

TOWN OF SHERMAN, CONNECTICUT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2013

Sandra E. Welwood, LLC
Certified Public Accountants

TOWN OF SHERMAN, CONNECTICUT

TABLE OF CONTENTS

Independent Auditor’s Report..... 1
Management’s Discussion and Analysis (Unaudited) 3

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position..... 14
Statement of Activities 15

Fund Financial Statements:

Balance Sheet – Governmental Funds..... 16
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds..... 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities 18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis -
Budget and Actual – General Fund..... 19
Statement of Fiduciary Net Position – Fiduciary Funds..... 20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds..... 21
Notes to Financial Statements 22

**SUPPLEMENTAL AND COMBINING INDIVIDUAL
NONMAJOR FUND STATEMENTS AND SCHEDULES**

GENERAL FUND

Schedule of Revenues - Budget and Actual 38
Schedule of Expenditures - Budget and Actual..... 39

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet 42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 43

OTHER SCHEDULES

Statement of Debt Limitation 44
Report of the Tax Collector..... 45

Sandra E. Welwood, LLC

sewonlake@aol.com
(203) 730-0509
Fax: (203) 748-3584

Certified Public Accountants
P.O. Box 4159
Danbury, CT 06813-4159

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Sherman, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements, statement of debt limitation, and the report of the tax collector 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, statement of debt limitation, and the report of the tax collector 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, statement of debt limitation, and the report of the tax collector are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Danbury, Connecticut
September 6, 2013

TOWN OF SHERMAN, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2013

As management of the Town of Sherman, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here along with additional information furnished in the Town's basic financial statements that follow this section.

The Town's discussion and analysis is designed to:

1. Provide an overview of the Town's financial activity.
2. Assist the reader in focusing on significant financial issues.
3. Identify any material deviations from the financial plan (approved budget).
4. Identify changes in the Town's financial position, as well as its ability to address challenges in future years.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,494,332 (net position). This is a decrease of \$34,439 or down (0.3%) from the prior fiscal year.
- Government-wide revenues were \$14,500,754 (up 5.6%) and expenses were \$14,535,193 (up 5.9%). On a government-wide basis, expenses exceeded revenues by (\$34,439).
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,079,938, an increase of \$598,788 or 40% from the prior fiscal year. This represents the combined balances in the General, Bonded Projects, Capital and Nonrecurring, Special Projects, Dog Fund, Land Acquisition Fund, and other smaller funds.
- In the General Fund, revenues exceeded expenditures and transfers by \$317,584. The total General Fund balance of \$1,193,244 as of June 30, 2013 compares to a balance of \$875,660 in the prior year, an increase of \$317,584 or 36.3%.
- At the end of the current fiscal year, the unassigned General Fund balance was \$1,182,363. This represents 8.5% of total General Fund revenues in the current fiscal year, up 2.1 points from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector businesses. All of the resources which the Town has at its disposal are shown, including major assets such as buildings and infrastructure. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation, and education.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. The Town, like other state and local governments, uses fund accounting to help it maintain control and manage money that have been segregated for specific activities or objectives. All of the funds of the Town are divided into two categories: governmental and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Bonded Projects, and Capital and Nonrecurring funds. Data from other governmental funds are combined into a single aggregated presentation as Other Funds.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the authorized budget in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis.

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. All of the Town’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The Town excludes these activities from the Town’s other financial statements because the Town cannot use these funds to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time the change in net position may be a useful indicator of the Town’s financial position. The Town’s combined assets exceeded its combined liabilities by \$13,494,332 at June 30, 2013. This was a decrease of \$34,439 or (0.3%) from the prior year.

	<u>Net Position</u>		
	<u>2013</u>	<u>2012</u>	<u>Total % Change</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,179,231	\$ 1,758,607	23.9%
Investments	33,179	40,685	(18.4)%
Receivables	146,377	149,733	(2.2)%
Prepaid expenses	131	7,678	(98.3)%
Capital assets, not being depreciated	8,504,162	8,331,243	2.1%
Capital assets, net of accumulated depreciation	<u>14,690,352</u>	<u>15,276,464</u>	(3.8)%
Total assets	<u>25,553,432</u>	<u>25,564,410</u>	0.0%
<u>Liabilities</u>			
Accounts payable and other liabilities	164,678	262,527	(37.3)%
Accrued interest payable	133,172	131,487	1.3%
Unearned revenue	24,200	31,010	(22.0)%
Non-current liabilities:			
Due within one year	1,062,120	944,634	12.4%
Due in more than one year	<u>10,674,930</u>	<u>10,665,981</u>	1.0%
Total liabilities	<u>12,059,100</u>	<u>12,035,639</u>	0.2%
<u>Net Position</u>			
Net investment in capital assets	11,512,168	12,047,447	(4.4)%
Restricted for enabling legislation	10,750	10,750	0.0%
Unrestricted	<u>1,971,414</u>	<u>1,470,574</u>	34.1%
Total net position	<u>\$ 13,494,332</u>	<u>\$ 13,528,771</u>	(0.3)%

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

By far, the largest portion of the Town's net position \$11,512,168 (85%) reflects its net investment in capital assets (e.g. land, buildings, furniture, fixtures, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining unrestricted net position of \$1,971,414 (15%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities decreased the Town's net position by \$34,439. Key elements of the decrease are as follows:

<u>Changes in Net Position</u>			
	<u>2013</u>	<u>2012</u>	<u>Total % Change</u>
Revenues:			
Property taxes	\$ 12,257,390	\$ 11,867,528	3.3%
Charges for services	427,122	341,838	24.9%
Operating grants and contributions	1,389,960	1,299,755	6.9%
Capital grants and contributions	253,946	94,002	170.1%
Unrestricted grants and contributions	153,997	121,341	26.9%
Investment earnings	<u>18,339</u>	<u>11,182</u>	64.0%
Total revenues	<u>14,500,754</u>	<u>13,735,646</u>	5.6%
Expenses:			
General, cultural and recreation	2,553,640	1,641,807	55.5%
Public safety	577,527	563,080	2.6%
Public works	1,118,997	1,065,502	5.0%
Health and welfare	165,543	162,387	1.9%
Education	9,675,577	9,840,393	(1.7)%
Other	84,179	87,554	(3.9)%
Interest on long-term debt	<u>359,730</u>	<u>370,951</u>	(3.0)%
Total expenses	<u>14,535,193</u>	<u>13,731,674</u>	5.9%
(Decrease) increase in net position	<u>\$ (34,439)</u>	<u>\$ 3,972</u>	(967.0)%

Revenues increased by \$765,108 (5.6%). Approximately 85% of the Town's revenues came from property taxes, followed by 10% from operating grants and contributions, and 6% from all other revenue sources (rounding).

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Major revenue factors included:

- Property tax revenues increased \$389,862 (3.3%) over the prior year and resulted from an increase in the taxable grand list of \$8,166,838 (up 1.1%), an increase in the mil rate from 15.8 to 16.1 mils (up 1.9%), a tax collection rate of 99.3%, and supplemental taxes for motor vehicles and new construction.
- Operating grants and contributions for governmental activities increased by \$90,205 (6.9%) due to grants and contributions received for educational programs, FEMA reimbursements, and State of Connecticut revenue sharing.
- Capital grants for governmental activities increased by \$159,944 (170.1%). Grants received include STEAP grants for the renovation of Farm Road and the Sherman Library Barn, as well as final reimbursement for the School Roof.
- Investment earnings increased by \$7,157 (64.0%) due to higher fund balances with continued low interest rates.

