



Town of Preston

Annual Report

For the Year Ended June 30, 2014

In December 2014 the Town’s auditor, Sandra E. Welwood, LLC, Certified Public Accountants, completed its audit of the Town’s financial statements and met with the Board of Finance to present and explain the results of that audit. The fiscal year 2014 (FY2014) financial data presented here and on the following three pages are extracted from the audit report. The full audit report is available for review in the Town Hall.

In her presentation to the Board of Finance, the auditor noted that no audit adjustments were needed and she praised the cooperation of the Treasurer, Finance Director, and all Town personnel involved.

Preston is financially very healthy with a Standard & Poor’s rating of AA+. The Town ended FY2014 with an unassigned fund balance of \$2,801,541. This is an increase over the previous year mainly because Town revenues exceeded expenses. Table 1 is a summary of the actual revenues and expenses for FY2014. Details of the budget vs actual performance for the year can be found in Table 4.

TABLE 1

General Fund – Balance Summary			
FY2014 Actual Revenues		FY2014 Actual Expenses	
Property Taxes	\$9,159,588	General Government	\$3,222,803
State Revenues	\$4,894,166	Education	\$10,564,584
Local Revenues	\$1,045,030	Debt Service	\$698,688
Total	\$15,098,784	Total	\$14,486,075

Tables 2 and 3 on the following pages report the balances of the major governmental funds. Table 2 is the end-of-year balance of the funds while Table 3 shows the change in fund balance from the previous year.

The General Fund is the fund that holds Town operating revenues and from which expenses are paid. The day-to-day operation of the schools, public works, and Town hall are paid from the general fund. It is also the repository of taxes paid and any state grants received.

The Capital and Non-Recurring Fund is a fund established by the Board of Finance to pay for unplanned one-time projects that are not included in the annual budget. It includes excess funds from completed capital projects and funds added by the Board of Finance. The Open Space fund balance of \$256,650 is included in the capital and non-recurring fund.

The Capital Projects Fund holds funds for ongoing capital projects that were approved in 2013.

The Preston Redevelopment Agency Fund was created to segregate funds received as State or Federal grants to be used exclusively to abate, mediate and demolish buildings and develop the former Norwich State Hospital site.

Other Funds are a collection of small funds that are maintained by the Town, such as: various cemetery funds, dog fund, Bates Fountain fund, EMS capital fund, and several others.

TABLE 2

Town of Preston, Connecticut
Governmental Funds
Balance Sheet of June 30, 2014

	<u>General Fund</u>	<u>Capital and Nonrecurring Fund</u>	<u>Capital Projects Fund</u>	<u>Preston Re- development Agency Fund</u>	<u>Other Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 3,299,619	\$ 438,625	\$ 1,477,995	\$ 1,444,237	\$ 424,768	\$ 7,085,244
Investments	-	-	-	-	36,754	36,754
Receivables:						
Taxes	254,769	-	-	-	-	254,769
Intergovernmental	-	-	-	113,162	203,398	316,560
Loans	-	-	-	-	316,854	316,854
Other	711,047	-	-	231,009	206	942,262
Due from other funds	62,111	90,226	-	17,960	87,728	258,025
Restricted cash	47,451	-	-	-	-	47,451
Prepaid expenses	19,075	-	-	-	9,500	28,575
Inventory	-	-	-	-	7,025	7,025
Total assets	\$ 4,394,072	\$ 528,851	\$ 1,477,995	\$ 1,806,368	\$ 1,086,233	\$ 9,293,519
Liabilities						
Accounts payable	\$ 403,556	\$ -	\$ -	\$ -	\$ 66,619	\$ 470,175
Accrued expenses	128,898	-	-	494,629	-	623,527
Unearned revenue	4,444	-	-	1,034,775	237,814	1,277,033
Bond anticipation notes	-	-	-	2,000,000	-	2,000,000
Due to other funds	159,987	34,301	-	17,960	45,777	258,025
Due to others	111,413	-	-	-	-	111,413
Total liabilities	808,298	34,301	-	3,547,364	350,210	4,740,173
Deferred Inflows of Resources						
Unavailable revenue - taxes	211,708	-	-	-	-	211,708
Fund Balances						
Nonspendable	19,075	-	-	-	358,842	377,917
Restricted	2,112	256,650	-	-	17,180	275,942
Committed	-	52,368	1,477,995	-	-	1,530,363
Assigned	551,338	185,532	-	-	360,001	1,096,871
Unassigned	2,801,541	-	-	(1,740,996)	-	1,060,545
Total fund balances	3,374,066	494,550	1,477,995	(1,740,996)	736,023	4,341,638
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,394,072	\$ 528,851	\$ 1,477,995	\$ 1,806,368	\$ 1,086,233	

Table 2, above, shows the balance of each major fund as of June 30, 2014. Attention should be given here to the Fund Balances that are classified as:

Non-spendable – amount that is encumbered, such as long-term payables.

Restricted – amount that can be spent only for the specific purposes stipulated by the providers.

Committed – amount that can be used only for specific purposes determined by action of the Town Meeting.

Assigned – amount intended by the Board of Finance to be used for specific purposes but is not restricted or committed.

Unassigned – fund balance amount remaining in the General Fund that is spendable. Expenditure of this fund, up to \$20,000 can be approved by the Board of Finance, over \$20,000 requires Town Meeting approval, and over \$100,000 requires a Town-wide referendum for approval.

TABLE 3

Town of Preston, Connecticut
Governmental Funds
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital and Nonrecurring Fund</u>	<u>Capital Projects Fund</u>	<u>Preston Re- development Agency Fund</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:						
Property taxes	\$ 9,159,588	\$ -	\$ -	\$ -	\$ -	\$ 9,159,588
Intergovernmental	6,093,850	-	-	1,762,117	526,814	8,382,781
Local	1,045,030	35,536	5,663	183,639	223,138	1,493,006
Total revenues	16,298,468	35,536	5,663	1,945,756	749,952	19,035,375
Expenditures:						
Current:						
General government	1,547,070	-	-	5,971,064	-	7,518,134
Public works	592,317	-	-	-	14,279	606,596
Public safety	596,950	-	-	-	9,565	606,515
Health services	119,323	-	-	-	2,161	121,484
Public and social services	346,000	-	-	-	130,017	476,017
Education	12,065,450	-	-	-	463,537	12,528,987
Capital outlay	-	43,388	258,456	-	-	301,844
Debt service	650,535	-	-	-	-	650,535
Total expenditures	15,917,645	43,388	258,456	5,971,064	619,559	22,810,112
Excess of revenues over (under) expenditures	380,823	(7,852)	(252,793)	(4,025,308)	130,393	(3,774,737)
Other financing sources (uses):						
Proceeds from debt issue	-	-	-	2,000,000	-	2,000,000
Transfers in	5	20,000	25,000	-	121,808	166,813
Transfers out	(123,853)	(25,000)	-	(17,960)	-	(166,813)
Net change in fund balances	256,975	(12,852)	(227,793)	(2,043,268)	252,201	(1,774,737)
Fund balances, beginning of year	3,117,091	507,402	1,705,788	302,272	483,822	6,116,375
Fund balances, end of year	\$ 3,374,066	\$ 494,550	\$ 1,477,995	\$ (1,740,996)	\$ 736,023	\$ 4,341,638

Table 3 shows the year-to-year change in the fund balance of the major funds. As shown, the general fund increased by \$256,975. The negative change in the capital projects and capital non-recurring funds means that those funds are being used.

Table 4 on the following page, shows the Town's actual performance to the FY2014 budget. Note that every category of revenues exceeded its estimate and every Town department spent less than their budgeted allowance. The result is that the FY2014 budget returned \$612,709 to the general fund.

Table 5 is the annual report of the Tax Collector. The taxes paid to support the FY2014 budget are based on the October 2012 Grand List. The year 2012 seems a long time away, however, FY2014 begins on July 1, 2013 and the budget is adopted in May of that year. The collection of back taxes and lien fees added \$205,482 to the total tax collections.

The Board of Selectmen, Board of Education, and every Town department should be congratulated for their contributions to making FY2014 a fiscally positive year for Preston.

