,448	637,318		1,146,766	
Landfill postclosure costs	432,000		36,000	396,000	36,000
OPEB obligation	22,507,800	4,844,900		27,352,700	
Retirement settlements	5,929,453	288,653	762,473	5,455,633	1,145,658
Compensated absences	4,113,723	39,026	254,256	3,898,493	236,359
Governmental Activity Long-Term Liabilities	<u>\$ 63,472,245</u>	<u>\$ 6,089,457</u>	<u>\$ 3,953,538</u>	<u>\$ 65,608,164</u>	<u>\$ 4,109,044</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Clean Water Fund loans	\$ 1,262,005	\$	\$ 325,247	\$ 936,758	\$ 49,283
Compensated absences	207,731	5,691		213,422	9,250
Business-type activities Long-Term Liabilities	<u>\$ 1,469,736</u>	<u>\$ 5,691</u>	<u>\$ 325,247</u>	<u>\$ 1,150,180</u>	<u>\$ 58,533</u>

### Bonds Payable

A summary of general obligation bonds and notes outstanding for governmental and proprietary funds at June 30, 2014 is as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2014</u>
Bonds payable:					
2006 General Obligation Bonds, Industrial Park	10/26/06	2020	3.75-5.0%	\$ 600,000	\$ 360,000
2006 General Obligation Bonds, 1999 Refunding, Schools	10/26/06	2020	3.75-5.0%	13,915,000	8,185,000
2006 General Obligation Bonds, Tarringford School	10/26/06	2027	3.75-5.0%	7,855,000	5,880,000
2010 General Obligation Bonds, School	12/01/10	2031	3.0-4.5%	2,150,000	1,870,000
2010 General Obligation Bonds, Build America Bonds	12/01/10	2031	2.6-6.9%	11,855,000	10,625,000
Total Bonds Payable					<u>\$ 26,920,000</u>
Notes Payable:					
Clean Water Fund Notes	03/01/11	2031	2.00%	1,123,491	<u>\$ 936,758</u>

The annual requirements to amortize bonds payable and clean water fund notes for governmental and proprietary funds as of June 30, 2014 are as follows:

<b>Year Ending June 30,</b>	<b>General Obligation Bonds</b>			<b>Clean Water Fund Loans</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 2,515,000	\$ 1,293,650	\$ 3,808,650	\$ 49,283	\$ 18,285	\$ 67,568
2016	2,525,000	1,184,156	3,709,156	50,277	17,291	67,568
2017	2,530,000	1,067,212	3,597,212	51,293	16,276	67,569
2018	2,545,000	945,506	3,490,506	52,327	15,241	67,568
2019	2,560,000	820,393	3,380,393	53,383	14,185	67,568
2020-2024	7,430,000	2,735,663	10,165,663	283,523	54,318	337,841
2025-2029	5,345,000	1,153,573	6,498,573	313,305	24,537	337,842
2030-2031	1,470,000	95,769	1,565,769	83,367	1,095	84,462
Total	<u>\$ 26,920,000</u>	<u>\$ 9,295,922</u>	<u>\$ 36,215,922</u>	<u>\$ 936,758</u>	<u>\$ 161,228</u>	<u>\$ 1,097,986</u>

The City is to receive \$1,945,781 and \$4,295,985 in federal and state funding from Build America bonds and school construction grants, respectively, related to this debt.

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

<b>Category</b>	<b>Debt Limit</b>	<b>Net Indebtedness</b>	<b>Balance</b>
General purpose	\$ 183,380	\$ 12,730	\$ 170,650
Schools	366,759	11,508	355,251
Sewer	305,633	937	304,696
Urban renewal	264,882		264,882
Pension deficit	244,506		244,506

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$570,514. At June 30, 2014, authorized and unissued bonds for general purposes, school or sewers amounted to \$1,614.

#### **Landfill Post-Closure Costs**

State and Federal laws and regulations require landfill closures to meet certain standards. The City landfill has been closed. Estimated monitoring costs for the next 12 years at approximately \$36,000 per year are \$396,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. The estimated liability is recorded within the City's debt.

## Capital Leases

The City entered into a capital lease for the purchase of a tanker, the City's financial management system upgrade, and police radios. These leases are included within the City's capital assets as of June 30, 2014. The total cost of the leases was \$217,422, \$307,876, and \$297,160 respectively. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

### Year Ending June 30,

2015	\$	183,343
2016		103,455
2017		59,432
2018		59,432
2019		59,431
Less amounts representing interest		<u>(26,521)</u>
Present Value of Future Minimum Lease Payments	\$	<u><u>438,572</u></u>

A summary of assets acquired through capital leases is as follows as of June 30, 2014:

Cost	\$	812,117
Accumulated depreciation		<u>(341,723)</u>
Net Leased Equipment	\$	<u><u>470,394</u></u>

## Retirement Settlements

This amount represents scheduled pay outs as well as eligible pay out to Board of Education retirees who have and are expected to take advantage of the City's retirement program. The amount is based on percentages applied to salaries after an employee meets certain age and years of service requirements.

## 8. RISK MANAGEMENT

The City is exposed to various risks of loss including torts; public official liabilities; police liability; heart and hypertension claims; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss except medical benefits. The City established an internal service fund, health insurance fund, to account for and finance the retained risk of loss for the City's medical benefits claims.

A third party administers the medical insurance plan for which the City pays a fee. The medical insurance fund provides coverage for most City employees. The City purchases individual stop loss coverage for claims over \$250,000. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no reduction in insurance coverage from that in the prior year.

Changes in the balances of claims liabilities during the fiscal years ended June 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Unpaid claims, July 1	\$ 2,416,241	\$ 1,033,000
Incurred claims (including IBNR)	14,397,878	17,040,214
Claim payments	<u>(15,471,136)</u>	<u>(15,656,973)</u>
Unpaid Claims, June 30	\$ <u>1,342,983</u>	\$ <u>2,416,241</u>

The claim reserves reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

## 9. CONTINGENT LIABILITIES

The City is a party to various legal proceedings which involve claims against the City. In those cases where a loss is probable and measurable, a liability has been recorded. It is the opinion of City management and the City attorney that the ultimate resolution of remaining litigation will not have a material effect on the financial position of the City.

## 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### A. Plan Description

The City is the administrator of two single employer, contributory, defined benefit pension plans. Plan provisions are established and amended by the plan's Board of Trustees. The plans cover substantially all full-time employees except professional personnel at the Board of Education. The pension plans are part of the City's financial reporting entity and are accounted for in the pension trust funds as the Police and Firemen's Pension, and the Municipal Employees' Retirement. Separate financial statements are not issued.

Management of the plans rests with the Board of Trustees. The Police and Firemen's Retirement Plan Trustees consist of the mayor, city treasurer, the four members of the board of public safety, one member of the regular fire department to be chosen biennially by the members of the regular fire department and one member of the police department to be chosen biennially by the members of the regular police department. The Municipal Employee Retirement Plan Board of Trustees is made up of 10 members consisting of the mayor, city treasurer, the six members of the board of councilmen, one street department employee and one city hall employee which are chosen biennially by the employees participating in the benefits.