Expenses increased \$803,519 (5.9%) from the prior fiscal year. Approximately 67% of the Town's expenses relate to education, followed by 18% for general, cultural and recreation, and 16% for other expenditures (rounding).

Major expense factors included:

- Increased spending on general, cultural and recreation of \$911,833 (up 55.5%), public works of \$53,495 (up 5.0%), public safety of \$14,447 (up 2.6%), as well as health and welfare of \$3,156 (up 1.9%) from the prior year.
- Decreased spending on education of \$164,816 (down 1.7%), interest on long-term debt of \$11,221 (down 3.0%), and other spending down \$3,375 (down 3.9%) from the prior year.

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,079,938, an increase of \$598,788 (40%) from the prior year:

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

<u>Ending Fund Balance as of:</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
General Fund	\$ 1,193,244	\$ 875,660	\$ 317,584
Bonded Projects	431,229	278,851	152,378
Capital and Nonrecurring	340,846	239,873	100,973
Land Acquisition	27,320	11,052	16,268
Revaluation Fund	37,088	27,082	10,006
Other Funds	<u>50,211</u>	<u>48,632</u>	<u>1,579</u>
Total	<u>\$ 2,079,938</u>	<u>\$ 1,481,150</u>	<u>\$ 598,788</u>

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the unassigned General Fund balance was \$1,182,363. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total fund revenues. Unassigned General Fund balance represents 8.5% of total General Fund revenues in the current fiscal year, an improvement from the prior year.

The Town's General Fund balance (including unspendable and restricted) increased by \$317,584 (36.3%) during the current fiscal year. The Town had planned for a balanced 2012-2013 budget, and these key factors contributed to the increase in fund balance:

- General Fund revenues were better than budget by \$309,556 due to a high tax collection rate and an improving economy. Tax revenues including supplemental tax bills, collections of past due taxes, interest and liens were better than budget by \$95,627. There were also higher than planned revenues in almost every other revenue category, many of which are related to the real estate market.
- General Fund expenditures were better than budget by \$8,028 due to Town spending being better than budget by \$7,263 and the Board of Education spending being better than budget by \$765.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final amended budgets and actual results can be briefly summarized as follows:

Revenues exceeded appropriations by \$309,556:

- Additional tax receipts of \$95,627 including current year and back taxes, interest and fees.
- Higher licenses and permits of \$36,992 due primarily to Building fees, conveyance taxes of \$19,173 and recording fees of \$9,259 due to an improving real estate market.
- Higher Parks & Recreation income including SPARK of \$18,597.
- Education grants in the General Fund were higher than budgeted by \$12,859 attributed to education assistance from the state and preschool tuition.
- Governmental grants for FEMA disaster reimbursements of \$59,190 were not budgeted. Similarly, a new State Revenue sharing grant of \$23,846 was not known at budget time.
- Other miscellaneous revenues were better than budget by \$31,518.

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Expenditures were lower than appropriations by \$8,028:

- General Government was worse than budget by \$46,435 driven by Counsel and Court costs of \$39,237. The Building department was over budget by \$26,425 but this was offset by additional fees recorded as revenue.
- Building and Grounds was \$2,428 worse than budget driven by utilities.
- Public Safety was \$8,668 worse than budget due to disaster related expenditures.
- Public Works was \$19,983 better than budget due to salaries, supplies and contracted labor.
- Health and Welfare was \$8,867 better than budget due to sanitarian salaries and social services spending.
- Insurance was \$33,857 better than budget due to lower liability, auto, property, life and medical insurance, as well as expenses associated with workers compensation and payroll taxes.
- Parks & Recreation was over budget by \$6,061 but this was offset by additional P&R fees recorded as revenue.
- Miscellaneous spending was better than budget by \$4,483.
- Education spending in the General Fund was \$765 or on budget.

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

A comparative year-to-year analysis of the General Fund is shown below:

	General Fund			Total % Change
	2013	2012	Variance	
Revenues:				
Property taxes	\$ 12,249,304	\$ 11,838,808	\$ 410,496	3.5%
Licenses and permits	160,592	124,624	35,968	28.9%
Intergovernmental	1,168,586	1,109,021	59,565	5.4%
Charges for services	266,530	198,561	67,969	34.2%
Investment earnings	5,374	8,676	(3,302)	(38.1)%
Other	34,158	20,700	13,458	65.0%
Total revenues	<u>13,884,544</u>	<u>13,300,390</u>	<u>584,154</u>	4.4%
Expenditures:				
General, cultural and recreation	1,288,833	1,258,760	30,073	2.4%
Public safety	524,880	509,689	15,191	3.0%
Public works	945,824	893,542	52,282	5.9%
Health and welfare	113,223	110,067	3,156	2.9%
Education	9,169,574	8,941,173	228,401	2.6%
Other	71,932	75,261	(3,329)	(4.4)%
Debt service – principal	930,000	910,000	20,000	2.2%
Debt service – interest	307,645	330,195	(22,550)	(6.8)%
Total expenditures	<u>13,351,911</u>	<u>13,028,687</u>	<u>323,224</u>	2.5%
Excess of revenues over expenditures	<u>532,633</u>	<u>271,703</u>	<u>260,930</u>	96.0%
Transfers out	<u>(215,049)</u>	<u>(877,622)</u>	<u>662,573</u>	(75.5)%
Net transfers	<u>(215,049)</u>	<u>(877,622)</u>	<u>662,573</u>	(75.5)%
Net change in fund balance	317,584	(605,919)	923,503	152.4%
Fund balance – beginning	<u>875,660</u>	<u>1,481,579</u>	<u>(605,919)</u>	(40.9)%
Fund balance – ending	<u>\$ 1,193,244</u>	<u>\$ 875,660</u>	<u>\$ 317,584</u>	36.3%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2013 amounted to \$23,194,514 (net of accumulated depreciation) compared to \$23,607,707 in the prior fiscal year. This investment in capital assets includes land, buildings and system improvements, machinery, equipment, park facilities, roads, and bridges and is down \$413,193 (down 1.8%) from the prior year and reflects improvements to the Town's infrastructure and construction in progress for an expanded Emergency Services Facility offset by depreciation.

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

The Town made significant investments in capital spending during the year:

- Spending associated with capital projects funded by the Town's Capital and Nonrecurring fund was \$280,959 (down 79%) as the Town had made significant investments in refurbishing Spring Lake Road, repairing/replacing the Sherman School Roof, Public Works vehicle for winter maintenance, Fuel tanks at the Town Garage, Playhouse roof replacement, School heating, cooling and ventilation, and other smaller capital projects in the prior year. In the current year, Town projects included refurbishing Farm Road, security improvements at the Sherman School, and a new Public Works truck.
- Capital outlay of \$871,825 funded by the Town's Bonded Projects fund for an expanded Emergency Services Facility (\$172,920) and expansion of the Sherman Library (\$698,905).