Board of Finance

Norman Gauthier, Chairman, Ken Zachem, Jerry Grabarek, Andrew Bilodeau, David Cannon, Merrill Gerber

TABLE 4

Town of Preston, Connecticut
 General Fund
 Statement of Revenues, Expenses, and Changes in Fund Balances
 Budget Basis – Budget and Actual
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 8,915,826	\$ 8,915,826	\$ 9,159,588	\$ 243,762
Intergovernmental	4,440,387	4,440,387	4,894,166	453,779
Local	1,015,146	1,015,146	1,045,030	29,884
Total revenues	14,371,359	14,371,359	15,098,784	727,425
Expenditures:				
Current:				
General government	1,455,218	1,448,526	1,306,976	141,550
Land development and control	70,285	70,285	63,878	6,407
Public works	587,756	617,057	592,317	24,740
Public safety	590,350	616,809	596,950	19,859
Health services	129,405	129,405	119,323	10,082
Public and social services	367,612	367,612	346,000	21,612
Miscellaneous	349,809	349,809	197,359	152,450
Education	10,622,236	10,622,236	10,564,584	57,652
Debt service	698,688	698,688	698,688	-
Total expenditures	14,871,359	14,920,427	14,486,075	434,352
Net change in fund balance	\$ (500,000)	\$ (549,068)	612,709	\$ 1,161,777
Fund balance, beginning of year			2,725,019	
Fund balance, end of year			\$ 3,337,728	

TABLE 5

Report of the Tax Collector for the Year Ended June 30, 2014

Grand List October 1,	Taxes Receivable July 1, 2013	Lawful Corrections		Suspense Transfers	Adjusted Taxes Receivable	Collections			Taxes Receivable June 30, 2014
		Additions	Deductions			Taxes	Interest and Liens	Total	
2012	\$ 9,131,353	\$ 50,400	\$ 44,590	\$ -	\$ 9,137,163	\$ 8,938,446	\$ 39,347	\$ 8,977,793	\$ 198,717
2011	152,409	1,263	2,110	-	151,562	103,577	24,817	128,394	47,985
2010	41,865	1,581	535	(10,418)	32,493	25,975	4,503	30,478	6,518
2009	388	-	-	-	388	297	175	472	91
2008	347	-	-	-	347	195	163	358	152
2007	(43)	-	-	-	(43)	299	285	584	(342)
2006	238	-	-	-	238	251	278	529	(13)
2005	2,024	-	-	-	2,024	431	587	1,018	1,593
2004	3,097	-	-	-	3,097	885	1,318	2,203	2,212
2003	634	-	-	-	634	393	662	1,055	241
2002	(275)	-	-	-	(275)	316	593	909	(591)
2001	(20)	-	-	-	(20)	-	-	-	(20)
2000	(768)	-	-	-	(768)	69	66	135	(837)
1999	(544)	-	-	-	(544)	-	-	-	(544)
1998	(393)	-	-	-	(393)	-	-	-	(393)
	\$ 9,330,312	\$ 53,244	\$ 47,235	\$ (10,418)	\$ 9,325,903	\$ 9,071,134	\$ 72,794	\$ 9,143,928	\$ 254,769

TOWN OF PRESTON, CONNECTICUT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

with

SUPPLEMENTAL STATEMENTS AND SCHEDULES

and

INDEPENDENT AUDITOR'S REPORT

Sandra E. Welwood, LLC
Certified Public Accountants

TOWN OF PRESTON, CONNECTICUT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Preston, 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 Preston, Connecticut (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 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 and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2014, 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.

Sandra E. Welwood, LLC

Danbury, Connecticut
December 7, 2014

TOWN OF PRESTON, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2014

Our discussion and analysis of the Town of Preston, Connecticut's (the "Town"), financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's financial statements, which begin on page 9.

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

- The Town's Net Position (long-term health) decreased by \$3,820,756 to \$13,291,839 from last year.
- The Town's Fund Balances (short-term health) decreased by \$1,774,737 to \$4,341,638 from last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

Government-Wide Financial Statements

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in its position. You 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 the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

The Statement of Net Position and the Statement of Activities show the Town's governmental activities. The Town's basic services are reported here, including education, public works, and general administration. Property taxes, state and federal grants, and local revenues such as fees and licenses finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the government as a whole. Some funds are required to be established by Connecticut State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds - The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Fiduciary Funds - The Town is the trustee, or fiduciary, for the activity fund at the school. This fund does not belong to the Town. The Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position decreased by \$3,820,756 from \$17,112,595 to \$13,291,839. The primary reason for this decrease was the additional expenses for the redevelopment of the Riverwalk property.

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

	Net Position		Total % Change
	2014	2013	
<u>Assets</u>			
Current and other assets	\$ 9,035,494	\$ 9,441,539	-4.3%
Capital assets	<u>15,816,113</u>	<u>16,245,635</u>	-2.6%
Total assets	<u>24,851,607</u>	<u>25,687,174</u>	-3.3%
<u>Liabilities</u>			
Long-term debt	7,000,454	5,334,099	31.2%
Other liabilities	<u>4,559,314</u>	<u>3,240,480</u>	40.7%
Total liabilities	<u>11,559,768</u>	<u>8,574,579</u>	34.8%
<u>Net Position</u>			
Net investment in capital assets	7,434,978	11,407,896	-34.8%
Restricted:			
Expendable	256,650	424,769	-65.5%
Nonexpendable	342,317	25,463	1,244.4%
Unrestricted	<u>5,257,894</u>	<u>5,254,467</u>	0.1%
Total net position	<u>\$ 13,291,839</u>	<u>\$ 17,112,595</u>	-22.3%

	Change in Net Position		Total % Change
	2014	2013	
<u>Revenues</u>			
Program revenues:			
Charges for services	\$ 567,215	\$ 610,316	-7.1%
Operating grants and contributions	5,132,102	4,700,100	9.2%
Capital grants and contributions	1,976,754	2,240,705	-11.8%
General revenues:			
Property taxes	9,201,310	8,959,630	2.7%
Grants and contributions	2,176,438	2,162,140	0.7%
Interest and investment earnings	3,636	3,306	10.0%
Other	<u>19,642</u>	<u>39,854</u>	-50.7%
Total revenues	<u>19,077,097</u>	<u>18,716,051</u>	1.9%
<u>Expenses</u>			
General government	1,543,976	1,695,763	-9.0%
Public works	692,531	799,177	-13.3%
Public safety	658,701	650,861	1.2%
Health services	126,351	118,915	6.3%
Public and social services	550,577	519,517	6.0%
Property redevelopment	5,974,985	1,165,486	412.7%
Education	13,164,937	11,953,439	10.1%
Interest on long-term debt	<u>185,795</u>	<u>187,752</u>	-1.0%
Total expenses	<u>22,897,853</u>	<u>17,090,910</u>	34.0%
Change in net position	<u>\$ (3,820,756)</u>	<u>\$ 1,625,141</u>	-335.1%

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

Net position decreased by \$3,820,756 this year. Last year net position increased by \$1,625,141. The change from last year was a result of increased expenditures for the Preston Redevelopment Project.

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.

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.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,341,638, a decrease of \$1,774,737 from the prior year:

<u>Ending Fund Balance as of:</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
General Fund	\$ 3,374,066	\$ 3,117,091	\$ 256,975
Capital and Nonrecurring Fund	494,550	507,402	(12,852)
Capital Projects Fund	1,477,995	1,705,788	(227,793)
Preston Redevelopment Agency Fund	(1,740,996)	302,272	(2,043,268)
Other Funds	<u>736,023</u>	<u>483,822</u>	<u>252,201</u>
Total	<u>\$ 4,341,638</u>	<u>\$ 6,116,375</u>	<u>\$ (1,774,737)</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 \$2,801,541. 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 18.6% of total General Fund revenues (on a budgetary basis) in the current fiscal year.