#### Police and Firemen's Retirement

The City is the administrator of a single employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. The Plan provides normal retirement, death, and disability benefits through a single employer contributory defined benefit plan. All regular members of the Police and Fire Departments of the City shall become members of the Plan. The retirement benefit is calculated at 2% of the member's highest 1 year compensation during the final 5 years of employment multiplied by years of service. Effective September 8,



2000, all police members who have not yet reached the 25<sup>th</sup> anniversary of date of hire shall have years of service (including any buyback service) maximized at 27 years. In addition, effective September 8, 2005, the benefit for police members shall be based on a salary which is the average annual compensation during the three-year period immediately preceding separation from service. Also, effective September 8, 2000, police members may buy back City service, for benefit accrual purposes only, during the year following September 8, 2000 or during the first year of employment for police hired after that date subject to the restrictions in the plan. Normal Retirement Age is 55 with 10 years of service or following the completion of 25 years of continuous service. Participants are 100 percent vested in their accrued benefit after 10 years of service. Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increase. Effective May 5, 2008, participants are required to contribute 8% of their gross pay and the yearly credit was raised to 2.5% up to a maximum of 27 years of credited service.

The retirement age assumption for policemen is the earlier of (a) 25 years of service but not before age 53 and age 57 to the earlier of 25 years of service but not before 51 and age 57. The July 1, 2008 valuation no longer assumed that final pay for firemen would be increased by 10% and 4% for police due to inclusion of accrued vacation time, since accrued vacation is now excluded from pension calculations.

Effective May 5, 2008 for police members, the percentage for the yearly credit is 2.5% as shown above; however, the service is maximized at 27 years, a 10-year of service requirement was added to the disability benefit, and they must contribute 8% of compensation for a maximum of 27 years. For the period May 5, 2008 through May 4, 2011, no more than 5 police members may retire annually under this provision.

#### Municipal Employees' Retirement

The City is the administrator of a single employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS is in the City's financial reports as a pension trust fund. The Plan provides normal retirement, early retirement, termination and death benefits through a single employer contributory defined benefit plan. All members of Public Works Employees' and City Hall and School Maintenance and Custodial Employees' Local #1579 and their supervisory employees shall become members of the Plan. The retirement benefit for all aforementioned employees other than supervisory employees is calculated at 2% of the participant's average monthly earnings during the final 3 years of employment multiplied by years of service with a minimum annual benefit of \$240 per year of service, maximum 35 years. Benefits for supervisory employees are based the highest of the last 3 years of annual gross earnings. Normal Retirement Age is age 65 or following age 60 with 25 years of service. Participants are 100 percent vested in their accrued benefit after 5 years of continuous service as long as their employee contributions remain in the fund upon termination. Member's contributions are returnable on termination or death while active or retired (less any benefits paid) provided in each case that no death benefits are otherwise payable. Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increases.

There were no major plan changes for the July 1, 2012 actuarial valuation.

The membership of the plan consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

	<u><b>Police and Firemen</b></u>	<u><b>Municipal Employees</b></u>
Retirees, disabled employees and beneficiaries currently receiving benefits	151	121
Terminated plan members entitled to benefits but not yet receiving them	2	8
Current active members	<u>131</u>	<u>136</u>
Total	<u><u>284</u></u>	<u><u>265</u></u>

## B. Summary of Significant Accounting Policies and Plan Asset Matters

**Basis of Accounting:** Financial statements are prepared using the accrual basis of accounting for the three defined benefit pension plans. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

**Method Used to Value Investments:** Investments are reported at market value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

## C. Funding Policy

### Police and Firemen's Retirement

Member contributions of 8% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

### Municipal Employees' Retirement

Member contributions of 5% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

## D. Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>Municipal Employees</u>	<u>Police and Firemen</u>
Fixed income	35.00 %	35.00
Domestic Equities	42.50	42.50
International Equities	17.50	17.50
Global REIT	5.00	5.00
Total	<u>100.00</u>	<u>100.00</u>

**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 16.13% for Municipal Employees Plan and 16.42% for the Police and Firemen Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Net Pension Liability of the City

In accordance with Government Accounting Standards Board Statement No. 67, the components of the net pension liability of the City at June 30, 2014, were as follows:

	<u><b>Municipal Employees</b></u>	<u><b>Police and Firemen</b></u>
Total pension liability	\$ 45,541,729	\$ 80,070,392
Plan fiduciary net position	<u>35,371,804</u>	<u>53,464,606</u>
Net pension liability	<u><u>\$ 10,169,925</u></u>	<u><u>\$ 26,605,786</u></u>
Plan fiduciary net position as a percentage of the the total pension liability	77.67%	66.77%

The City's net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.0%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality Rates were based on 1994 Uninsured Pensions Tables for Males and Females, projected 10 years beyond the valuation date with Scale AA.

The actuarial assumptions used in the July 1, 2012 valuation were based on the results of an actuarial experience study for the period July 1, 2011-June 30, 2012.

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:

<u><b>Asset Class</b></u>	<u><b>Long-Term Expected Real Rate of Return</b></u>
Domestic equity	7.8 %
International equity	8.25
Fixed income	3.5
Real Estate	6.75
Cash	2.25

**Discount Rate:** The discount rate used to measure the total pension liability was 7.50%. 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 City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension 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.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

		<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Municipal Employees:				
City's Net Pension Liability	\$	15,085,758	\$ 10,169,925	\$ 5,969,952
Police and Firemen:				
City's Net Pension Liability	\$	35,669,994	\$ 26,605,786	\$ 18,963,656

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

In accordance with GASB Statement No. 27, the City's annual pension cost and accrued required contribution to the PERS as of June 30, 2014 were as follows:

	<b>Police and Firemen</b>	<b>Municipal Employees</b>
Annual required contribution	\$ 3,827,288	\$ 1,775,712
Interest on net pension obligation	27,100	11,109
Adjustment to annual required contribution	<u>(30,893)</u>	<u>(12,664)</u>
Annual pension cost	3,823,495	1,774,157
Contributions made	<u>3,397,552</u>	<u>1,562,782</u>
Increase in net pension obligation	425,943	211,375
Net pension obligation, July 1, 2013	<u>361,329</u>	<u>148,119</u>
Net Pension Obligation, June 30, 2014	<u>\$ 787,272</u>	<u>\$ 359,494</u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 3% to 7.00% per year and (c) inflation rate of 3.0%. The assumptions did not include post retirement benefit increases. The unfunded actuarial accrued liability is being amortized using the level dollar method over a thirty year open period.