<u>Capital Assets at Year-End (Net of Accumulated Depreciation)</u>			
	<u>2013</u>	<u>2012</u>	<u>Total % Change</u>
Land	\$ 2,851,200	\$ 2,851,200	0.0%
Buildings and improvements	10,362,238	10,817,885	(4.2)%
Furniture, fixtures, vehicles and equipment	478,938	600,231	(20.2)%
Infrastructure	3,849,176	3,858,348	0.2%
Construction in progress	<u>5,652,962</u>	<u>5,480,043</u>	3.2%
Total (net of accumulated depreciation)	<u>\$ 23,194,514</u>	<u>\$ 23,607,707</u>	(1.8)%

Additional information on the Town's capital assets may be found in Note 7 – Capital Assets.

Long-Term Obligations

At the end of the current fiscal year, the Town had \$9,950,000 in bonds outstanding versus \$9,655,000 last year – an increase of \$295,000 (3.1%). These are bonds with interest rates ranging from 2% to 5% and varying expiration dates to July 2029.

All debt is backed by the good faith and credit of the Town. The Town's was most recently rated "Aa2" by Moody's Investor Service for general obligation debt. Such ratings reflect only the views of such agencies and could be subject to change.

State statutes limit the amount of general obligation debt a governmental entity may issue. The Town's current debt limitation for General and School debt is \$70.9 million, which is significantly higher than the Town's current outstanding general obligation debt.

Other obligations of the Town include a promissory note payable associated with the purchase of Happy Acres Farm, liabilities for compensated absences and a net pension obligation. Additional information on the Town's long-term liabilities can be found in Note 8.

Town of Sherman, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

<u>Outstanding Obligations at Year-End</u>			
	<u>2013</u>	<u>2012</u>	<u>Total % Change</u>
General obligation bonds	\$ 9,950,000	\$ 9,655,000	3.1%
Promissory note payable	1,800,000	2,025,000	(11.1)%
Discount on promissory note payable	(200,826)	(251,227)	(20.1)%
Net pension obligation	59,783	47,535	25.8%
Employee compensated absences	<u>128,093</u>	<u>134,307</u>	(4.6)%
	<u>\$ 11,737,050</u>	<u>\$ 11,610,615</u>	1.1%

Pension Plans

The Town closed its Defined Benefit Pension Plan to new employees and froze participants' monthly pension calculations as of June 30, 2005 (i.e., no additional benefits will accrue under the plan for the subsequent periods). The Town established a Defined Contribution Pension Plan for its employees on July 1, 2005. Under this plan, employees could contribute a portion of their pay to the plan, and the Town matches 100% of the employees' contribution up to 3% of gross pay.

Additional information on the Town's employee retirement plans can be found in Note 11.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected officials considered many factors when setting the fiscal year 2014 budget and property tax rates. One of those factors is the economy. As of June 2013, unemployment in the Town stood at 6.5% versus 5.9% a year ago. Although worse year-to-year, this rate compares favorably with the State's unemployment rate of 8.1%.

With an overwhelming reliance on property taxes, the Town's income stream is relatively stable, even during a recession. However, this lack of diversity represents a long-term problem for Connecticut municipalities as those most vulnerable to a specific tax rebel against its increase.

The Town is facing increasing economic burdens from municipal expenditures associated with education, medical insurance, rising fuel and energy costs, and repairs to the Town's infrastructure.

All of these factors were considered while preparing the Town's General Fund budget for the 2014 fiscal year. With a modest increase in the grand list of 1.0% and an increase in the mil rate of 4.6%, property tax revenues are expected to increase 5.7% year-to-year. Including revenue from sources other than property taxes, the Town budgeted for a \$50,000 surplus, better than balanced, and expenditures including education are projected to increase by 5.8% year-to-year, reflecting higher debt service (up 7.9%) and an increase in contribution to the Capital and Nonrecurring Fund (up 75%).

If the 2013-2014 budget estimates are realized, the Town's budgetary General Fund balance as of June 30, 2014 is expected to be \$1,243,244 which is \$50,000 higher than as of June 30, 2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the First Selectman's Office, P.O. Box 39, Sherman, CT 06784.

TOWN OF SHERMAN, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

Assets

Cash and cash equivalents	\$ 2,179,231
Investments	33,179
Receivables, net of allowances:	
Property taxes	120,579
Other receivables	25,798
Prepaid expenses	131
Noncurrent assets:	
Capital assets, not being depreciated	8,504,162
Capital assets, net of accumulated depreciation	14,690,352
	<hr/>
Total assets	25,553,432

Liabilities

Accounts payable	162,910
Accrued interest	133,172
Unearned revenue	24,200
Deposits	1,768
Noncurrent liabilities:	
Due within one year	1,062,120
Due in more than one year	10,674,930
	<hr/>
Total liabilities	12,059,100

Net Position

Net investment in capital assets	11,512,168
Restricted for enabling legislation	10,750
Unrestricted	1,971,414
	<hr/>
Total net position	\$ 13,494,332

The notes to the financial statements are an integral part of this statement.

TOWN OF SHERMAN, CONNECTICUT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ (1,189,805)	\$ 272,270	\$ 4,000	\$ -	\$ (913,535)
Public safety	(577,527)	-	-	-	(577,527)
Public works	(1,118,997)	-	172,353	153,946	(792,698)
Health and welfare	(165,543)	-	-	-	(165,543)
Culture and recreation	(1,363,835)	124,547	-	100,000	(1,139,288)
Education	(9,675,577)	30,305	1,213,607	-	(8,431,665)
Other	(84,179)	-	-	-	(84,179)
Interest on long-term debt	(359,730)	-	-	-	(359,730)
Total governmental activities	\$ (14,535,193)	\$ 427,122	\$ 1,389,960	\$ 253,946	(12,464,165)
General Revenues:					
Property taxes, interest, and lien fees					12,257,390
Grants and contributions not restricted to specific programs					99,230
Miscellaneous revenues					54,767
Unrestricted investment earnings					18,339
Total general revenues					12,429,726
Change in net position					(34,439)
Net position, beginning of year					13,528,771
Net position, end of year					\$ 13,494,332

The notes to the financial statements are an integral part of this statement.

TOWN OF SHERMAN, CONNECTICUT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Bonded Projects	Capital and Nonrecurring	Other Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 1,219,217	\$ 431,229	\$ 414,166	\$ 114,619	\$ 2,179,231
Investments	33,179	-	-	-	33,179
Receivables:					
Property taxes	120,579	-	-	-	120,579
Intergovernmental	25,798	-	-	-	25,798
Prepaid expenses	131	-	-	-	131
Total assets	\$ 1,398,904	\$ 431,229	\$ 414,166	\$ 114,619	\$ 2,358,918
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 89,590	\$ -	\$ -	\$ -	\$ 89,590
Unearned revenue	114,302	-	-	-	114,302
Due to State of Connecticut	-	-	73,320	-	73,320
Deposits	1,768	-	-	-	1,768
Total liabilities	205,660	-	73,320	-	278,980
Fund Balances:					
Unspendable	131	-	-	-	131
Restricted	10,750	-	-	-	10,750
Assigned	-	431,229	340,846	114,619	886,694
Unassigned	1,182,363	-	-	-	1,182,363
Total fund balances	1,193,244	431,229	340,846	114,619	2,079,938
Total liabilities and fund balances	\$ 1,398,904	\$ 431,229	\$ 414,166	\$ 114,619	

Amounts reported in the Statement of Net Position are different because:

Capital assets used are not financial resources and, therefore, are not reported in the funds	23,194,514
Property taxes and other receivables that are not available to pay for current period expenditures are deferred, or not recognized in the funds	90,102
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(11,870,222)
Net position	\$ 13,494,332

The notes to the financial statements are an integral part of this statement.