The Town's total General Fund balance increased by \$256,975 during the current fiscal year because all revenue categories, which totaled \$16,298,468, were better than the prior year of \$15,862,316 and amounts anticipated in the 2013-2014 budget. This increase more than offset the increase in total General Fund expenses, which totaled \$15,917,645 compared to \$14,884,066 in the prior year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Finance can revise the Town budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by Connecticut State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation, or an appropriation over \$20,000, requires a Town Meeting. Transfers do not increase the total budget, but instead move appropriations from one department that needs additional funding from other departments that might have excess funding. Connecticut State statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

General Fund – Budget Summary

	<u>Final Budget</u>	<u>Actual</u>	<u>Better (Worse) Than Budget</u>
<u>Revenues</u>			
Property taxes	\$ 8,915,826	\$ 9,159,588	\$ 243,762
Intergovernmental	4,440,387	4,894,166	453,779
Local	<u>1,015,146</u>	<u>1,045,030</u>	<u>29,884</u>
	<u>14,371,359</u>	<u>15,098,784</u>	<u>727,425</u>
<u>Expenditures</u>			
General government	3,599,503	3,222,803	376,700
Education	10,622,236	10,564,584	57,652
Debt service expenditures	<u>698,688</u>	<u>698,688</u>	<u>-</u>
	<u>14,920,427</u>	<u>14,486,075</u>	<u>434,352</u>
Increase (decrease) in budgetary fund balance	<u>\$ (549,068)</u>	<u>\$ 612,709</u>	<u>\$ 1,161,777</u>

The General Fund was budgeted (with additional appropriations) to spend \$549,068 more than revenues. In fact, the General Fund revenues were \$727,425 higher than expected and the expenditures were \$434,352 lower than expected. Instead of using \$549,068 of the Fund Balance, the Town added \$612,709 (budgetary basis) to the Fund Balance. This is a \$1,161,777 favorable swing. Significant variances are summarized as follows:

- Property taxes were \$243,762 better than budget because back taxes and related interest collected were greater than anticipated.
- Intergovernmental revenues were better than budget by \$453,779 because the Mashantucket Pequot grant was greater than anticipated, and the public transportation and school security grants received were unbudgeted.
- All categories expended less than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$15,816,113 in capital assets. This amount represents a net decrease (including additions and deductions) of \$429,522 from last year. The Town capitalized \$329,182 of assets and recorded depreciation expense of \$758,704. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At year end, the Town had \$6,373,000 in bonds and loans outstanding. This is a net increase of \$1,545,000 from last year. The Town has a current bond rating of AA+ by Standards and Poor. This is in the upper medium range. More detailed information about the Town's long-term obligations is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered many factors when setting the 2014-15 fiscal year end budget and tax rates.

The Town worked to keep the General Government budget as low as possible. The General Government budget for 2014-15 is \$134,539 or 4% higher than 2013-14. This was partially offset by a decrease in Other General Fund expenses of \$34,333 or 3%.

The 2014-15 Education budget was passed with a \$227,764 increase or 2% over prior year. This was the second time in seven years there was a budgeted increase in the Education budget.

In total, the Town is anticipating using \$515,000 of its Unassigned Fund Balance to balance the 2014-15 budget, while approving a mil rate of 23.14. This is a decrease from the 2013-14 mil rate of 23.70. After using \$515,000 of its Unassigned Fund Balance to balance the budget, the Town is expecting to have Unassigned Fund Balance equal to 18% of its annual expenditures at the end of the 2014-15 fiscal year end.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board of Finance at Town of Preston, Connecticut, 389 Route 2, Preston, CT 06365.

TOWN OF PRESTON, CONNECTICUT

STATEMENT OF NET POSITION
JUNE 30, 2014

<u>Assets</u>	
Cash and cash equivalents	\$ 7,085,244
Investments	36,754
Receivables:	
Taxes	254,769
Intergovernmental	316,560
Other	942,262
Restricted cash	47,451
Prepaid expenses	28,575
Inventory	7,025
Loans receivable, long-term	316,854
Capital assets:	
Capital assets, not being depreciated	1,971,489
Capital assets, net of accumulated depreciation	13,844,624
	<hr/>
Total assets	24,851,607
	<hr/>
<u>Liabilities</u>	
Accounts payable	470,175
Accrued wages and benefits	623,527
Due to others	111,413
Accrued interest	77,166
Unearned revenue	1,277,033
Bond anticipation notes	2,000,000
Noncurrent liabilities:	
Due within one year	546,323
Due in more than one year	6,454,131
	<hr/>
Total liabilities	11,559,768
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	7,434,978
Restricted for enabling legislation:	
Nonexpendable	342,317
Expendable	256,650
Unrestricted	5,257,894
	<hr/>
Total net position	\$ 13,291,839
	<hr/>

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

TOWN OF PRESTON, CONNECTICUT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges For Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
General government	\$ (1,543,976)	\$ 154,228	\$ -	\$ -	\$ (1,389,748)
Public works	(692,531)	81,247	229,478	-	(381,806)
Public safety	(658,701)	-	-	-	(658,701)
Health services	(126,351)	-	-	-	(126,351)
Public and social services	(550,577)	82,394	176,893	-	(291,290)
Property redevelopment	(5,974,985)	183,639	-	1,762,117	(4,029,229)
Education	(13,164,937)	65,707	4,725,731	214,637	(8,158,862)
Interest on long-term debt	(185,795)	-	-	-	(185,795)
Total governmental activities	<u>\$ (22,897,853)</u>	<u>\$ 567,215</u>	<u>\$ 5,132,102</u>	<u>\$ 1,976,754</u>	<u>(15,221,782)</u>
General Revenues:					
Property taxes, interest, liens, and payments in lieu of taxes					9,201,310
Grants and contributions not restricted to specific programs					2,176,438
Interest and investment earnings					3,636
Other					19,642
Total general revenues					<u>11,401,026</u>
Change in net position					(3,820,756)
Net position, beginning of year					<u>17,112,595</u>
Net position, end of year					<u>\$ 13,291,839</u>

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

TOWN OF PRESTON, CONNECTICUT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital and Nonrecurring Fund</u>	<u>Capital Projects Fund</u>	<u>Preston Re- development Agency Fund</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>						
Cash and cash equivalents	\$ 3,299,619	\$ 438,625	\$ 1,477,995	\$ 1,444,237	\$ 424,768	\$ 7,085,244
Investments	-	-	-	-	36,754	36,754
Receivables:						
Taxes	254,769	-	-	-	-	254,769
Intergovernmental	-	-	-	113,162	203,398	316,560
Loans	-	-	-	-	316,854	316,854
Other	711,047	-	-	231,009	206	942,262
Due from other funds	62,111	90,226	-	17,960	87,728	258,025
Restricted cash	47,451	-	-	-	-	47,451
Prepaid expenses	19,075	-	-	-	9,500	28,575
Inventory	-	-	-	-	7,025	7,025
Total assets	\$ 4,394,072	\$ 528,851	\$ 1,477,995	\$ 1,806,368	\$ 1,086,233	\$ 9,293,519
<u>Liabilities</u>						
Accounts payable	\$ 403,556	\$ -	\$ -	\$ -	\$ 66,619	\$ 470,175
Accrued expenses	128,898	-	-	494,629	-	623,527
Unearned revenue	4,444	-	-	1,034,775	237,814	1,277,033
Bond anticipation notes	-	-	-	2,000,000	-	2,000,000
Due to other funds	159,987	34,301	-	17,960	45,777	258,025
Due to others	111,413	-	-	-	-	111,413
Total liabilities	808,298	34,301	-	3,547,364	350,210	4,740,173
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - taxes	211,708	-	-	-	-	211,708
<u>Fund Balances</u>						
Nonspendable	19,075	-	-	-	358,842	377,917
Restricted	2,112	256,650	-	-	17,180	275,942
Committed	-	52,368	1,477,995	-	-	1,530,363
Assigned	551,338	185,532	-	-	360,001	1,096,871
Unassigned	2,801,541	-	-	(1,740,996)	-	1,060,545
Total fund balances	3,374,066	494,550	1,477,995	(1,740,996)	736,023	4,341,638
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,394,072	\$ 528,851	\$ 1,477,995	\$ 1,806,368	\$ 1,086,233	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,816,113
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	211,708
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds, notes, unamortized premiums on bond costs, and accrued interest	(6,458,301)
Landfill closure	(7,200)
Compensated absences, special termination benefits, and other post-employment benefits	(612,119)
Net position	\$ 13,291,839