## F. Trend Information

### Police and Firemen's Retirement

<b>Fiscal Year Ended</b>		<b>Annual Pension Cost (APC)</b>		<b>Actual Contribution</b>	<b>Percentage of APC Contributed</b>		<b>Net Pension Obligation</b>
6/30/14	\$	3,823,495	\$	3,397,552	88.9%	\$	787,272
6/30/13		3,356,170		3,322,432	99.0%		361,329
6/30/12		3,307,250		3,325,432	100.5%		327,591

### Municipal Employees' Retirement

<b>Fiscal Year Ended</b>		<b>Annual Pension Cost (APC)</b>		<b>Actual Contribution</b>	<b>Percentage of APC Contributed</b>		<b>Net Pension Obligation</b>
6/30/14	\$	1,774,157	\$	1,562,782	88.1%	\$	359,494
6/30/13		1,373,626		1,447,879	105.4%		148,119
6/30/12		1,373,976		1,444,183	105.1%		222,372

## G. Schedule of Funding Progress

### Police and Firemen's Retirement

<b>Actuarial Valuation Date</b>		<b>Actuarial Value of Assets (a)</b>		<b>Actuarial Accrued Liability (AAL) (b)</b>		<b>Unfunded Accrued Liability UAAL</b>		<b>Funded Ratio (a/b)</b>		<b>Covered Payroll (c)</b>		<b>UAAL % of Covered Payroll ((b-a)/c)</b>
7/01/12	\$	40,906,296	\$	74,851,017	\$	33,944,721		54.7%	\$	9,621,585		352.8%
7/01/10		37,512,249		64,596,439		27,084,190		58.1%		10,104,595		268.0%
7/01/08		34,783,395		57,231,580		22,448,185		60.8%		9,579,705		234.3%

### Municipal Employees' Retirement

<b>Actuarial Valuation Date</b>		<b>Actuarial Value of Assets (a)</b>		<b>Actuarial Accrued Liability (AAL) (b)</b>		<b>Unfunded Accrued Liability UAAL</b>		<b>Funded Ratio (a/b)</b>		<b>Covered Payroll (c)</b>		<b>UAAL % of Covered Payroll ((b-a)/c)</b>
7/01/12	\$	27,587,108	\$	39,814,544	\$	12,227,437		69.3%	\$	7,675,211		159.3%
7/01/10		26,132,128		34,674,221		8,542,093		75.4%		7,994,511		106.8%
7/01/08		25,108,239		31,480,212		6,371,973		79.8%		8,178,483		77.9%

## H. Financial Information for the Separate Plans

	<b><u>Police and Firemen</u></b>	<b><u>Municipal Employees</u></b>	<b><u>Total</u></b>
Assets:			
Cash and cash equivalents	\$	\$ 63,176	\$ 63,176
Investments	53,509,126	35,303,755	88,812,881
Receivables	<u>29,349</u>	<u>19,568</u>	<u>48,917</u>
Total assets	<u>53,538,475</u>	<u>35,386,499</u>	<u>88,924,974</u>
Liabilities:			
Due to other funds	51,980		51,980
Accounts and other payables	<u>21,889</u>	<u>14,696</u>	<u>36,585</u>
Total liabilities	<u>73,869</u>	<u>14,696</u>	<u>88,565</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 53,464,606</u>	<u>\$ 35,371,803</u>	<u>\$ 88,836,409</u>
	<b><u>Police and Firemen</u></b>	<b><u>Municipal Employees</u></b>	<b><u>Total</u></b>
Contributions:			
Employer	\$ 3,397,552	\$ 1,562,782	\$ 4,960,334
Employee	<u>701,983</u>	<u>382,126</u>	<u>1,084,109</u>
Total contributions	<u>4,099,535</u>	<u>1,944,908</u>	<u>6,044,443</u>
Investment income:			
Interest and dividends	18	46	64
Net appreciation in fair value of investments	<u>7,801,588</u>	<u>5,031,256</u>	<u>12,832,844</u>
Total additions	<u>11,901,141</u>	<u>6,976,210</u>	<u>18,877,351</u>
Deductions:			
Benefit payments and withdrawals	4,599,662	2,404,584	7,004,246
Administration	<u>28,490</u>	<u>28,368</u>	<u>56,858</u>
Total deductions	<u>4,628,152</u>	<u>2,432,952</u>	<u>7,061,104</u>
Net increase	7,272,989	4,543,258	11,816,247
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>46,191,617</u>	<u>30,828,545</u>	<u>77,020,162</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 53,464,606</u>	<u>\$ 35,371,803</u>	<u>\$ 88,836,409</u>

## **I. Board of Education Employee's Retirement**

The City also administers a defined benefit pension plan for five retirees of its Board of Education. This plan is not included within the City's pension trust fund reporting.

The most recent actuarial valuation for this Board of Education pension plan was as of June 30, 1970 and current actuarially determined pension information has not been obtained. The City's contribution to this pension plan is primarily based on a "pay-as-you-go" method whereby the City contributes only those funds expected to be needed in the current year. The City's contribution for the pension plan for the year ended June 30, 2014 totaled \$34,672.

## **J. Teachers' Retirement System**

All City certified teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$28,401,200 or 75.2% of the total Board of Education payroll of \$29,262,842.

The retirement system for teachers is funded by the State based upon the recommendation of the State Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The City does not have any liability for teacher pensions. For the year ended June 30, 2014, the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$7,040,846 as payments made by the State of Connecticut on behalf of the City.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

## **11. OTHER POSTEMPLOYMENT BENEFITS**

### **A. Plan Description**

The City, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The City's Post-Retirement Medical Program (RMP) covers City, Board of Education, Police and Fire employees. Retired program members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving those benefits under the City's self-insured medical benefits program. The percentage contribution of the employees and retirees for these benefits vary and are detailed with the City's various bargaining agreements. The City does not issue a separate stand alone financial statement for this program.

At July 1, 2012, plan membership consisted of the following:

	<b>Post- Retirement Medical Program</b>
Retired members	338
Spouses of retired members	233
Active plan members	924
	<hr/>
	1,495
	<hr/>

## **B. Funding Policy**

The City funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you-go basis. The City has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The City is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund has yet to be established to exclusively control the funding and reporting of postemployment benefits, the City anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability.

The City's funding strategy for postemployment obligations are based upon characteristics of benefits on nine distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

- City Hall employees and Public Works Employees are required to contribute 6% of the contribution for medical and dental coverage to age 65 with none at ages 65 and older. They are eligible to receive medical coverage under various Anthem medical plans, dependent on whether they are under or over age 65 as well as dental coverage only until they reach age 65. They also receive life insurance benefits of \$10,000 at no cost to the retiree.
- Police and Fire employees who meet certain criteria for retirement are eligible to receive medical coverage under various Anthem medical plans, dependent on whether they are under or over age 65, dental coverage only until they reach age 65 as well as life insurance benefits of \$3,000 at no cost to the retiree. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.
- City supervisory employees who meet certain criteria for retirement are eligible to receive medical coverage under various Anthem medical plans, dependent on whether they are under or over age 65, dental coverage only until they reach age 65 as well as life insurance benefits of \$5,000 at a contribution rate of 5% or 10% of the contribution with no contribution over age 65. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.
- Teachers are eligible for medical and dental coverage if they retire under the State Teacher's Plan and must contribute 100% of the cost for this coverage.
- BOE Cafeteria employees are eligible for medical and dental coverage if they retire at age 60 with 10 years of service or qualify under disability retirement and must contribute 100% of the cost for this coverage.
- BOE Custodians who retire age 55 with 20 years or qualify under disability retirement can receive dental coverage to age 65 and medical coverage for ages 65 and over and must contribute 7% of the contribution. They may also receive life insurance benefits of \$5,000.