TOWN OF SHERMAN, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Bonded Projects</u>	<u>Capital and Nonrecurring</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 12,249,304	\$ -	\$ -	\$ -	\$ 12,249,304
Licenses and permits	160,592	-	-	-	160,592
Intergovernmental	1,168,586	-	153,946	480,680	1,803,212
Charges for services	266,530	-	-	-	266,530
Investment earnings	5,374	12,023	698	244	18,339
Miscellaneous	34,158	12,180	27,288	21,065	94,691
Total revenues	<u>13,884,544</u>	<u>24,203</u>	<u>181,932</u>	<u>501,989</u>	<u>14,592,668</u>
Expenditures:					
Current:					
General government	910,667	-	-	12,306	922,973
Public safety	524,880	-	-	-	524,880
Public works	945,824	-	-	-	945,824
Health and welfare	113,223	-	-	-	113,223
Culture and recreation	378,166	-	-	-	378,166
Education	9,169,574	-	-	276,680	9,446,254
Other	71,932	-	-	-	71,932
Debt service	1,237,645	-	-	-	1,237,645
Capital outlay	-	871,825	280,959	200,199	1,352,983
Total expenditures	<u>13,351,911</u>	<u>871,825</u>	<u>280,959</u>	<u>489,185</u>	<u>14,993,880</u>
Excess of revenues over (under) expenditures	532,633	(847,622)	(99,027)	12,804	(401,212)
Other Financing Sources (Uses):					
Proceeds from issuance of debt	-	1,000,000	-	-	1,000,000
Transfers in	-	-	200,000	15,049	215,049
Transfers out	(215,049)	-	-	-	(215,049)
Net change in fund balances	317,584	152,378	100,973	27,853	598,788
Fund balances, beginning of year	<u>875,660</u>	<u>278,851</u>	<u>239,873</u>	<u>86,766</u>	<u>1,481,150</u>
Fund balances, end of year	<u>\$ 1,193,244</u>	<u>\$ 431,229</u>	<u>\$ 340,846</u>	<u>\$ 114,619</u>	<u>\$ 2,079,938</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SHERMAN, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Amounts reported in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ 598,788
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(413,194)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(91,914)
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the net effect of these differences in the treatment of long-term debt and related items.	(120,400)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(7,719)</u>
Change in net position	<u><u>\$ (34,439)</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SHERMAN, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 12,153,677	\$ 12,153,677	\$ 12,249,304	\$ 95,627
Licenses and permits	123,600	123,600	160,592	36,992
Intergovernmental	417,425	417,425	514,795	97,370
Charges for services	184,550	184,550	236,225	51,675
Investment earnings	9,000	9,000	5,374	(3,626)
Miscellaneous	2,640	2,640	34,158	31,518
Total revenues	<u>12,890,892</u>	<u>12,890,892</u>	<u>13,200,448</u>	<u>309,556</u>
Expenditures:				
Current:				
General government	636,489	636,489	682,924	(46,435)
Buildings and grounds	147,565	147,565	149,993	(2,428)
Public safety	427,387	427,387	436,055	(8,668)
Public works	745,460	745,460	725,477	19,983
Health and welfare	94,271	94,271	85,404	8,867
Insurance	590,252	590,252	556,395	33,857
Other	525,080	525,080	523,493	1,587
Education	8,486,243	8,486,243	8,485,478	765
Debt service	1,238,145	1,238,145	1,237,645	500
Total expenditures	<u>12,890,892</u>	<u>12,890,892</u>	<u>12,882,864</u>	<u>8,028</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	317,584	<u>\$ 317,584</u>
Fund balance, beginning of year			<u>875,660</u>	
Fund balance, end of year			<u>\$ 1,193,244</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF SHERMAN, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Defined Benefit Trust Fund	Defined Contribution Trust Fund	Agency Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 12,082	\$ 65,512	\$ 58,983
Investments at fair value	767,470	912,691	-
Total assets	779,552	978,203	58,983
<u>Liabilities</u>			
Due to school groups	-	-	58,983
Total liabilities	-	-	58,983
Net position held in trust for pension benefits	\$ 779,552	\$ 978,203	\$ -

The notes to the financial statements are an integral part of this statement.

TOWN OF SHERMAN, CONNECTICUT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Defined Benefit Trust Fund	Defined Contribution Trust Fund
Additions:		
Employee contributions	\$ -	\$ 103,283
Employer contributions	49,038	27,713
	49,038	130,996
Investment income (loss):		
Interest and dividends	18,052	-
Net increase in fair value of investments	61,492	70,873
Investment fees and expenses	(7,791)	-
	71,753	70,873
Total additions	120,791	201,869
Deductions:		
Benefits and other deductions	37,646	61,150
Total deductions	37,646	61,150
Change in net position	83,145	140,719
Net position, beginning of year	696,407	837,484
Net position, end of year	\$ 779,552	\$ 978,203

The notes to the financial statements are an integral part of this statement.

**TOWN OF SHERMAN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Town of Sherman, Connecticut (the “Town”) was established in 1802 under the provisions of the Home Rule Law of the State of Connecticut. It operates under a Board of Selectmen form of government.

The Town provides a full range of services including public safety, roads, sanitation, social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effects of interfund activity have 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 Town has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

Governmental Funds

General Fund - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Special Revenue Funds - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Private - Purpose Trust Funds are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, when levied for, 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. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town or specifically identified.

The Town reports the following major governmental funds:

The **General Fund** is the general operating fund of the Town government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the Town, which were not paid through a special fund.

The **Bonded Projects Fund** is used to account for proceeds of bond anticipation notes and general obligation bonds used for authorized bonded projects such as acquisition and construction of capital facilities.

The **Capital and Nonrecurring Fund** accounts for smaller, short term capital projects that are funded through capital grants or General Fund transfers.

Additionally, the Town reports the following funds:

The **Pension Trust Funds** account for activities of the Town's defined benefit plan and defined contribution plan, which accumulate resources for pension benefit payments to qualified employees.

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

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Cash and cash equivalents

The Town considers cash on hand, deposits and short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade account allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts. No allowance for uncollectible accounts was considered necessary at June 30, 2013.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Building	50
Building improvements	20
Infrastructure	15 - 50
Machinery and equipment	5 - 20
Licensed vehicles	5 - 8
Computer equipment	5

Compensated Absences

Under the terms of employment, Town and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation and sick days to subsequent years based on the terms of an employment or union contract. In the event of termination, employees are reimbursed for accumulated sick days. The Town recognizes a liability for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental funds financial statements in the current year to the extent they have matured (i.e., due to retirement).

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

In the governmental funds financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the 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.

Fund Equity and Net Position

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

Net Investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents the net position of the Town which is not restricted for any project or other purpose.

Governmental Accounting Standards Board Statement #54 (GASB 54) defines the different types of fund balances that the Town must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable – fund balance amounts associated with inventories, prepaids, and long-term receivables and payables.

Restricted – fund balance amounts that can be spent only for the specific purposes stipulated by external source providers or enabling legislation.

Committed – fund balance amounts that can be used only for specific purposes determined by a formal action of the Town’s highest level of decision-making authority.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Assigned – fund balance amounts intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed fund balances.

Unassigned – fund balance amounts remaining for the General Fund that are spendable.