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

TOWN OF PRESTON, CONNECTICUT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital and Nonrecurring Fund</u>	<u>Capital Projects Fund</u>	<u>Preston Re- development Agency Fund</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:						
Property taxes	\$ 9,159,588	\$ -	\$ -	\$ -	\$ -	\$ 9,159,588
Intergovernmental	6,093,850	-	-	1,762,117	526,814	8,382,781
Local	1,045,030	35,536	5,663	183,639	223,138	1,493,006
Total revenues	<u>16,298,468</u>	<u>35,536</u>	<u>5,663</u>	<u>1,945,756</u>	<u>749,952</u>	<u>19,035,375</u>
Expenditures:						
Current:						
General government	1,547,070	-	-	5,971,064	-	7,518,134
Public works	592,317	-	-	-	14,279	606,596
Public safety	596,950	-	-	-	9,565	606,515
Health services	119,323	-	-	-	2,161	121,484
Public and social services	346,000	-	-	-	130,017	476,017
Education	12,065,450	-	-	-	463,537	12,528,987
Capital outlay	-	43,388	258,456	-	-	301,844
Debt service	650,535	-	-	-	-	650,535
Total expenditures	<u>15,917,645</u>	<u>43,388</u>	<u>258,456</u>	<u>5,971,064</u>	<u>619,559</u>	<u>22,810,112</u>
Excess of revenues over (under) expenditures	380,823	(7,852)	(252,793)	(4,025,308)	130,393	(3,774,737)
Other financing sources (uses):						
Proceeds from debt issue	-	-	-	2,000,000	-	2,000,000
Transfers in	5	20,000	25,000	-	121,808	166,813
Transfers out	(123,853)	(25,000)	-	(17,960)	-	(166,813)
Net change in fund balances	256,975	(12,852)	(227,793)	(2,043,268)	252,201	(1,774,737)
Fund balances, beginning of year	<u>3,117,091</u>	<u>507,402</u>	<u>1,705,788</u>	<u>302,272</u>	<u>483,822</u>	<u>6,116,375</u>
Fund balances, end of year	<u>\$ 3,374,066</u>	<u>\$ 494,550</u>	<u>\$ 1,477,995</u>	<u>\$ (1,740,996)</u>	<u>\$ 736,023</u>	<u>\$ 4,341,638</u>

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

TOWN OF PRESTON, 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, 2014**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds \$ (1,774,737)

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 depreciation exceeded capital outlays in the current period:

Capital outlay	329,182
Depreciation expense	<u>(758,704)</u>
	<u>(429,522)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of debt	(2,000,000)
Principal repayments:	
General obligation bonds	455,000
Post-closure landfill costs	<u>600</u>
	<u>(1,544,400)</u>

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

Revenues:	
Taxes, interest and liens	41,722
Expenses:	
Other post-employment benefits payable	(78,200)
Special termination benefits	(45,359)
Accrued interest payable	8,136
Amortization of bond premiums	<u>1,604</u>
	<u>(72,097)</u>

Change in net position \$ (3,820,756)

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

TOWN OF PRESTON, CONNECTICUT
AGENCY FUND
STUDENT ACTIVITY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

Assets

Cash and cash equivalents	\$ 6,120
Total assets	6,120

Liabilities

Due to student groups	6,120
Total liabilities	6,120

Net Position

Total net position	\$ -
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The notes to the financial statements are an integral part of this statement.

TOWN OF PRESTON, CONNECTICUT

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGETARY BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 8,915,826	\$ 8,915,826	\$ 9,159,588	\$ 243,762
Intergovernmental	4,440,387	4,440,387	4,894,166	453,779
Local	1,015,146	1,015,146	1,045,030	29,884
Total revenues	<u>14,371,359</u>	<u>14,371,359</u>	<u>15,098,784</u>	<u>727,425</u>
Expenditures:				
Current:				
General government	1,455,218	1,448,526	1,306,976	141,550
Land development and control	70,285	70,285	63,878	6,407
Public works	587,756	617,057	592,317	24,740
Public safety	590,350	616,809	596,950	19,859
Health services	129,405	129,405	119,323	10,082
Public and social services	367,612	367,612	346,000	21,612
Miscellaneous	349,809	349,809	197,359	152,450
Education	10,622,236	10,622,236	10,564,584	57,652
Debt service	698,688	698,688	698,688	-
Total expenditures	<u>14,871,359</u>	<u>14,920,427</u>	<u>14,486,075</u>	<u>434,352</u>
Net change in fund balance	<u>\$ (500,000)</u>	<u>\$ (549,068)</u>	612,709	<u>\$ 1,161,777</u>
Fund balance, beginning of year			<u>2,725,019</u>	
Fund balance, end of year			<u>\$ 3,337,728</u>	

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

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

Note 1 – Summary of Significant Accounting Policies

The Town of Preston, Connecticut (the “Town”), is a municipal corporation governed by a selectmen/town meeting form of government. Under this form of government, the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes, and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The Selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. An elected Board of Finance is the budget making authority and supervises the Town's financial matters.

Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity includes the primary government only. No component units meeting the criteria provided by the Government Accounting Standards Board exist.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. Fiduciary funds are excluded from the government-wide financial statements. For the most part, the effects of interfund activity have been removed from these statements.

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 financial resources used for the acquisition or construction of major capital facilities for capital projects anticipated to last more than one year.

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

Permanent Funds – report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town’s programs.

Debt Service Fund – used to account for resources that are committed for specific debt service (payment of principal and interest of a specified debt).

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 fund maintained by the Town is as follows:

Agency Fund – custodial in nature (assets equal liabilities) and does 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 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.

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

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

The **Capital 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, except for those related to the redevelopment of the Preston Riverwalk.

The **Preston Redevelopment Agency Fund** was established to account for intergovernmental grants received and expended for the development of the Norwich Hospital Property, renamed the Preston Riverwalk.

Additionally, the Town reports the following fund:

The **Student Activity Fund** (an agency fund) accounts for monies held as a custodian for student groups.

Cash, Cash Equivalents, and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the town are reported at fair value. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes. In general for most of the funds, this includes deposits in allowable banks, obligations of the United States of America, and obligations of any State or political subdivision, which is tax exempt. Certain fiduciary funds are allowed more flexibility in investing.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Interest Rate Risk – Interest rate risk is the risk that the Town will incur losses in fair value caused by changing interest rates. 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. Generally, the Town does not invest in any long-term investment obligations.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

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

Receivables

Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under Connecticut State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

The Town establishes allowances for uncollectible taxes and interest based on historical collection experience and other factors. As of June 30, 2014, no allowance for uncollectible taxes and interest was considered necessary.

Loans Receivable

The Town administers a loan program for individuals and families in need. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The notes may be paid in full, or in part, by the borrower at any time without penalty. As of June 30, 2014, loans receivable totaled \$316,854 under this program.

Interfund Transactions

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in appropriate governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than the capitalization threshold for that asset type, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Land is considered inexhaustible and, therefore, is not depreciated. Property, equipment, and infrastructure of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Threshold</u>
Buildings and improvements	50	\$ 3,000
Land improvements	20	3,000
Vehicles:		
Cars and light trucks	7	3,000
Heavy trucks and buses	10	3,000
Fire trucks	20	3,000
Computers and computer equipment	5	3,000
Furniture, fixtures, and equipment	5	3,000
Infrastructure:		
Drainage (per project)	20	2,500
Road (per mile)	20	5,000
Bridges	20	50,000

Unearned Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts 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.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balance as they do not constitute either expenditures or liabilities.

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 assets. 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, 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 No. 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.

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 or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

The Town’s committed fund balance reporting is required when funds have been committed at a Town Meeting. 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.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Budgeting and Budgetary Accounting

Budgetary Basis

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- Teachers' Retirement – The Town does not recognize as revenue or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- Encumbrances – Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- Excess Cost Grant – The State reimburses the Town for certain costs incurred for special educational needs of students. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as revenue.

A reconciliation of General Fund operations presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) to the amounts presented on the budgetary basis is as follows:

	<u>Fund Balance</u> <u>Beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Uses</u>	<u>Fund Balance</u> <u>Ending</u>
GAAP basis	\$ 3,117,091	\$ 16,298,468	\$ (15,917,645)	\$ (123,848)	\$ 3,374,066
Encumbrances:					
June 30, 2013	(392,072)	-	392,072	-	-
June 30, 2014	-	-	(36,338)	-	(36,338)
Excess cost grant netted against expenditures	-	(426,233)	426,233	-	-
Other reclassifications	-	-	(123,848)	123,848	-
Teachers’ retirement system on behalf payments	-	(773,451)	773,451	-	-
Budgetary basis	<u>\$ 2,725,019</u>	<u>\$ 15,098,784</u>	<u>\$ (14,486,075)</u>	<u>\$ -</u>	<u>\$ 3,337,728</u>

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

Budget Calendar

The Boards of Selectmen and Education submit requests for appropriations to the Board of Finance. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations which they desire the Board of Finance to consider. The Board of Finance then considers the estimates, and any other matters brought to their attention, at a public meeting held subsequent to the public hearing, and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

Budget Control

This legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by Connecticut State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to previously adjusted appropriations.