- BOE Nurses and paraprofessionals who retire age 60 with 10 years of service or qualify under disability retirement can receive medical benefits with a 25% contribution rate up to age 65 with their spouse at 100%, dental coverage at 25% of the contribution only until they reach the age of 65 and life insurance benefits of \$5,000.

### C. Annual OPEB Cost and Net OPEB Obligations

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

	<b>Post- Retirement Medical Program</b>
Annual required contribution (ARC)	\$ 7,999,900
Interest on net OPEB obligation	1,350,500
Adjustment to annual required contribution	<u>(1,542,700)</u>
Annual OPEB cost	7,807,700
Contributions made	<u>(2,962,800)</u>
Increase in net OPEB obligation	4,844,900
Net OPEB obligation, beginning of year	<u>22,507,800</u>
Net OPEB Obligation, End of Year	<u><u>\$ 27,352,700</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is presented below.

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
6/30/14	\$ 7,807,700	\$ 2,962,800	38%	\$ 27,352,700
6/30/13	7,446,300	3,278,900	44	22,507,800
6/30/12	7,325,200	3,006,900	41	18,340,400

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (OAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>OAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/08		\$ 60,692,600	\$ 60,692,600	0%	\$ 49,450,999	122.73%
7/1/10		68,120,000	68,120,000	0%	50,158,119	136.00%
7/1/12		71,919,500	71,919,500	0%	50,189,100	143.30%

### Schedule of Employer Contribution

<b>Fiscal Year</b>		<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
6/30/12	\$	7,445,000	40.3%
6/30/13		7,603,000	43.1%
6/30/14		7,999,900	37.0%

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used, with level percentage amortization over a 30-year period. The plan assumes an interest rate of 6% with a medical trend rate of 10% reducing by 1% for each year, to a final 5%.

## 12. FUND BALANCE CLASSIFICATIONS

The components of fund balance for the governmental funds at June 30, 2014 are as follows:

	<u>General Fund</u>	<u>City Hall Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 29,333	\$ 29,333
Restricted for:				
Trust purposes			4,852	4,852
Grants			2,914,649	2,914,649
Committed to:				
Revaluation	337,772			337,772
Education			492,001	492,001
Capital projects			5,449,044	5,449,044
Health and social services			124,864	124,864
Assigned to:				
Education	169,464			169,464
General government	26,006			26,006
Public safety	6,449			6,449
Public works	5,976			5,976
Unassigned	<u>6,302,054</u>	<u>(159,687)</u>		<u>6,142,367</u>
Total Fund Balances	\$ <u>6,847,721</u>	\$ <u>(159,687)</u>	\$ <u>9,014,743</u>	\$ <u>15,702,777</u>

Encumbrances outstanding at year end of \$207,895 are reported as assigned fund balance.

## CITY OF TORRINGTON, CONNECTICUT

## GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Property Taxes:				
Property taxes	\$ 80,872,019	\$ 80,872,019	\$ 80,775,133	\$ (96,886)
Motor vehicle supplemental tax	750,000	750,000	959,182	209,182
Total property taxes	<u>81,622,019</u>	<u>81,622,019</u>	<u>81,734,315</u>	<u>112,296</u>
Intergovernmental:				
Board of Education Grants:				
Nonpublic transportation	40,818	40,818	43,147	2,329
Education cost sharing	24,257,402	24,257,402	24,302,223	44,821
Public transportation	435,733	435,733	416,637	(19,096)
Special education	1,559,604	1,559,604	1,436,407	(123,197)
Nonpublic health and welfare	35,711	35,711	39,191	3,480
Total Board of Education grants	<u>26,329,268</u>	<u>26,329,268</u>	<u>26,237,605</u>	<u>(91,663)</u>
Federal and State Grants:				
Elderly exemptions	4,000	4,000	4,000	-
Circuit breaker	341,000	341,000	334,446	(6,554)
In lieu of taxes	540,000	540,000	585,799	45,799
Disabled persons	8,188	8,188	7,554	(634)
Taxes on manufacturing facilities	471,993	83,200	192,154	108,954
Additional veterans' grant	29,000	29,000	30,351	1,351
Pequot fund grant	292,726	292,726	262,158	(30,568)
Enterprise zone	50,000	50,000	31,002	(18,998)
Street lights	1,045	1,045	1,045	-
Torrington High School	332,850	332,850	332,850	-
Southwest school	371,064	371,064	371,065	1
Vogel elementary school	240,084	240,084	240,054	(30)
State- Property Tax Relief	115,000	115,000		(115,000)
Municipal Aid Adjustment		95,013	95,013	-
MRSA Bonded Distribution		569,326	569,326	-
Build American Bonds Subsidy	211,531	211,531	196,301	(15,230)
Total federal and state grants	<u>3,008,481</u>	<u>3,284,027</u>	<u>3,253,118</u>	<u>(30,909)</u>
Total Intergovernmental	<u>29,337,749</u>	<u>29,613,295</u>	<u>29,490,723</u>	<u>(122,572)</u>

(Continued on next page)

## CITY OF TORRINGTON, CONNECTICUT

## GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
General Government:				
Building fees	\$ 559,000	\$ 671,800	\$ 374,952	\$ (296,848)
Planning and zoning fees	45,000	45,000	28,649	(16,351)
City real estate	20,000	20,000	17,674	(2,326)
City clerk	489,000	489,000	836,905	347,905
Insurance payments	2,750,294	2,750,294	2,918,768	168,474
Telephone access lines	110,000	110,000	107,541	(2,459)
CRRA refund	44,000	44,000	59,156	15,156
Insurance refunds	86,709	86,709	75,869	(10,840)
Miscellaneous income	162,004	162,004	244,363	82,359
Parking authority	70,000	70,000	56,810	(13,190)
Probate	20,854	20,854	18,066	(2,788)
Total general government	4,356,861	4,469,661	4,738,753	269,092
Public Safety:				
Canine - Hotchkiss trust	2,500	2,500	2,500	-
Miscellaneous	24,646	24,646	24,646	-
Fire:				
Outside duty	2,000	2,000		(2,000)
Insurance payments	65,000	65,000	109,266	44,266
Police:				
Tickets and permits	100,000	166,804	110,616	(56,188)
Outside duty	250,000	623,000	701,112	78,112
Insurance payments	80,000	80,000	161,630	81,630
Testing	5,000	5,000	6,400	1,400
Total public safety	529,146	968,950	1,116,170	147,220
Public Works:				
Street openings	5,000	5,000		(5,000)
Engineering	500	500	664	164
Street department miscellaneous	20,000	45,000	46,596	1,596
Water division fees	160,000	160,000	166,241	6,241
Landfill - tire income	2,000	2,000	1,050	(950)
Sewer Fees	600	600		(600)
Miscellaneous	10,000	60,000	102,808	42,808
Recycling income	500	500	45	(455)
Insurance payments	20,000	20,000	32,688	12,688
Free-waste receptacles	25,000	25,000	14,450	(10,550)
Total public works	243,600	318,600	364,542	45,942
Investment Income	45,000	45,000	41,531	(3,469)
Recreation:				
Swimming fees	15,000	15,000	8,131	(6,869)

(Continued on next page)

## CITY OF TORRINGTON, CONNECTICUT

## GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Education:				
Tuition	\$ 15,000	\$ 15,000	\$ 62,934	\$ 47,934
Other reimbursements	885,500	885,500	870,676	(14,824)
Total Education	<u>900,500</u>	<u>900,500</u>	<u>933,610</u>	<u>33,110</u>
 Total revenues	 <u>117,049,875</u>	 <u>117,953,025</u>	 <u>118,427,775</u>	 <u>474,750</u>
Other Financing Sources:				
Operating transfer in	<u>1,400,000</u>	<u>1,497,860</u>	<u>1,497,860</u>	<u>-</u>
Total Revenue and Other Financing Sources	<u>\$ 118,449,875</u>	<u>\$ 119,450,885</u>	119,925,635	<u>\$ 474,750</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers'

Retirement System for Town teachers are not budgeted.