Generally, the Town's committed fund balance reporting is required when funds have been committed at a Town Meeting and the Town's assigned fund balance reporting is required when funds have been assigned by the Town's Board of Selectmen. The Town's policy is to apply expenditures against the applicable fund balances in the following order: nonspendable, restricted, committed, assigned, and unassigned.

Note 2 – Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- a. In January, all departments are asked to submit their budget requests to the First Selectman.
- b. During January and February, the First Selectman compiles these budget requests into a draft budget.
- c. In March, the Board of Selectmen, acting as the Board of Finance, holds hearings at which entities formally present their budget requests and rationale for same. Following the hearings, the Board of Selectmen meet in a workshop to finalize the budget.
- d. At the March Board of Selectmen's meeting, the Board of Selectmen, acting as the Board of Finance, approves the budget and schedules a Town Meeting at which the budget will be presented (usually in early May). The Town Meeting is held then adjourned to a referendum vote on the budgets (Town and Education budgets are voted on separately).
- e. By recommendation from the First Selectman, and certification of the Treasurer, the Board of Selectmen may transfer appropriations from one department to another. Within any one department, appropriation may be transferred without the Board of Selectmen's approval. Other than capital and nonrecurring items, unencumbered appropriations lapse at year end.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund. Only the General Fund is required to be budgeted.
- g. The legal level of control is at the department level.
- h. Encumbrances are recognized as a valid and proper charge against a budget issued appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures of the current year. Other than those that are not capital or nonrecurring, if an appropriation is not encumbered, it lapses at year-end and may not be used by the department.
- i. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

General Fund

A reconciliation of General Fund amounts presented on a budgetary basis to amounts presented in accordance with accounting principles generally accepted in the United States of America is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis	\$ 13,200,448	\$ 12,882,864
Recorded as other financial uses through interfund transfers	-	(215,049)
State Teachers' Retirement on- behalf payments, not recognized for budgetary purposes	<u>684,096</u>	<u>684,096</u>
GAAP Basis	<u>\$ 13,884,544</u>	<u>\$ 13,351,911</u>

Special Revenue Funds

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various Special Revenue Funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants.

Capital Project Funds

Legal authorization for expenditures of the Capital Project Funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

Note 3 - Reconciliation of Government - Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds Balance Sheet and the government-wide Statement of Net Position

The governmental funds Balance Sheet includes a reconciliation between fund balance - total governmental funds and net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Accrued interest	\$ 133,172
General obligation bonds payable	9,950,000
Promissory note payable	1,800,000
Discount on promissory note payable	(200,826)
Net pension obligation	59,783
Compensated absences	<u>128,093</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position	<u>\$ 11,870,222</u>

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 411,093
Depreciation expense	<u>(824,287)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position	<u>\$ (413,194)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Principal repayments of general obligation bonds	\$ 930,000
Issuance of debt	(1,000,000)
Net change in other long-term liabilities	<u>(50,400)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position	<u>\$ (120,400)</u>

Note 4 - Deposits and Investments

A reconciliation of the Town's cash and cash equivalents as of June 30, 2013 is as follows:

Government-wide Statement of Net Position:	
Cash and cash equivalents	<u>\$ 2,179,231</u>
Statement of Fiduciary Net Position:	
Cash and cash equivalents – Agency Funds	58,983
Cash and cash equivalents – Pension Trust Funds	<u>77,594</u>
	<u>136,577</u>
	<u>\$ 2,315,808</u>

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$2,031,115 of the Town's bank balance of \$12,298,097 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,884,138
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>146,977</u>
	<u>\$ 2,031,115</u>

All of the Town's deposits were in qualified public institutions as defined by Connecticut general statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments

As of June 30, 2013, the Town's investments consisted of the following:

<u>Investments (except Pension Trust Funds)</u>	
Other investments:	
Short term investment fund	\$ <u>33,179</u>
Total	\$ <u>33,179</u>

In accordance with GASB Statement No. 40 *Deposit and Investment Risk Disclosures*, the Town has separately disclosed its Pension Trust Fund investments, as these investments have greater risk exposures than the Town's investments.

As of June 30, 2013, the Pension Trust Fund investments consisted of the following:

<u>Pension Trust Funds</u>	
Mutual Funds:	
Defined Benefit Trust Fund	\$ <u>767,470</u>
Defined Contribution Trust Fund	\$ <u>912,691</u>

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Credit Risk

State law limits investments to the obligations of the United States of America, including the joint and several obligations of the Federal Home Mortgage Corporation, Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all federal land banks, all the federal intermediate credit banks, the Central Bank of Cooperatives, the Tennessee Valley Authority, or any other Agency of the United States Government.

Note 5 – Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, the components of unearned revenues reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes	\$ 90,102	\$ -	\$ 90,102
Other	<u>-</u>	<u>24,200</u>	<u>24,200</u>
Total deferred revenue	<u>\$ 90,102</u>	<u>\$ 24,200</u>	<u>\$ 114,302</u>

Note 6 – Interfund Transfers

A summary of interfund transfers is presented below:

	<u>Transfers from General Fund</u>
Transfers to:	
Capital and Nonrecurring	\$ 200,000
Revaluation	<u>15,049</u>
Total interfund transfers	<u>\$ 215,049</u>

The transfers from the General Fund were to fund the above capital projects.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Note 7 - Capital Assets

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
Capital assets not being depreciated:				
Land	\$ 2,851,200	\$ -	\$ -	\$ 2,851,200
Construction in progress	<u>5,480,042</u>	<u>172,920</u>	<u>-</u>	<u>5,652,962</u>
Total capital assets not being depreciated	<u>8,331,242</u>	<u>172,920</u>	<u>-</u>	<u>8,504,162</u>
Capital assets being depreciated:				
Buildings and improvements	17,231,342	51,615	-	17,282,957
Furniture, fixtures, vehicles and equipment	2,712,008	36,559	-	2,748,567
Infrastructure	<u>8,507,091</u>	<u>150,000</u>	<u>-</u>	<u>8,657,091</u>
Total capital assets being depreciated	<u>28,450,441</u>	<u>238,174</u>	<u>-</u>	<u>28,688,615</u>
Less accumulated depreciation:				
Buildings and improvements	6,413,457	507,262	-	6,920,719
Furniture, fixtures, vehicles and equipment	2,111,776	157,853	-	2,269,629
Infrastructure	<u>4,648,743</u>	<u>159,172</u>	<u>-</u>	<u>4,807,915</u>
Total accumulated depreciation	<u>13,173,976</u>	<u>824,287</u>	<u>-</u>	<u>13,998,263</u>
Capital assets being depreciated, net of depreciation	<u>15,276,465</u>	<u>(586,113)</u>	<u>-</u>	<u>14,690,352</u>
Total governmental activities	<u>\$ 23,607,707</u>	<u>\$ (413,193)</u>	<u>\$ -</u>	<u>\$ 23,194,514</u>

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

General governmental	\$ 249,973
Education	224,894
Public safety	52,247
Public works	177,498
Health and welfare	52,320
Culture and recreation	<u>67,355</u>
Total depreciation expense	<u>\$ 824,287</u>

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Note 8 - Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt:					
General obligation bonds	\$ 9,655,000	\$ 1,000,000	\$ 705,000	\$ 9,950,000	\$ 805,000
Promissory note payable	2,025,000	-	225,000	1,800,000	225,000
Discount on promissory note	(251,227)	-	(50,401)	(200,826)	(45,163)
Other long-term obligations:					
Net pension obligation	47,535	61,286	49,038	59,783	59,783
Compensated absences	<u>134,307</u>	<u>4,429</u>	<u>10,643</u>	<u>128,093</u>	<u>17,500</u>
Total long-term obligations	<u>\$ 11,610,615</u>	<u>\$ 1,065,715</u>	<u>\$ 939,280</u>	<u>\$ 11,737,050</u>	<u>\$ 1,062,120</u>

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the good faith and credit of the government. These bonds generally are issued as 15 year or 20 year serial bonds with equal amounts of principal maturing each year.