Note 3 - Deposits and Investments

Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at year end:

Governmental funds	\$ 7,085,244
Agency fund	<u>6,120</u>
Total cash and cash equivalents	<u>\$ 7,091,364</u>

Custodial Credit Risk on Deposits

As of June 30, 2014, the carrying amount of the Town's deposits with financial institutions was:

Deposits	\$ 5,643,768
Plus: External investment pools treated as cash and cash equivalents	1,531,801
Less: Restricted cash	(47,451)
Less: Certificates of deposit treated as investments	<u>(36,754)</u>
Total cash and cash equivalents	<u>\$ 7,091,364</u>

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

The bank balance of the deposits was \$5,942,834 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 924,771
Uninsured and collateralized	1,166,466
Uninsured and uncollateralized	<u>3,851,597</u>
Total deposits	<u>\$ 5,942,834</u>

External Investment Pools as Cash and Cash Equivalents

The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The pool, Short-Term Investment Fund (STIF), is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools.

Investments

As of June 30, 2014, the Town's investments consisted of the following:

	<u>Other Funds</u>
Certificates of Deposit	<u>\$ 36,754</u>

As of June 30, 2014, the range of maturities of the investments was as follows:

<u>Types of Investment</u>	<u>Avg. Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Year</u>
Certificates of Deposit	NA	<u>\$ 36,754</u>	<u>\$ 36,754</u>

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

Note 4 – Operating Lease

The Town is the lessor in an operating lease for easement and access rights to certain Town property. The agreement commenced in February, 2000, for an initial period of 5 years with three optional 5-year extensions and a final optional 4-year extension. The lease termination date is February 2024. The lease provides for monthly lease payments with a possible 10% increase at each extension term. The total lease income from operating leases during the year amounted to \$17,424.

Note 5 - Capital Assets

Capital asset activity for the year was as follows:

	Balance at <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 556,830	\$ 30,000	\$ -	\$ 586,830
Construction in process	<u>1,384,659</u>	<u>-</u>	<u>-</u>	<u>1,384,659</u>
Total capital assets not being depreciated	<u>1,941,489</u>	<u>30,000</u>	<u>-</u>	<u>1,971,489</u>
Capital assets being depreciated:				
Buildings	15,479,056	7,315	-	15,486,371
Land improvements	3,668,746	-	-	3,668,746
Vehicles	3,405,425	-	-	3,405,425
Computer and computer equipment	257,929	-	-	257,929
Furniture, fixtures, and equipment	640,473	229,612	-	870,085
Infrastructure	<u>1,597,553</u>	<u>62,255</u>	<u>-</u>	<u>1,659,808</u>
Total capital assets being depreciated	<u>25,049,182</u>	<u>299,182</u>	<u>-</u>	<u>25,348,364</u>
Less accumulated depreciation:	<u>(10,745,036)</u>	<u>(758,704)</u>	<u>-</u>	<u>(11,503,740)</u>
Capital assets, net	<u>\$ 16,245,635</u>	<u>\$ (429,522)</u>	<u>\$ -</u>	<u>\$ 15,816,113</u>

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

Education	\$ 512,391
Public works	85,935
Public and social services	74,560
Public safety	52,186
General government	24,844
Health services	4,867
Redevelopment	<u>3,921</u>
Total depreciation expense	<u>\$ 758,704</u>

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

Note 6 – Interfund Balances

The following are temporary borrowings between funds. These are either expected to be paid off within one year or have no agreed payment terms:

	Due To:				Total
	General Fund	Capital and Nonrecurring Fund	Preston Re-development Agency Fund	Other Funds	
Due From:					
General Fund	\$ -	\$ 90,226	\$ -	\$ 69,761	\$ 159,987
Capital and Nonrecurring Fund	16,341	-	17,960	-	34,301
Preston Redevelopment Agency Fund	-	-	-	17,960	17,960
Other Funds	<u>45,770</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>45,777</u>
	<u>\$ 62,111</u>	<u>\$ 90,226</u>	<u>\$ 17,960</u>	<u>\$ 87,728</u>	<u>\$ 258,025</u>

Note 7 – Short-Term Obligations – Bond Anticipation Notes

The Town uses bond anticipation notes during the construction period of various capital projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Preston Redevelopment Project	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

At June 30, 2014, there was a bond anticipation note of \$2,000,000 outstanding with a maturity date of June 16, 2015, bearing an interest rate of 1.00%.

Note 8 - Long-Term Obligations

Changes In Long-Term Obligations

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds and loan payable:					
School refunding bonds	\$ 2,065,000	\$ -	\$ 305,000	\$ 1,760,000	\$ 300,000
Capital projects	2,763,000	-	150,000	2,613,000	150,000
State loan payable	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
	4,828,000	2,000,000	455,000	6,373,000	450,000
Bond premiums	9,739	-	1,604	8,135	1,604
Other post-employment benefits	413,800	126,200	48,000	492,000	49,000
Special termination benefits	50,000	75,000	35,000	90,000	15,000
Compensated absences	24,760	5,359	-	30,119	30,119
Post closure landfill costs	<u>7,800</u>	<u>-</u>	<u>600</u>	<u>7,200</u>	<u>600</u>
	<u>\$ 5,334,099</u>	<u>\$ 2,206,559</u>	<u>\$ 540,204</u>	<u>\$ 7,000,454</u>	<u>\$ 546,323</u>

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

State Loan Payable

On May 1, 2013, the Town entered into an Assistance Agreement with the State of Connecticut in connection with the redevelopment of Preston Riverwalk. Such agreement provides Preston with a loan of \$2,000,000. The funds were received during the year ended June 30, 2014, and the principal and interest will be payable beginning five years from the date of the receipt of the funds in monthly installments for twenty years. Annual interest on the loan is 1.5%.

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 Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. Payments on these bonds have been made out of the General Fund and are charged to expenditures.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Matures in Year Ending</u>	<u>Average Interest</u>	<u>Current Amount</u>
School Refunding Bonds	\$ 4,300,000	2020	3.74%	\$ 1,760,000
Capital Project Bonds	1,965,000	2020	4.07%	825,000
Capital Project Bonds	1,788,000	2033	3.00%	<u>1,788,000</u>
				<u>\$ 4,373,000</u>

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

<u>Year Ending</u>	<u>General Obligation Bonds</u>		<u>State Loan Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 450,000	\$ 154,333	\$ -	\$ -
2016	538,000	137,114	-	-
2017	545,000	116,072	-	-
2018	540,000	93,025	-	-
2019	515,000	70,075	99,708	24,440
2020-2034	<u>1,785,000</u>	<u>349,324</u>	<u>1,900,292</u>	<u>210,235</u>
	<u>\$ 4,373,000</u>	<u>\$ 919,943</u>	<u>\$ 2,000,000</u>	<u>\$ 234,675</u>

Post Closure Landfill Costs

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for 30 years after closure. These costs will be paid through the General Fund each year. Total estimated costs based on the current actual costs are included in long-term obligations. The actual costs may vary based on actual events, inflation, changes in technology, and applicable laws and regulations. No costs were incurred in this fiscal year.

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

Special Termination Benefits

Periodically, the Board of Education offers retirement incentive packages to teachers that meet specified requirements. A teacher that meets the criterion must apply to the Superintendent for consideration. The balance due to them is \$90,000. These employees will continue to receive benefits until 2014.

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2014.

Note 9 – Net Position and Fund Balances

Restricted Net Position

Restrictions on Net Position at year end is summarized as follows:

	<u>Nonexpendable</u>	<u>Expendable</u>
Small cities block grants	\$ 316,854	\$ -
Capital expenditures	-	256,650
Principal balances	<u>25,463</u>	<u>-</u>
	<u>\$ 342,317</u>	<u>\$ 256,650</u>

Fund Balances

Nonspendable Fund Balance is summarized as follows:

	<u>General Fund</u>	<u>Other Funds</u>
Not in spendable form:		
Prepaid expenses	\$ 19,075	\$ 9,500
Inventory	-	7,025
Long-term receivables	-	316,854
Required to be maintained intact:		
Trust fund principal	<u>-</u>	<u>25,463</u>
	<u>\$ 19,075</u>	<u>\$ 358,842</u>

Restricted Fund Balance is summarized as follows:

	<u>General Fund</u>	<u>Capital and Nonrecurring Fund</u>	<u>Other Funds</u>
Preservation of records	\$ 2,112	\$ -	\$ -
Capital expenditures	-	256,650	-
Property redevelopment	-	-	-
Special education grants	-	-	16,314
Restricted donations	<u>-</u>	<u>-</u>	<u>866</u>
	<u>\$ 2,112</u>	<u>\$ 256,650</u>	<u>\$ 17,180</u>

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

Committed Fund Balance is summarized as follows:

	<u>Capital and Nonrecurring Fund</u>	<u>Capital Projects Fund</u>
Capital expenditures	\$ 52,368	\$ 1,477,995
	<u>\$ 52,368</u>	<u>\$ 1,477,995</u>

Assigned Fund Balance is summarized as follows:

	<u>General Fund</u>	<u>Capital and Nonrecurring Fund</u>	<u>Other Funds</u>
To balance next year's budget	\$ 515,000	\$ -	\$ -
Encumbrances	36,338	-	-
Capital expenditures	-	185,532	80,114
Public and social service	-	-	38,161
Scholarships	-	-	24,590
General government	-	-	30,725
Education	-	-	3,606
Parks and recreation	-	-	38,988
Public safety	-	-	81,598
Debt service	-	-	62,219
	<u>\$ 551,338</u>	<u>\$ 185,532</u>	<u>\$ 360,001</u>

Deficit Fund Balances

The Preston Redevelopment Agency Fund has a deficit fund balance of \$1,740,996 and will require General Fund and State/Federal grant assistance in the future.