7,040,846

Under liquidation of prior year encumbrance is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes.

The Board of Education does not budget for certain intergovernmental grants which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for financial reporting purposes.

(83,742)

Revaluation fund interest income

15

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit IV)

\$ 126,882,754

## CITY OF TORRINGTON, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
General Government:				
Assessor	\$ 341,765	\$ 332,933	\$ 325,406	\$ 7,527
Board of tax review	5,600	3,462	1,713	1,749
Boards and agencies	328,857	306,937	306,936	1
Building	332,656	337,847	337,847	-
City real estate	80,305	130,061	79,530	50,531
City and town clerk	606,952	705,723	695,522	10,201
Comptroller	336,489	332,766	332,069	697
Corporate counsel	193,771	184,808	176,260	8,548
Mayor	216,953	209,169	200,418	8,751
Personnel	201,519	204,729	204,729	-
Planning and zoning	226,707	231,801	231,801	-
Purchasing	111,446	108,270	105,515	2,755
Registrars	166,439	150,534	134,287	16,247
Services for the elderly	306,591	303,599	301,773	1,826
Treasurer	42,545	43,265	43,265	
Data processing	601,428	724,570	724,451	119
Economic development	68,507	59,617	50,493	9,124
Probate	39,240	39,240	36,158	3,082
Citywide	1,400,086	201,765	144,203	57,562
Total general government	5,607,856	4,611,096	4,432,376	178,720
Public Safety:				
Civil preparedness	36,296	32,627	32,627	-
Fire	4,837,388	4,933,625	4,837,327	96,298
Police	7,914,231	8,150,905	8,150,897	8
Public safety miscellaneous	1,818,705	2,140,809	2,237,107	(96,298)
Canine Control	132,359	219,602	219,604	(2)
Traffic	264,786	278,698	278,699	(1)
Total public safety	15,003,765	15,756,266	15,756,261	5
Public works:				
Administration	138,403	141,565	141,479	86
City hall	190,841	159,401	152,180	7,221
Engineering	524,430	507,972	505,540	2,432
Landfill	975,000	972,037	889,130	82,907
Parks	914,547	1,006,789	1,003,472	3,317
San sewer / St lights	424,730	423,347	417,057	6,290
Streets	3,414,391	4,648,562	4,648,562	-
Total public works	6,582,342	7,859,673	7,757,420	102,253
Public Health and Social Services:				
Health	2,861,624	2,854,034	2,816,041	37,993

(Continued on next page)

## CITY OF TORRINGTON, CONNECTICUT

## GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
Pension and Miscellaneous:				
Pension and benefits	\$ 11,374,385	\$ 11,472,720	\$ 11,468,886	\$ 3,834
Insurance	1,380,617	1,358,492	1,358,235	257
Tax collector contract	429,250	387,897	370,740	17,157
Total pension and miscellaneous	13,184,252	13,219,109	13,197,861	21,248
Recreation	381,315	380,619	340,683	39,936
Board of Education	68,928,775	68,928,775	68,925,175	3,600
Second Part Budget:				
Contingency	160,000	101,367	100,918	449
Debt Service:				
Bond redemption	2,786,898	2,786,898	2,786,898	-
Interest	1,400,157	1,400,157	1,398,656	1,501
Total debt service	4,187,055	4,187,055	4,185,554	1,501
Total expenditures	116,896,984	117,897,994	117,512,289	385,705
Other Financing Uses:				
Operating Transfers Out:				
Capital reserve	283,182	283,182	283,182	-
Vehicle replacement	481,794	481,794	481,794	-
Other Capital Projects	661,722	664,622	664,622	-
Other Special Revenue	126,193	126,193	36,193	90,000
Total other financing uses	1,552,891	1,555,791	1,465,791	90,000
Total Expenditures and Other Financing Sources	\$ 118,449,875	\$ 119,453,785	118,978,080	\$ 475,705

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for	
Town teachers are not budgeted.	7,040,846
Encumbrances for purchases and commitments ordered but not received are reported in the year the order	
is placed for budgetary purposes, but in the year received for financial reporting purposes.	425,225
The Board of Education does not budget for accrued payroll services or early retirement settlements at year end.	
The accrued liabilities are charged to the subsequent year's budget. These amounts are recorded as a current	(15,594)
year expenditure for financial statement purposes.	
Revaluation Fund Transfer combined and eliminated for financial reporting purposes	36,900

Total Expenditures and Other Financing Sources as Reported on the Statement of Revenues,	
Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit IV)	\$ 126,465,457



**CITY OF TORRINGTON, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST FISCAL YEAR**

	<b>Municipal Employees 2014</b>	<b>Police and Firemen 2014</b>
Total pension liability:		
Service cost	\$ 1,202,952	\$ 1,723,995
Interest	3,262,727	5,749,660
Benefit payments, including refunds of member contributions	(2,404,584)	(4,599,662)
Net change in total pension liability	2,061,095	2,873,993
Total pension liability - beginning	43,480,634	77,196,399
Total pension liability - ending	45,541,729	80,070,392
Plan fiduciary net position:		
Contributions - employer	1,562,782	3,397,552
Contributions - member	381,864	701,624
Net investment income	5,025,633	7,807,382
Benefit payments, including refunds of member contributions	(2,404,584)	(4,599,662)
Administrative expense	(22,434)	(33,907)
Net change in plan fiduciary net position	4,543,261	7,272,989
Plan fiduciary net position - beginning	30,828,543	46,191,617
Plan fiduciary net position - ending	35,371,804	53,464,606
Net Pension Liability - Ending	\$ 10,169,925	\$ 26,605,786
Plan fiduciary net position as a percentage of the total pension liability	77.67%	66.77%
Covered-employee payroll	\$ 7,675,621	\$ 9,349,008
Net pension liability as a percentage of covered-employee payroll	132.50%	284.58%