As of June 30, 2013, the outstanding general obligation bonded indebtedness of the Town was as follows:

Refunding serial school bonds with interest rates Ranging from 3% to 5% and varying expiration Dates range from March 2004 to July 2020.	\$ 2,775,000
Refunding of Bond Anticipation Note with an interest rate ranging from 2.0% to 3.5% due serially from August 2011 through 2029.	6,175,000
Library renovations with 2% interest rate due serially from March 2014 through 2023.	<u>1,000,000</u>
	<u>\$ 9,950,000</u>

Promissory Note Payable

The Town purchased land and buildings known as Happy Acres Farm for \$2,900,000 during 2011. The purchase was paid with \$650,000 of cash and a promissory note payable in the amount of \$2,250,000. The promissory note is payable in ten equal annual installments of \$225,000 beginning February 2012 at a zero interest rate. Therefore, a discount on the promissory note of \$330,704 was recorded to reflect the estimated market interest rate of 3.0%, which is amortized over the life of the note. The unamortized discount was \$200,826 at year end June 30, 2013.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Annual debt service requirements to maturity for the general obligation bonds and promissory note payable are as follows:

Year Ended June 30	General Obligation Bonds		Promissory Note Payable
	Principal	Interest	
2014	\$ 805,000	\$ 305,445	\$ 225,000
2015	825,000	281,095	225,000
2016	820,000	254,720	225,000
2017	820,000	226,470	225,000
2018	820,000	196,595	225,000
2019-2029	<u>5,860,000</u>	<u>967,009</u>	<u>675,000</u>
Total	<u>\$ 9,950,000</u>	<u>\$ 2,231,334</u>	<u>\$ 1,800,000</u>

Unissued Bond Authorization

Authorizations of general obligation bonds that remained unissued as of June 30, 2013 are summarized below:

	Date Authorized	Authorized and Unissued July 1, 2013
Open space acquisition	06/09/07	\$ <u>250,000</u>
Total bond authorizations, unissued		\$ <u>250,000</u>

Note 9 – Restricted Fund Balance

Enabling Legislation

The Board of Selectmen reserved \$10,750 of the General Fund surplus to be used for payments on the long-term compensated absences.

Note 10 – Commitments and Contingencies

Litigation Liabilities

The Town has received a claim for mediation arising out of the re-construction of the Sherman firehouse. The Town believes that the claim is without merit and will continue to vigorously contest the claim. If the Town is not successful, the impact, including litigation costs, on the Town's financial position could exceed \$900,000.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Note 11 – Employee Retirement Plans

Town Employees Defined Benefit Plan

Actuarial reports for the Town’s Pension Plan (the “Plan”) is required to be prepared annually. The latest actuarial report for the Plan was prepared as of July 1, 2013. The following information is based on the latest available report, which is as of July 1, 2013.

Plan Description

The Town contributes the Plan. The Plan is considered to be part of the Town’s financial reporting entity and is included in the financial report as the Defined Benefit Trust Fund and does not issue a stand-alone financial statement. Plan benefit and contribution requirements are established by the Plan, which may be amended by the Town.

Effective June 30, 2005, the Plan was closed to new employees and participant’s monthly pensions were frozen (i.e. no additional benefits will accrue under the Plan for the subsequent periods).

Based on the actuarial valuation report dated July 1, 2013, membership consisted of:

Active participants	13
Terminated vested participants	8
Retired	<u>11</u>
Total	<u><u>32</u></u>

Benefit Provisions

The Plan is contributory and covers substantially all regular employed permanent employees of the Town employed as of June 30, 2005. Prior to June 30, 2005, employees contributed 3% of earnings. Beginning July 1, 2005, employees are not required to contribute to the Plan. The only elected or appointed officials covered are those paid a salary by the Town, working more than five months a year and twenty hours per week. In order to be eligible for the Plan, the employee must complete one full year of service and attain a minimum age of twenty-two. Employees covered by the State Teacher’s Retirement System are excluded from this Plan.

Normal retirement date is sixty-two with twenty years of credited service or sixty-five. The annual benefit is 1.6% of 1986-87 earnings for years of service through June 30, 1987 plus 1.6% of earnings for each year of participation since July 1, 1987, for a maximum of forty years. The Plan contains a provision for early retirement at age fifty-five and after ten years of credited service at reduced benefits. The Plan also contains provisions for disability retirement and spouse’s benefits. There is no provision for increases in benefits after retirement.

Basis of Accounting

The Plan’s financial statements are prepared on the accrual basis of accounting. Contributions are recorded as paid by the employer, and the benefits are recorded as payments are due.

Valuation of Investments

Investments are valued at fair market value using quoted market prices.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Contributions

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate the assets needed to pay benefits when due. Certain costs for administering the Plan are paid by the earnings in the Pension Trust Fund. The actual contribution was \$49,038 for the year ended June 30, 2013.

Schedule of Funding Progress

Actuarial Valuation Date <u>July 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a÷b)</u>
2005	\$ 628,666	\$ 579,821	\$ (48,289)	108%
2006	645,746	723,198	(15,227)	102%
2007	743,423	762,005	18,582	98%
2008	708,206	819,655	111,449	86%
2009	521,448	761,029	239,581	69%
2010	574,481	790,857	216,376	73%
2011	713,585	917,198	203,613	78%
2012	696,408	941,159	244,751	74%
2013	779,552	1,108,832	329,280	70%

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 55,311	\$ 41,800	75.6%
2006	19,872	-	00.0%
2007	29,256	-	00.0%
2008	29,256	20,000	68.4%
2009	18,613	25,000	134.3%
2010	42,548	22,500	52.8%
2011	43,249	27,500	63.5%
2012	45,357	35,062	77.3%
2013	47,535	49,038	103.2%

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Notes to Schedule of Funding Progress and Schedule of Employer Contributions

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

Valuation Date	July 1, 2013
Actuarial Cost Method	Unit Credit
Amortization Period	Not Required
Remaining Amortization Period	Not Applicable
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.29%
Projected Salary Increases	0.00%

Annual Pension Cost and Net Pension Obligation

The Town's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	\$ 58,130
Interest on the NPO	3,156
Contribution made current year	<u>(49,038)</u>
Increase in net pension obligation	12,248
Net pension obligation, beginning of year	<u>47,535</u>
Net pension obligation, end of year	<u>\$ 59,783</u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligations (Asset)</u>
6/30/10	\$ 42,548	53%	\$ 30,832
6/30/11	43,249	64%	35,242
6/30/12	45,357	77%	47,535
6/30/13	58,130	103%	59,783

Town Employees Defined Contribution Plan

Beginning July 1, 2005, the Town offered a defined contribution plan to the employees with over 1,000 of employment hours. Under the plan, employees may contribute a portion of their pay to the plan and the Town has agreed to match 100%, up to 3% of the gross pay, of the employee's contribution. In the fiscal year ended June 30, 2013, the Town paid \$27,713 into the plan. The plan is included in the Town's financial statements as the Defined Contribution Trust Fund. At June 30, 2013, the net position, which is available for benefits, was \$978,203.