Note 10 – Employee Retirement Systems and Pension Plans

Teachers' Retirement System

Teachers within the Town's school system participate in a retirement plan administered by the Connecticut State Teachers' 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, 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).

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

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/Amounts by State

The pension contributions made by the State of Connecticut 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, 2014, approximately \$773,451 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 24.79% 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 2013/2014 school year, \$226,201 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 \$3,120,014.

Connecticut Municipal Employees' Retirement System

Plan Description and Benefit Provisions

All full-time employees for the Town, except for certified board of education personnel, who are age 55 or younger at the date of hire participate in the Connecticut Municipal Employees' Retirement Fund B (MERF), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost of living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Annual cost of living increases between 3% and 5% are paid to disabled members and nondisabled retired members who have reached age 65. All benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

Contributions

Plan members are required by Connecticut State Statute to contribute 2 ¼ % of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 11.98% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the MERF for the year ended June 30, 2014, was \$94,149 and was equal to the required contribution for the year.

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

Note 11 – Other Post Employment Benefits (OPEB)

Plan Description

The Preston Public Schools OPEB is a single-employer defined benefit plan administered by the Town in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility:	Teachers and Certified Administrators – A teacher or certified administrator retiring under the Connecticut State Teachers' Retirement System shall be eligible to receive health benefits for self and spouse.
Cost Sharing:	All retirees pay 100% of the premiums less the amount paid to the Town by the Teachers' Retirement Board.
Plan of Coverage:	Various medical, dental, and pharmaceutical plans depending on whether retirement is prior to age 65 or after 65.

Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation.

Retirees receiving benefits	6
Active plan members	<u>43</u>
Total	<u>49</u>

Actuarial Assumptions and Methods

Latest Actuarial Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Discount Rate	3.00%
Medical Inflation	Initial rate of 9% grading down to an ultimate inflation rate of 5% in 2022 and later.
Amortization Method	Level percentage of projected payroll
Remaining Amortization	30 years, level dollar, open
Mortality	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale BB.
Turnover	As used in the Connecticut State Teachers' Retirement System 2012 OPEB Valuation
Retirement	As used in the Connecticut State Teachers' Retirement System 2012 OPEB Valuation
Future Retiree Coverage	100% are assumed to elect coverage at retirement
Future Dependent Coverage	Male 50%; Female 50% with female spouses assumed to be 3 years younger than males

Schedule of Funding Progress

Schedule of Funding Progress				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
July 1,	(a)	(b)	(b-a)	(a÷b)
2014	\$ 0	\$ 2,355,000	\$ 2,355,000	0%
2011	0	1,964,800	1,964,800	0%
2008	0	3,057,300	3,057,300	0%

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

Schedule of Employer Contributions

Schedule of Employer Contributions			
Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 134,900	\$ 48,000	35.6%
2013	133,900	53,600	40.0%
2012	132,900	69,700	52.4%
2011	211,300	129,400	61.2%
2010	209,600	119,800	57.2%
2009	208,000	90,500	43.5%

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$ 134,900
Interest on net OPEB obligation	12,400
Adjustment to annual required contribution	<u>(21,100)</u>
Annual OPEB cost (AOC)	126,200
Contributions made	<u>(48,000)</u>
Increase in net OPEB obligation	78,200
Net OPEB obligation, beginning of year	<u>413,800</u>
Net OPEB obligation, end of year	<u>\$ 492,000</u>

Trend Information

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution Made	Percentage of AOC Contributed	Net OPEB Obligations
6/30/14	\$ 126,200	\$ 48,000	38%	\$ 492,000
6/30/13	126,800	53,600	43%	413,800
6/30/12	127,400	69,700	55%	340,600
6/30/11	207,300	129,400	62%	282,900
6/30/10	207,300	119,800	58%	205,000

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, and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

Note 13 – Contingent Liabilities

Various Lawsuits

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.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

School Building Grants

Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, it will owe a portion of the State funding back to the State.

For projects with a cost over \$2,000,000, the contingency will be amortized over 20 years. For smaller projects, the contingency will be amortized over 10 years.

Note 14 – Preston Riverwalk

The Town purchased the former Norwich Hospital site and the buildings, structures, improvements, and fixtures from the State of Connecticut for \$1 and the Town assumed responsibility for the environmental conditions at the property and completing the pollution remediation. However, the Town has the right, and intends, to transfer the property to a third party who accepts responsibility for the environmental conditions and remediation under certain conditions.

The Town had entered into two property disposition and development agreements with two different developers. Under the first property disposition and development agreement, the Town was scheduled to be reimbursed certain legal costs by the first developer. As of June 30, 2014, the Town had \$475,040 due from the first developer, which has not been recorded because collection is uncertain.

Effective July 2011, the Town has an agreement with a legal firm stipulating that the firm will not seek payment of certain legal costs payable until certain events take place. In this regard, the agreement specifies the payment of the legal costs will be due when, and if, the Town sells the acreage. The legal costs will become due at \$5,700 per acre of the first 160 acres sold. In addition, the legal costs will be paid per the agreement solely from the proceeds of the sale of such acreage and not from the general revenues of the Town. Given these contract terms, the amount, if any, that will ultimately be paid is uncertain and cannot be determined at this time.

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

To date, expenditures are \$13,146,745 for pollution remediation. The remaining pollution remediation costs are estimated at \$8,660,000. These are based on the Town's remedial action plan. This estimate has been calculated for both fees and expenses using the expected cash flow technique in estimating the excavation, demolition, abatement, decontamination, disposal, and cost cap insurance expected to be incurred through the Notice of Completion of Remediation. This is an estimate and subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. Because the property was acquired with known pollution that was expected to be remediated, the Town will capitalize the pollution remediation costs as areas are completed.

Note 15 – GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 68 – *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 15, 2014.
- GASB Statement 69 – *Government Combinations and Disposals of Government Operations* – This statement establishes accounting and financial reporting standards related to a variety of transactions such as mergers, acquisitions, and transfers of operations. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

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

TOWN OF PRESTON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 8,915,826	\$ 8,915,826	\$ 9,159,588	\$ 243,762
Intergovernmental:				
Education Cost Sharing (ECS)	3,077,693	3,077,693	3,085,953	8,260
Mashantucket Pequot Grant	964,504	964,504	1,173,412	208,908
Pilot for state hospital and property	9,244	9,244	11,015	1,771
Public transportation	-	-	89,477	89,477
Town Aid Road	199,781	199,781	199,697	(84)
Youth service bureau grants	17,300	17,300	17,259	(41)
Elderly Tax Grant	7,500	7,500	23,533	16,033
FEMA Grant	-	-	15,502	15,502
Telephone/cable access	12,000	12,000	14,326	2,326
Judicial branch	1,500	1,500	4,205	2,705
School security grant	-	-	214,637	214,637
Veterans Tax Relief	1,000	1,000	861	(139)
Other grants	20,136	20,136	590	(19,546)
Totally disabled	-	-	355	355
State revenue sharing	-	-	32,770	32,770
DUI enforcement grant	-	-	10,574	10,574
LOCIP	129,729	129,729	-	(129,729)
	<u>4,440,387</u>	<u>4,440,387</u>	<u>4,894,166</u>	<u>453,779</u>
Local:				
Incinerator host town agreement	825,022	825,022	825,022	-
Town clerk fees	60,000	60,000	42,459	(17,541)
MIRA - return of tipping fees	60,000	60,000	58,000	(2,000)
Construction permit fees	30,000	30,000	59,644	29,644
Paper, metal, and transfer station	15,000	15,000	23,247	8,247
Sprint antenna	17,424	17,424	17,424	-
Investment income	3,000	3,000	3,636	636
Miscellaneous fees	-	-	7,241	7,241
License and permit fees	2,000	2,000	3,520	1,520
Other	1,200	1,200	3,549	2,349
Farmland preservation fees	750	750	644	(106)
Historic document fees	750	750	644	(106)
	<u>1,015,146</u>	<u>1,015,146</u>	<u>1,045,030</u>	<u>29,884</u>
Total revenues	<u>\$ 14,371,359</u>	<u>\$ 14,371,359</u>	<u>\$ 15,098,784</u>	<u>\$ 727,425</u>