**CITY OF TORRINGTON, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Municipal Employees:</b>										
Actuarially determined contribution	\$ 952,906	\$ 969,714	\$ 969,714	\$ 1,051,488	\$ 1,051,488	\$ 1,125,528	\$ 1,125,528	\$ 1,374,634	\$ 1,374,634	\$ 1,775,712
Contributions in relation to the actuarially determined contribution	<u>1,094,394</u>	<u>1,071,682</u>	<u>1,120,229</u>	<u>1,185,979</u>	<u>1,197,536</u>	<u>1,257,993</u>	<u>1,271,233</u>	<u>1,444,183</u>	<u>1,447,879</u>	<u>1,562,782</u>
Contribution Deficiency (Excess)	<u>\$ (141,488)</u>	<u>\$ (101,968)</u>	<u>\$ (150,515)</u>	<u>\$ (134,491)</u>	<u>\$ (146,048)</u>	<u>\$ (132,465)</u>	<u>\$ (145,705)</u>	<u>\$ (69,549)</u>	<u>\$ (73,245)</u>	<u>\$ 212,930</u>
Covered-employee payroll	\$	\$	\$	\$	\$	\$ 8,178,483	\$ 8,178,483	\$ 8,481,377	\$ 8,481,377	\$ 7,675,621
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	15.38%	15.54%	17.03%	17.07%	20.36%
<b>Police and Firemen:</b>										
Actuarially determined contribution	\$ 2,123,714	\$ 2,337,011	\$ 2,377,011	\$ 2,523,618	\$ 2,523,618	\$ 2,801,257	\$ 2,801,257	\$ 3,308,035	\$ 3,357,655	\$ 3,827,288
Contributions in relation to the actuarially determined contribution	<u>2,963,639</u>	<u>2,337,011</u>	<u>2,349,011</u>	<u>2,524,618</u>	<u>2,536,618</u>	<u>2,801,257</u>	<u>2,813,257</u>	<u>3,325,432</u>	<u>3,322,432</u>	<u>3,397,552</u>
Contribution Deficiency (Excess)	<u>\$ (839,925)</u>	<u>\$ -</u>	<u>\$ 28,000</u>	<u>\$ (1,000)</u>	<u>\$ (13,000)</u>	<u>\$ -</u>	<u>\$ (12,000)</u>	<u>\$ (17,397)</u>	<u>\$ 35,223</u>	<u>\$ 429,736</u>
Covered-employee payroll	\$ 7,692,272	\$ 7,935,981	\$ 7,935,981	\$ 8,178,483	\$ 8,178,483	\$ 9,579,705	\$ 9,579,705	\$ 9,912,397	\$ 10,061,083	\$ 9,349,008
Contributions as a percentage of covered-employee payroll	38.53%	29.45%	29.60%	30.87%	31.02%	29.24%	29.37%	33.55%	33.02%	36.34%

Valuation date:

Measurement date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the beginning of the plan year

Methods and assumptions used to determine contribution rates:

Actuarial cost method      Projected Unit Credit

Amortization method      30-year period as a level dollar amount

Remaining amortization period      30 years

Asset valuation method      4-year smoothed market

Inflation      3.0%

Salary increases      3% (due to inflation) plus merit component based on age

Investment rate of return      7.75%, net of

Retirement age      In the 2012 actuarial valuation, expected retirement ages of general plan members were adjusted to more closely reflect actual experience. In the

Mortality      1994 Uninsured Pensions Tables for Males and Females, projected 10 years beyond the valuation date with Scale AA

**CITY OF TORRINGTON, CONNECTICUT  
SCHEDULE OF INVESTMENT RETURNS  
LAST FISCAL YEAR**

**2014**

Municipal Employees:

Annual money-weighted rate of return, net of investment expense	16.13%
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Police and Firemen:

Annual money-weighted rate of return, net of investment expense	16.42%
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## CITY OF TORRINGTON, CONNECTICUT

## GENERAL FUND

## COMPARATIVE BALANCE SHEET

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,857,734	\$ 10,635,966
Receivables:		
Intergovernmental	4,762,035	5,932,839
Other	364,990	277,949
Due from other funds	<u>211,667</u>	<u>1,910,739</u>
Total Assets	<u>\$ 17,196,426</u>	<u>\$ 18,757,493</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 6,052,720</u>	<u>\$ 7,298,903</u>
Deferred inflows of resources:		
Unavailable revenue - school construction payments	<u>4,295,985</u>	<u>5,028,166</u>
Fund balance:		
Committed	337,772	374,657
Assigned	207,895	721,028
Unassigned	<u>6,302,054</u>	<u>5,334,739</u>
Total fund balance	<u>6,847,721</u>	<u>6,430,424</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 17,196,426</u>	<u>\$ 18,757,493</u>

**CITY OF TORRINGTON, CONNECTICUT****GENERAL FUND****REPORT OF TAX COLLECTOR****FOR THE YEAR ENDED JUNE 30, 2014**

Total Rate Bill on Grant List on October 1, 2012	\$ 80,775,133
Add:	
Supplemental motor vehicle tax	<u>959,182</u>
Received from tax collector during the year ended June 30, 2014	81,734,315
Deduct:	
Lawful corrections and abatements	<u>(236,335)</u>
Net Revenues from Taxation	\$ <u><u>81,497,980</u></u>

## CITY OF TORRINGTON, CONNECTICUT

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

59

	Special Revenue Funds						Capital Projects
	National School Lunch Program	Nutrition Program	Town Aid Roads	Small Cities Block Grants	Federal and State Educational Grants	Other Special Revenue Funds	Sanitary Sewer Capital Improvement Program
<b>ASSETS</b>							
Cash	\$ 214,110	\$	\$ 759,378	\$ 234,776	\$ 840,883	\$ 1,268,860	\$ 1,608,271
Receivables:							
Loans				460,813		66,792	
Intergovernmental	184,847	267,120			138,819	804,555	
Other						5,995	86,956
Due from other funds	101,624						
Inventory	29,333						
Total Assets	<u>\$ 529,914</u>	<u>\$ 267,120</u>	<u>\$ 759,378</u>	<u>\$ 695,589</u>	<u>\$ 979,702</u>	<u>\$ 2,146,202</u>	<u>\$ 1,695,227</u>
<b>LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 8,580	\$ 40,632	\$ 538,445	\$ 12,486	\$ 167,785	\$ 227,313	\$ 33,520
Due to other funds		101,624					
Unearned revenue				29,672	140,752	22,164	
Total liabilities	<u>8,580</u>	<u>142,256</u>	<u>538,445</u>	<u>42,158</u>	<u>308,537</u>	<u>249,477</u>	<u>33,520</u>
Deferred inflows of resources:							
Unavailable revenue - loans receivable				460,813		66,792	
Unavailable revenue - sewer receivables							86,956
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,813</u>	<u>-</u>	<u>66,792</u>	<u>86,956</u>
Fund balances:							
Nonspendable	29,333						
Restricted			220,933	192,618	671,165	1,829,933	
Committed	492,001	124,864					1,574,751
Total fund balances	<u>521,334</u>	<u>124,864</u>	<u>220,933</u>	<u>192,618</u>	<u>671,165</u>	<u>1,829,933</u>	<u>1,574,751</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 529,914</u>	<u>\$ 267,120</u>	<u>\$ 759,378</u>	<u>\$ 695,589</u>	<u>\$ 979,702</u>	<u>\$ 2,146,202</u>	<u>\$ 1,695,227</u>

(Continued on next page)