Town of Sherman, Connecticut
Notes to Financial Statements (continued)

Teachers' Retirement System

Teachers within the Town's school system participate in a retirement plan administered by the Connecticut State Teacher's Retirement Board.

Covered Employees

The Teachers' Retirement System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the plan is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the plan is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement Plan (TIAA-CREF).

Vesting Requirements

A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60.

Pension Contribution Requirements

The pension contributions made by the State to the plan are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z. For the fiscal year ended June 30, 2012, approximately \$684,096 was expended by the State on behalf of the Town to meet the State's funding requirements. The results of the State's actuarial valuation did not contain information, which would show the development of the State's actuarial cost by local districts. The State's appropriation represented 20.54% of the total estimated payroll.

Participants are required to contribute 7.25% of their annual salary rate to the system as required by CGS Section 10-183b (7). For the 2012/2013 school year, \$236,514 mandatory contributions were deducted from the salaries of teachers who were participants of the plan during that school year. The estimated covered payroll for the Town is \$3,262,262.

Note 12 – Risk Management

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town obtains commercial insurance for these risks and claims have not exceeded commercial coverage.

Note 13 –Subsequent Events

The Town evaluated subsequent events after the balance sheet date of June 30, 2013 through September 6, 2013, which was the date the financial statements were issued, and concluded that no additional disclosures are required.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

TOWN OF SHERMAN, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES
(BUDGET AND ACTUAL)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes - current year	\$ 12,060,677	\$ 12,060,677	\$ 12,100,409	\$ 39,732
Property taxes - prior years	60,000	60,000	91,978	31,978
Interest and lien fees	33,000	33,000	56,917	23,917
	<u>12,153,677</u>	<u>12,153,677</u>	<u>12,249,304</u>	<u>95,627</u>
Investment income:				
Interest and dividends	9,000	9,000	5,374	(3,626)
Licenses and permits:				
Building fees	90,000	90,000	123,150	33,150
Planning and zoning	11,000	11,000	12,937	1,937
Health department permits	13,000	13,000	11,100	(1,900)
Inland wetlands	7,500	7,500	7,940	440
Other	2,100	2,100	5,465	3,365
	<u>123,600</u>	<u>123,600</u>	<u>160,592</u>	<u>36,992</u>
Fees and service charges:				
Conveyance taxes	50,000	50,000	69,173	19,173
Town clerk recording fees	21,000	21,000	30,259	9,259
Copy machine, regulations, and dog fund	5,300	5,300	9,063	3,763
Town clerk LoCIP	2,300	2,300	3,183	883
Beach, parks and recreation	80,950	80,950	94,285	13,335
Parks & recreation - SPARK	25,000	25,000	30,262	5,262
	<u>184,550</u>	<u>184,550</u>	<u>236,225</u>	<u>51,675</u>
Education grants:				
Education assistance	244,641	244,641	247,797	3,156
Education transportation	4,636	4,636	5,034	398
Tuition (preschool only)	21,000	21,000	30,305	9,305
	<u>270,277</u>	<u>270,277</u>	<u>283,136</u>	<u>12,859</u>
Intergovernmental:				
State PILOT program	14	14	14	-
Elderly and vet tax relief	20,540	20,540	20,916	376
Town aid roads	104,733	104,733	102,100	(2,633)
Federal land	700	700	720	20
Mashantucket Pequot	9,198	9,198	8,235	(963)
ConnDOT grant	11,063	11,063	11,063	-
CT FEMA grant	-	-	59,190	59,190
Other	900	900	29,421	28,521
	<u>147,148</u>	<u>147,148</u>	<u>231,659</u>	<u>84,511</u>
Miscellaneous:				
CL&P, telephone, and other	2,640	2,640	34,158	31,518
Total revenues	<u>\$ 12,890,892</u>	<u>\$ 12,890,892</u>	<u>\$ 13,200,448</u>	<u>\$ 309,556</u>

TOWN OF SHERMAN, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES
(BUDGET AND ACTUAL)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
General Government:				
Board of Selectmen	\$ 122,539	\$ 122,539	\$ 128,024	\$ (5,485)
Treasurer	13,688	13,688	13,638	50
Tax collector	46,588	46,588	46,976	(388)
Town clerk	96,645	96,645	94,849	1,796
Assessors	82,640	82,640	82,639	1
Assessment appeals	425	425	175	250
Building department	85,357	85,357	111,782	(26,425)
Planning and zoning	88,630	88,630	80,344	8,286
Zoning Board of Appeals	1,300	1,300	611	689
Inland wetlands commission	11,575	11,575	11,140	435
Counsel and court costs	37,000	37,000	76,237	(39,237)
Registrars	34,200	34,200	24,250	9,950
H.V.C.E.O.	4,164	4,164	4,164	-
Consultants	3,000	3,000	-	3,000
Other general government	8,738	8,738	8,095	643
	<u>636,489</u>	<u>636,489</u>	<u>682,924</u>	<u>(46,435)</u>
Building & Grounds:				
Mallory town hall	51,954	51,954	51,077	877
Facilities	95,611	95,611	98,916	(3,305)
	<u>147,565</u>	<u>147,565</u>	<u>149,993</u>	<u>(2,428)</u>
Public Safety:				
Public safety	190,113	190,113	198,679	(8,566)
Fire protection	96,300	96,300	95,096	1,204
ESF operating	40,000	40,000	40,657	(657)
Candlewood Lake Authority	60,514	60,514	61,523	(1,009)
Animal control	15,500	15,500	16,155	(655)
Collections and recycling	24,960	24,960	23,945	1,015
	<u>427,387</u>	<u>427,387</u>	<u>436,055</u>	<u>(8,668)</u>
Public Works	<u>745,460</u>	<u>745,460</u>	<u>725,477</u>	<u>19,983</u>
Health and Welfare:				
Health department	51,526	51,526	46,258	5,268
Health and welfare	42,745	42,745	39,146	3,599
	<u>94,271</u>	<u>94,271</u>	<u>85,404</u>	<u>8,867</u>
Insurance:				
Post-employment defined benefit	47,929	47,929	51,638	(3,709)
Workers' compensation	64,500	64,500	58,902	5,598
Payroll taxes	78,500	78,500	75,384	3,116
Post-employment defined contribution	24,600	24,600	21,224	3,376
Life and medical	273,500	273,500	267,794	5,706
Liability, auto, and property	94,537	94,537	77,237	17,300
Other compensated absences	6,686	6,686	4,216	2,470
	<u>590,252</u>	<u>590,252</u>	<u>556,395</u>	<u>33,857</u>