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
General Government:					
Salaries:					
First Selectman	\$ 69,870	\$ 538	\$ 70,408	\$ 70,407	\$ 1
Selectmen	13,857	-	13,857	13,857	-
Town Clerk and Tax Collector	50,764	244	51,008	51,008	-
Assistant Town Clerk	56,578	(244)	56,334	47,704	8,630
Treasurer and assistants	27,484	-	27,484	27,484	-
Administrative assistant/clerical	142,249	(4,426)	137,823	127,594	10,229
Assessor	34,827	670	35,497	35,497	-
Zoning Enforcement Officer	9,465	182	9,647	9,647	-
Sanitation	18,383	-	18,383	17,753	630
Building Inspector	27,390	1,067	28,457	28,219	238
Registrar of Voters	13,765	-	13,765	12,734	1,031
Expenses Board of Selectmen	3,807	7,000	10,807	10,278	529
School Building Committee	1,400	-	1,400	750	650
Elections	15,380	-	15,380	10,327	5,053
Ethics commission	850	-	850	-	850
Mileage, dues, and school meetings	11,313	-	11,313	8,489	2,824
Social security	88,530	-	88,530	81,651	6,879
Pension	120,364	(3,400)	116,964	112,037	4,927
Town insurance	132,254	-	132,254	127,832	4,422
Health insurance	303,413	(18,378)	285,035	253,179	31,856
Financial services	26,157	(538)	25,619	15,728	9,891
Legal fees and services	36,200	6,236	42,436	41,517	919
Engineering services	1,500	-	1,500	-	1,500
Legal notices	16,600	-	16,600	14,146	2,454
Town Hall maintenance	42,760	(1,550)	41,210	35,155	6,055
Maintenance, town owned buildings	14,000	3,400	17,400	15,586	1,814
Town Hall equipment	17,931	-	17,931	15,960	1,971
Town Hall supplies	19,048	-	19,048	18,089	959
Land records and statistics	35,220	-	35,220	31,426	3,794
Data processing	61,759	-	61,759	49,296	12,463
Board of Finance	40,600	-	40,600	19,834	20,766
Cemetery maintenance	500	-	500	485	15
Dog damage	100	-	100	-	100
Unemployment compensation	800	2,507	3,307	3,307	-
Veterans funerals	100	-	100	-	100
	<u>1,455,218</u>	<u>(6,692)</u>	<u>1,448,526</u>	<u>1,306,976</u>	<u>141,550</u>

(continued on page 37)

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Land Development and Control:					
Planning and Zoning	\$ 5,095	\$ -	\$ 5,095	\$ 3,629	\$ 1,466
Zoning Board of Appeals	300	-	300	75	225
Town and Regional Planning	49,724	-	49,724	47,201	2,523
Board of Tax Review	400	-	400	-	400
Economic Development	2,191	-	2,191	1,991	200
Inland Wetlands	9,600	-	9,600	8,602	998
Conservation Commission	2,475	-	2,475	1,880	595
Eastern Connecticut Conservation District	500	-	500	500	-
	<u>70,285</u>	<u>-</u>	<u>70,285</u>	<u>63,878</u>	<u>6,407</u>
Public Works:					
Salaries, public works	269,636	-	269,636	254,170	15,466
Highway maintenance	58,159	7,751	65,910	65,791	119
Town aid road	199,781	20,000	219,781	214,403	5,378
Highway equipment	8,000	-	8,000	7,640	360
Town garage	8,230	1,550	9,780	8,896	884
Gasoline and diesel	43,950	-	43,950	41,417	2,533
	<u>587,756</u>	<u>29,301</u>	<u>617,057</u>	<u>592,317</u>	<u>24,740</u>
Public Safety:					
Preston City Fire Department	173,508	4,312	177,820	166,439	11,381
Fire Chief/EMT expenses	193,092	-	193,092	185,894	7,198
Fire alarm systems	750	-	750	454	296
Police protection	200,918	22,147	223,065	222,430	635
Animal control officer	21,532	-	21,532	21,533	(1)
Public Safety Committee	550	-	550	200	350
	<u>590,350</u>	<u>26,459</u>	<u>616,809</u>	<u>596,950</u>	<u>19,859</u>
Health Services:					
Public health services	21,270	-	21,270	20,917	353
Health Director	6,000	-	6,000	6,000	-
Transfer station and fees, net	97,485	-	97,485	88,210	9,275
Waste disposal	450	-	450	400	50
Food inspections	4,200	-	4,200	3,796	404
	<u>129,405</u>	<u>-</u>	<u>129,405</u>	<u>119,323</u>	<u>10,082</u>
Public and Social Services:					
Parks and recreation	74,450	-	74,450	74,256	194
Youth Services Bureau	31,300	-	31,300	30,970	330
Senior Affairs	85,571	-	85,571	74,704	10,867
Preston Public Library	173,891	-	173,891	163,670	10,221
T.V.C.C.A.	1,000	-	1,000	1,000	-
Literacy volunteers	1,000	-	1,000	1,000	-
Sexual Assault Crisis Center	100	-	100	100	-
Women's Center of SE CT	300	-	300	300	-
	<u>367,612</u>	<u>-</u>	<u>367,612</u>	<u>346,000</u>	<u>21,612</u>

(continued on page 38)

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Miscellaneous:					
Council of Small Towns	\$ 750	\$ -	\$ 750	\$ 725	\$ 25
CT Conference of Municipalities	3,400	-	3,400	3,362	38
Bates Foundation	60	-	60	-	60
Policy/procedure/fixed assets	1,500	-	1,500	-	1,500
Capital improvements	7,500	-	7,500	7,500	-
Environmental monitoring	750	-	750	-	750
Public street lighting	8,700	-	8,700	7,725	975
Water Commission	1,000	-	1,000	-	1,000
Former state hospital state property redevelopment	176,420	-	176,420	158,047	18,373
Future capital projects	20,000	-	20,000	20,000	-
LOCIP	129,729	-	129,729	-	129,729
	<u>349,809</u>	<u>-</u>	<u>349,809</u>	<u>197,359</u>	<u>152,450</u>
Debt Service:					
New school debt	382,875	-	382,875	382,875	-
Town 5 year capital projects	65,000	-	65,000	65,000	-
Preston Riverwalk loan	65,000	-	65,000	65,000	-
Board of Education 15 year capital projects	96,623	-	96,623	96,623	-
General government 15 year capital projects	89,190	-	89,190	89,190	-
	<u>698,688</u>	<u>-</u>	<u>698,688</u>	<u>698,688</u>	<u>-</u>
Education	<u>10,622,236</u>	<u>-</u>	<u>10,622,236</u>	<u>10,564,584</u>	<u>57,652</u>
Total expenditures	<u>\$ 14,871,359</u>	<u>\$ 49,068</u>	<u>\$ 14,920,427</u>	<u>\$ 14,486,075</u>	<u>\$ 434,352</u>

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Special Revenue Funds	Capital Project Fund - Local Capital Improvement Fund	Permanent Funds	Debt Service Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 313,937	\$ 79,396	\$ 30,428	\$ 1,007	\$ 424,768
Investments	36,754	-	-	-	36,754
Receivables	329,293	191,165	-	-	520,458
Prepaid expenses	9,500	-	-	-	9,500
Inventory	7,025	-	-	-	7,025
Due from other funds	7,016	-	-	80,712	87,728
Total assets	\$ 703,525	\$ 270,561	\$ 30,428	\$ 81,719	\$ 1,086,233
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 66,619	\$ -	\$ -	\$ -	\$ 66,619
Unearned revenue	47,367	190,447	-	-	237,814
Due to other funds	25,927	-	350	19,500	45,777
Total liabilities	139,913	190,447	350	19,500	350,210
Fund Balances:					
Nonspendable	333,379	-	25,463	-	358,842
Restricted	17,180	-	-	-	17,180
Assigned	213,053	80,114	4,615	62,219	360,001
Total fund balances	563,612	80,114	30,078	62,219	736,023
Total liabilities and fund balances	\$ 703,525	\$ 270,561	\$ 30,428	\$ 81,719	\$ 1,086,233