**CITY OF TORRINGTON, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2014**

	Capital Projects						Total Nonmajor Governmental Funds
	Vehicle Replacement Fund	Capital Reserve Fund	Torrington School	Other Capital Projects	Permanent Fund Captain Bessie	Interfund Eliminations	
<b>ASSETS</b>							
Cash	\$ 1,446,434	\$ 1,305,320	\$ 631	\$ 1,036,599	\$ 4,852	\$	\$ 8,720,114
Receivables:							
Loans							527,605
Intergovernmental	3,536			343,706			1,742,583
Other				97,847			190,798
Due from other funds						(101,624)	-
Inventory							29,333
Total Assets	<u>\$ 1,449,970</u>	<u>\$ 1,305,320</u>	<u>\$ 631</u>	<u>\$ 1,478,152</u>	<u>\$ 4,852</u>	<u>\$ (101,624)</u>	<u>\$ 11,210,433</u>
<b>LIABILITIES, DEFERRED INFLOWS OR RESO</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 126,702	\$ 1,600	\$	\$ 222,929	\$	\$	\$ 1,379,992
Due to other funds						(101,624)	-
Unearned revenue				8,549			201,137
Total liabilities	<u>126,702.00</u>	<u>1,600</u>	<u>-</u>	<u>231,478</u>	<u>-</u>	<u>(101,624)</u>	<u>1,581,129</u>
Deferred inflows of resources:							
Unavailable revenue - loans receivable							527,605
Unavailable revenue - sewer receivables							86,956
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614,561</u>
Fund balances:							
Nonspendable							29,333
Restricted					4,852		2,919,501
Committed	<u>1,323,268</u>	<u>1,303,720</u>	<u>631</u>	<u>1,246,674</u>	<u>-</u>	<u>-</u>	<u>6,065,909</u>
Total fund balances	<u>1,323,268</u>	<u>1,303,720</u>	<u>631</u>	<u>1,246,674</u>	<u>4,852</u>	<u>-</u>	<u>9,014,743</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,449,970</u>	<u>\$ 1,305,320</u>	<u>\$ 631</u>	<u>\$ 1,478,152</u>	<u>\$ 4,852</u>	<u>\$ (101,624)</u>	<u>\$ 11,210,433</u>

**CITY OF TORRINGTON, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	Special Revenue Funds						Capital Projects
	National School Lunch Program	Nutrition Program	Town Aid Roads	Small Cities Block Grants	Federal and State Educational Grants	Other Special Revenue Funds	Sanitary Sewer Capital Improvement Program
Revenues:							
Sewer line fees	\$	\$	\$	\$	\$	\$	\$ 114,704
Intergovernmental	1,171,871	1,058,035	469,610	95,303	4,092,246	1,468,664	
Investment income			30	8		29	41
Program income	717,378	341,966				203,393	
Other revenues		42,343		38,765	103,142	768,651	
Total revenues	<u>1,889,249</u>	<u>1,442,344</u>	<u>469,640</u>	<u>134,076</u>	<u>4,195,388</u>	<u>2,440,737</u>	<u>114,745</u>
Expenditures:							
General government				106,037		446,612	
Public safety						87,908	
Public works			950,932			1,195,129	
Public health and social services		1,476,157				561,383	
Recreation						305,702	
Education	1,818,895				3,920,373		
Capital outlay							185,428
Total expenditures	<u>1,818,895</u>	<u>1,476,157</u>	<u>950,932</u>	<u>106,037</u>	<u>3,920,373</u>	<u>2,596,734</u>	<u>185,428</u>
Excess (Deficiency) of Revenues over Expenditures	<u>70,354</u>	<u>(33,813)</u>	<u>(481,292)</u>	<u>28,039</u>	<u>275,015</u>	<u>(155,997)</u>	<u>(70,683)</u>
Other Financing Sources (Uses):							
Issuance of leases							
Operating transfers in						59,723	588,804
Operating transfers out						(13,765)	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,958</u>	<u>588,804</u>
Net Change in Fund Balances	70,354	(33,813)	(481,292)	28,039	275,015	(110,039)	518,121
Fund Balance at Beginning of Year	<u>450,980</u>	<u>158,677</u>	<u>702,225</u>	<u>164,579</u>	<u>396,150</u>	<u>1,939,972</u>	<u>1,056,630</u>
Fund Balance at End of Year	<u>\$ 521,334</u>	<u>\$ 124,864</u>	<u>\$ 220,933</u>	<u>\$ 192,618</u>	<u>\$ 671,165</u>	<u>\$ 1,829,933</u>	<u>\$ 1,574,751</u>

(Continued on next page)



**CITY OF TORRINGTON, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<b>Capital Projects</b>						<b>Total Nonmajor Governmental Funds</b>
	<b>Vehicle Replacement Fund</b>	<b>Capital Reserves Fund</b>	<b>Torrington School</b>	<b>Other Capital Projects</b>	<b>Permanent Fund Captain Bessie</b>	<b>Interfund Eliminations</b>	
Revenues:							
Sewer line fees	\$	\$	\$	\$	\$	\$	\$ 114,704
Intergovernmental				560,075			8,915,804
Investment income	50	37			4		199
Program income							1,262,737
Other revenues	10,804	11,369		149,351			1,124,425
Total revenues	<u>10,854</u>	<u>11,406</u>	<u>-</u>	<u>709,426</u>	<u>4</u>	<u>-</u>	<u>11,417,869</u>
Expenditures:							
General government							552,649
Public safety							87,908
Public works							2,146,061
Public health and social services							2,037,540
Recreation							305,702
Education							5,739,268
Capital outlay	287,486	116,003		1,232,214			1,821,131
Total expenditures	<u>287,486</u>	<u>116,003</u>	<u>-</u>	<u>1,232,214</u>	<u>-</u>	<u>-</u>	<u>12,690,259</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(276,632)</u>	<u>(104,597)</u>	<u>-</u>	<u>(522,788)</u>	<u>4</u>	<u>-</u>	<u>(1,272,390)</u>
Other Financing Sources (Uses):							
Issuance of leases				279,560			279,560
Operating transfers in	452,310	633,902		345,761		(25,905)	2,054,595
Operating transfers out		(110,000)				25,905	(97,860)
Total other financing sources (uses)	<u>452,310</u>	<u>523,902</u>	<u>-</u>	<u>625,321</u>	<u>-</u>	<u>-</u>	<u>2,236,295</u>
Net Change in Fund Balances	175,678	419,305	-	102,533	4	-	963,905
Fund Balance at Beginning of Year	<u>1,147,590</u>	<u>884,415</u>	<u>631</u>	<u>1,144,141</u>	<u>4,848</u>	<u>-</u>	<u>8,050,838</u>
Fund Balance at End of Year	<u>\$ 1,323,268</u>	<u>\$ 1,303,720</u>	<u>\$ 631</u>	<u>\$ 1,246,674</u>	<u>\$ 4,852</u>	<u>\$ -</u>	<u>\$ 9,014,743</u>