TOWN OF SHERMAN, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES (CONTINUED)
(BUDGET AND ACTUAL)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Other:				
Capital reserve	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Land trust	1,240	1,240	319	921
Library	115,000	115,000	115,000	-
Parks and recreation	130,500	130,500	136,561	(6,061)
Parade committee	1,500	1,500	800	700
Probate court	2,410	2,410	2,264	146
Senior center	57,640	57,640	57,875	(235)
Historic district	700	700	592	108
Cemetery flags	100	100	-	100
Tree warden	7,740	7,740	7,740	-
Conservation commission	1,750	1,750	834	916
Housing commission	1,500	1,500	991	509
Miscellaneous	5,000	5,000	517	4,483
	<u>525,080</u>	<u>525,080</u>	<u>523,493</u>	<u>1,587</u>
Education:				
Regular education	44,585	52,317	65,578	(13,261)
Primary	935,002	934,012	934,190	(178)
Art	108,153	109,452	109,662	(210)
Music	102,844	102,844	102,462	382
Physical education	89,954	86,481	85,981	500
Science	127,071	124,640	123,633	1,007
Math	230,142	231,530	231,530	-
Social studies	106,418	106,418	97,290	9,128
Language arts	268,315	269,515	265,856	3,659
Other regular programs	387,165	349,654	316,589	33,065
Exceptional/special education	1,145,110	1,196,889	1,210,605	(13,716)
Adult education	3,633	3,561	3,561	-
Medical services	47,247	44,810	44,705	105
Improvements of instructions	34,500	36,154	30,180	5,974
Educational media services	210,064	213,690	206,890	6,800
Board of Education	27,816	28,051	31,211	(3,160)
Administrative services	52,100	55,832	55,263	569
Office of the Principal	305,511	308,688	312,478	(3,790)
Fiscal services	977,783	977,081	974,365	2,716
Operations and maintenance	489,285	497,730	503,473	(5,743)
Pupil transportation	332,219	322,530	314,233	8,297
Health education	-	16,584	16,584	-
Student activities	39,291	39,291	32,726	6,565
Tuition out of district	-	-	59,851	(59,851)
High school tuition	2,422,035	2,378,489	2,356,582	21,907
	<u>8,486,243</u>	<u>8,486,243</u>	<u>8,485,478</u>	<u>765</u>

TOWN OF SHERMAN, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES (CONTINUED)
(BUDGET AND ACTUAL)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service:				
Principal	\$ 930,000	\$ 930,000	\$ 930,000	\$ -
Interest	307,645	307,645	307,645	-
Continuing disclosure	500	500	-	500
	<u>1,238,145</u>	<u>1,238,145</u>	<u>1,237,645</u>	<u>500</u>
 Total expenditures	 <u>\$ 12,890,892</u>	 <u>\$ 12,890,892</u>	 <u>\$ 12,882,864</u>	 <u>\$ 8,028</u>

TOWN OF SHERMAN, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds			Capital Project Funds			Total Other Funds
	Dog Fund	Education Grants	Document Preservation	Library Renovation	Revaluation Reserve Fund	Land Acquisition	
<u>Assets</u>							
Cash and cash equivalents	\$ 46,691	\$ -	\$ 3,520	\$ -	\$ 37,088	\$ 27,320	\$ 114,619
Total assets	\$ 46,691	\$ -	\$ 3,520	\$ -	\$ 37,088	\$ 27,320	\$ 114,619
<u>Fund Balances</u>							
Fund Balances:							
Assigned	\$ 46,691	\$ -	\$ 3,520	\$ -	\$ 37,088	\$ 27,320	\$ 114,619
Total fund balances	46,691	-	3,520	-	37,088	27,320	114,619
Total fund balances	\$ 46,691	\$ -	\$ 3,520	\$ -	\$ 37,088	\$ 27,320	\$ 114,619

TOWN OF SHERMAN, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>			Total Other Funds
	Dog Fund	Education Grants	Document Preservation	Library Renovation	Revaluation Reserve Fund	Land Acquisition	
Revenues:							
Intergovernmental	\$ -	\$ 276,680	\$ 4,000	\$ 200,000	\$ -	\$ -	\$ 480,680
Investment earnings	72	-	-	97	57	18	244
Donations and other	3,729	-	1,086	-	-	16,250	21,065
Total revenues	<u>3,801</u>	<u>276,680</u>	<u>5,086</u>	<u>200,097</u>	<u>57</u>	<u>16,268</u>	<u>501,989</u>
Expenditures:							
Current:							
General government	2,621	-	4,585	-	5,100	-	12,306
Education	-	276,680	-	-	-	-	276,680
Capital outlay	-	-	-	200,199	-	-	200,199
Total expenditures	<u>2,621</u>	<u>276,680</u>	<u>4,585</u>	<u>200,199</u>	<u>5,100</u>	<u>-</u>	<u>489,185</u>
Excess of revenues over (under) expenditures	1,180	-	501	(102)	(5,043)	16,268	12,804
Other Financing Sources:							
Transfers in	-	-	-	-	15,049	-	15,049
Net change in fund balances	1,180	-	501	(102)	10,006	16,268	27,853
Fund balances, beginning of year	<u>45,511</u>	<u>-</u>	<u>3,019</u>	<u>102</u>	<u>27,082</u>	<u>11,052</u>	<u>86,766</u>
Fund balances, end of year	<u>\$ 46,691</u>	<u>\$ -</u>	<u>\$ 3,520</u>	<u>\$ -</u>	<u>\$ 37,088</u>	<u>\$ 27,320</u>	<u>\$ 114,619</u>

TOWN OF SHERMAN, CONNECTICUT
STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7.374(B)
FOR THE YEAR ENDED JUNE 30, 2013

Total tax collection including interest and
lien fees for the year ended June 30, 2013 \$ 12,258,525

Reimbursement for revenue loss on:
Tax relief for elderly (CGS 12-129d) 19,163

Base \$ 12,277,688

	<u>General</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 27,624,798	\$	\$	\$	\$
4 1/2 times base		55,249,596			
3 3/4 times base			46,041,330		
3 1/4 times base				39,902,486	
3 times base					36,833,064
Total debt limitation	<u>27,624,798</u>	<u>55,249,596</u>	<u>46,041,330</u>	<u>39,902,486</u>	<u>36,833,064</u>
Indebtedness:					
Bonds payable	7,175,000	2,775,000			
Open space promissory note	1,800,000				
Bonds authorized and unissued	250,000				
Total indebtedness	<u>9,225,000</u>	<u>2,775,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 18,399,798</u></u>	<u><u>\$ 52,474,596</u></u>	<u><u>\$ 46,041,330</u></u>	<u><u>\$ 39,902,486</u></u>	<u><u>\$ 36,833,064</u></u>

TOWN OF SHERMAN, CONNECTICUT

**REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2013**

Grand List October 1,	Taxes Receivable July 1, 2012	Lawful Corrections		Suspense Transfers	Adjusted Taxes Receivable	Collections			Taxes Receivable June 30, 2013
		Additions	Deductions			Taxes	Interest and Lien Fees	Total	
2011	\$ 12,178,141	\$ 42,244	\$ 16,706	\$ (1,727)	\$ 12,201,952	\$ 12,113,751	\$ 35,976	\$ 12,149,727	\$ 88,201
2010	109,131	491	1,868	(965)	106,789	80,384	16,880	97,264	26,405
2009	14,051	-	-	(692)	13,359	7,617	2,403	10,020	5,742
2008	1,338	-	-	(99)	1,239	1,008	506	1,514	231
	<u>\$ 12,302,661</u>	<u>\$ 42,735</u>	<u>\$ 18,574</u>	<u>\$ (3,483)</u>	<u>\$ 12,323,339</u>	<u>\$ 12,202,760</u>	<u>\$ 55,765</u>	<u>\$ 12,258,525</u>	<u>\$ 120,579</u>