## CITY OF TORRINGTON, CONNECTICUT

## COMBINING STATEMENT OF NET POSITION

## INTERNAL SERVICE FUNDS

JUNE 30, 2014

	<b>Self Insurance Fund</b>	<b>Maintenance Fund</b>	<b>Interfund Elimination</b>	<b>Total</b>
Assets:				
Cash and cash equivalents	\$ 6,995,505	\$	\$	\$ 6,995,505
Due from other funds	313,500		(313,500)	-
Prepays	243,333			243,333
Receivables, net	397	36,957		37,354
Total assets	<u>7,552,735</u>	<u>36,957</u>		<u>7,276,192</u>
Liabilities:				
Current liabilities:				
Accounts and other payables	1,342,983	36,231		1,379,214
Due to other funds		313,500	(313,500)	-
Total liabilities	<u>1,342,983</u>	<u>349,731</u>		<u>1,379,214</u>
Net Position:				
Unrestricted	<u>6,209,752</u>	<u>(312,774)</u>		<u>5,896,978</u>
Total Net Position	<u>\$ 6,209,752</u>	<u>\$ (312,774)</u>	<u>\$ -</u>	<u>\$ 5,896,978</u>

**CITY OF TORRINGTON, CONNECTICUT**

**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Self Insurance Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 18,687,130	\$ 1,560,708	\$ 20,247,838
Other	311,009		311,009
Total operating revenues	<u>18,998,139</u>	<u>1,560,708</u>	<u>20,558,847</u>
Operating Expenses:			
Payroll and employee benefits		712,607	712,607
Repairs and maintenance		282,274	282,274
Materials and supplies		22,692	22,692
Utilities		675,861	675,861
Other operating expense		4,358	4,358
Insurance and program services	14,397,878		14,397,878
Total operating expenses	<u>14,397,878</u>	<u>1,697,792</u>	<u>16,095,670</u>
Operating Income (Loss)	4,600,261	(137,084)	4,463,177
Nonoperating Revenue:			
Income on investments	<u>4,122</u>		<u>4,122</u>
Income (Loss) before Transfers	4,604,383	(137,084)	4,467,299
Transfers Out	<u>(1,400,000)</u>		<u>(1,400,000)</u>
Change in Net Assets	3,204,383	(137,084)	3,067,299
Net Position at Beginning of Year	<u>3,005,369</u>	<u>(175,690)</u>	<u>2,829,679</u>
Net Position at End of Year	<u>\$ 6,209,752</u>	<u>\$ (312,774)</u>	<u>\$ 5,896,978</u>

**CITY OF TORRINGTON, CONNECTICUT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Self Insurance Fund</b>	<b>Maintenance Fund</b>	<b>Total</b>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 18,998,139	\$ 1,568,018	\$ 20,566,157
Cash payments for insurance claims and premiums	<u>(15,377,444)</u>	<u>(1,881,518)</u>	<u>(17,258,962)</u>
Net cash provided by operating activities	<u>3,620,695</u>	<u>(313,500)</u>	<u>3,307,195</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds, net	<u>(1,713,500)</u>	<u>313,500</u>	<u>(1,400,000)</u>
Cash Flows from Investing Activities:			
Interest received on investments	<u>4,122</u>		<u>4,122</u>
Net Increase in Cash and Cash Equivalents	1,911,317	-	1,911,317
Cash and Cash Equivalents at Beginning of Year	<u>5,084,188</u>	<u>-</u>	<u>5,084,188</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,995,505</u>	<u>\$ -</u>	<u>\$ 6,995,505</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 4,600,261	\$ (137,084)	\$ 4,463,177
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Decrease (increase) in accounts receivables	7,192	7,310	14,502
Decrease (increase) in prepaid expenses	86,500		86,500
Increase (decrease) in accounts payable	(1,073,258)	2,717	(1,070,541)
Increase (decrease) in due to other funds	<u></u>	<u>(186,443)</u>	<u>(186,443)</u>
Net Cash Provided by Operating Activities	<u>\$ 3,620,695</u>	<u>\$ (313,500)</u>	<u>\$ 3,307,195</u>

## CITY OF TORRINGTON, CONNECTICUT

## AGENCY FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2014

	<u>Student Activity</u>	<u>Performance Bond</u>	<u>Other Agency Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>423,897</u>	\$ <u>321,175</u>	\$ <u>76,760</u>	\$ <u>821,832</u>
<b>LIABILITIES</b>				
Due to student groups and others	\$ <u>423,897</u>	\$ <u>321,175</u>	\$ <u>76,760</u>	\$ <u>821,832</u>

## CITY OF TORRINGTON, CONNECTICUT

## AGENCY FUNDS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>School Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>393,167</u>	\$ <u>923,721</u>	\$ <u>892,991</u>	\$ <u>423,897</u>
Liabilities:				
Due to student groups and others	\$ <u>393,167</u>	\$ <u>923,721</u>	\$ <u>892,991</u>	\$ <u>423,897</u>
<b>Performance Bonds</b>				
Assets:				
Cash and cash equivalents	\$ <u>177,110</u>	\$ <u>198,140</u>	\$ <u>54,075</u>	\$ <u>321,175</u>
Liabilities:				
Due to student groups and others	\$ <u>177,110</u>	\$ <u>198,140</u>	\$ <u>54,075</u>	\$ <u>321,175</u>
<b>Other Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ <u>75,058</u>	\$ <u>29,521</u>	\$ <u>27,819</u>	\$ <u>76,760</u>
Liabilities:				
Due to student groups and others	\$ <u>75,058</u>	\$ <u>29,521</u>	\$ <u>27,819</u>	\$ <u>76,760</u>
<b>TOTAL</b>				
Assets:				
Cash and cash equivalents	\$ <u>645,335</u>	\$ <u>1,151,382</u>	\$ <u>974,885</u>	\$ <u>821,832</u>
Liabilities:				
Due to student groups and others	\$ <u>645,335</u>	\$ <u>1,151,382</u>	\$ <u>974,885</u>	\$ <u>821,832</u>

## CITY OF TORRINGTON, CONNECTICUT

## STATEMENT OF DEBT LIMITATION

JUNE 30, 2014

(In Thousands)

Total cash collections for the year ended June 30, 2014:

Taxes, interest and lien fees	\$ 81,498
Reimbursement for revenue loss on:	
Tax relief for elderly - elderly freeze	<u>4</u>

Base	\$ <u><u>81,502</u></u>
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	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitations:					
2-1/4 times base	\$ 183,380	\$	\$	\$	\$
4-1/2 times base		366,759			
3-3/4 times base			305,633		
3-1/4 times base				264,882	
3 times base					244,506
	<u>183,380</u>	<u>366,759</u>	<u>305,633</u>	<u>264,882</u>	<u>244,506</u>
Total debt limitation	<u>183,380</u>	<u>366,759</u>	<u>305,633</u>	<u>264,882</u>	<u>244,506</u>
Indebtedness:					
Bonds and notes payable	11,835	15,085			
Clean water fund loans			937		
Bonds authorized and unissued	895	719			
School construction grant receivable		(4,296)			
	<u>12,730</u>	<u>11,508</u>	<u>937</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>12,730</u>	<u>11,508</u>	<u>937</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u><u>170,650</u></u>	\$ <u><u>355,251</u></u>	\$ <u><u>304,696</u></u>	\$ <u><u>264,882</u></u>	\$ <u><u>244,506</u></u>

Note 1: In no case shall total debt service exceed seven times annual receipts from taxation (\$570,514).