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds	Capital Project Fund - Local Capital Improvement Fund	Permanent Funds	Debt Service Fund	Total
Revenues:					
Intergovernmental	\$ 512,535	\$ 14,279	\$ -	\$ -	\$ 526,814
Local	207,516	-	1,492	14,130	223,138
Total revenues	<u>720,051</u>	<u>14,279</u>	<u>1,492</u>	<u>14,130</u>	<u>749,952</u>
Expenditures:					
Current expenditures:					
Public works	-	14,279	-	-	14,279
Public safety	9,565	-	-	-	9,565
Health services	2,161	-	-	-	2,161
Public and social services	130,017	-	-	-	130,017
Education	462,592	-	945	-	463,537
Total expenditures	<u>604,335</u>	<u>14,279</u>	<u>945</u>	<u>-</u>	<u>619,559</u>
Excess of revenues over (under) expenditures	115,716	-	547	14,130	130,393
Other financing sources (uses):					
Transfers in (out)	55,700	-	(5)	66,113	121,808
Net change in fund balances	171,416	-	542	80,243	252,201
Fund balances, beginning of year	392,196	80,114	29,536	(18,024)	483,822
Fund balances, end of year	<u>\$ 563,612</u>	<u>\$ 80,114</u>	<u>\$ 30,078</u>	<u>\$ 62,219</u>	<u>\$ 736,023</u>

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Education Grants	School Lunch Fund	Dog Fund	Winter Energy Plan	Small Cities Fund	Seniors' Health Fund	Parks and Recreation
<u>Assets</u>							
Cash and cash equivalents	\$ 67,557	\$ 7,448	\$ 5,780	\$ 3,085	\$ 57,798	\$ 6,093	\$ 35,710
Investments	-	-	-	-	-	-	36,754
Receivables	3,603	8,630	50	-	316,854	-	-
Prepaid expenses	-	-	-	-	-	-	9,500
Inventory	-	7,025	-	-	-	-	-
Due from other funds	4,391	20	2,598	-	-	-	-
Total assets	\$ 75,551	\$ 23,123	\$ 8,428	\$ 3,085	\$ 374,652	\$ 6,093	\$ 81,964
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 35,851	\$ 2,023	\$ 2,899	\$ -	\$ 24,685	\$ -	\$ -
Unearned revenue	9,298	-	-	-	5,946	-	32,123
Due to other funds	14,088	10,469	-	7	-	-	1,353
Total liabilities	59,237	12,492	2,899	7	30,631	-	33,476
Fund Balances:							
Nonspendable	-	7,025	-	-	316,854	-	9,500
Restricted	16,314	-	866	-	-	-	-
Assigned	-	3,606	4,663	3,078	27,167	6,093	38,988
Total fund balances	16,314	10,631	5,529	3,078	344,021	6,093	48,488
Total liabilities and fund balances	\$ 75,551	\$ 23,123	\$ 8,428	\$ 3,085	\$ 374,652	\$ 6,093	\$ 81,964

(continued on page 42)

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2014**

	Food Bank Fund	Various Cemetery	Bates Fountain	EMS Capital Improvement Fund	Youth Services	Education Scholarships	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 2,984	\$ 22,023	\$ 2,450	\$ 81,598	\$ 1,044	\$ 20,367	\$ 313,937
Investments	-	-	-	-	-	-	36,754
Receivables	-	-	-	-	156	-	329,293
Prepaid expenses	-	-	-	-	-	-	9,500
Inventory	-	-	-	-	-	-	7,025
Due from other funds	-	7	-	-	-	-	7,016
Total assets	\$ 2,984	\$ 22,030	\$ 2,450	\$ 81,598	\$ 1,200	\$ 20,367	\$ 703,525
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 1,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,619
Unearned revenue	-	-	-	-	-	-	47,367
Due to other funds	-	10	-	-	-	-	25,927
Total liabilities	1,161	10	-	-	-	-	139,913
Fund Balances:							
Nonspendable	-	-	-	-	-	-	333,379
Restricted	-	-	-	-	-	-	17,180
Assigned	1,823	22,020	2,450	81,598	1,200	20,367	213,053
Total fund balances	1,823	22,020	2,450	81,598	1,200	20,367	563,612
Total liabilities and fund balances	\$ 2,984	\$ 22,030	\$ 2,450	\$ 81,598	\$ 1,200	\$ 20,367	\$ 703,525

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Education Grants	School Lunch Fund	Dog Fund	Winter Energy Plan	Small Cities Fund	Seniors' Health Fund	Parks and Recreation
Revenues:							
Intergovernmental	\$ 281,912	\$ 68,705	\$ -	\$ -	\$ 159,633	\$ -	\$ -
Local	-	65,707	4,615	-	3	1	67,479
Total revenues	<u>281,912</u>	<u>134,412</u>	<u>4,615</u>	<u>-</u>	<u>159,636</u>	<u>1</u>	<u>67,479</u>
Expenditures:							
Current expenditures:							
Public safety	-	-	9,558	7	-	-	-
Health services	-	-	-	-	-	1,000	-
Public and social services	-	-	-	-	40,229	-	74,136
Education	280,168	181,213	-	-	-	-	-
Total expenditures	<u>280,168</u>	<u>181,213</u>	<u>9,558</u>	<u>7</u>	<u>40,229</u>	<u>1,000</u>	<u>74,136</u>
Excess of revenues over (under) expenditures	1,744	(46,801)	(4,943)	(7)	119,407	(999)	(6,657)
Other financing sources (uses):							
Transfers in (out)	-	50,000	5,700	-	-	-	-
Net change in fund balances	1,744	3,199	757	(7)	119,407	(999)	(6,657)
Fund balances, beginning of year	<u>14,570</u>	<u>7,432</u>	<u>4,772</u>	<u>3,085</u>	<u>224,614</u>	<u>7,092</u>	<u>55,145</u>
Fund balances, end of year	<u>\$ 16,314</u>	<u>\$ 10,631</u>	<u>\$ 5,529</u>	<u>\$ 3,078</u>	<u>\$ 344,021</u>	<u>\$ 6,093</u>	<u>\$ 48,488</u>

(continued on page 44)

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

	Food Bank Fund	Various Cemetery	Bates Fountain	EMS Capital Improvement Fund	Youth Services	Education Scholarships	Total
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 2,285	\$ -	\$ 512,535
Local	750	1,119	-	55,005	12,630	207	207,516
Total revenues	<u>750</u>	<u>1,119</u>	<u>-</u>	<u>55,005</u>	<u>14,915</u>	<u>207</u>	<u>720,051</u>
Expenditures:							
Current expenditures:							
Public safety	-	-	-	-	-	-	9,565
Health services	1,161	-	-	-	-	-	2,161
Public and social services	-	413	-	-	15,239	-	130,017
Education	-	-	-	-	-	1,211	462,592
Total expenditures	<u>1,161</u>	<u>413</u>	<u>-</u>	<u>-</u>	<u>15,239</u>	<u>1,211</u>	<u>604,335</u>
Excess of revenues over (under) expenditures	(411)	706	-	55,005	(324)	(1,004)	115,716
Other financing sources (uses):							
Transfers in (out)	-	-	-	-	-	-	55,700
Net change in fund balances	(411)	706	-	55,005	(324)	(1,004)	171,416
Fund balances, beginning of year	<u>2,234</u>	<u>21,314</u>	<u>2,450</u>	<u>26,593</u>	<u>1,524</u>	<u>21,371</u>	<u>392,196</u>
Fund balances, end of year	<u>\$ 1,823</u>	<u>\$ 22,020</u>	<u>\$ 2,450</u>	<u>\$ 81,598</u>	<u>\$ 1,200</u>	<u>\$ 20,367</u>	<u>\$ 563,612</u>

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

PERMANENT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Brewster Cemetery	Downing Library	Educational Fund Various Scholarships	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 7,006	\$ 1,029	\$ 22,393	\$ 30,428
Total assets	\$ 7,006	\$ 1,029	\$ 22,393	\$ 30,428
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ 350	\$ -	\$ -	\$ 350
Total liabilities	350	-	-	350
Fund Balances:				
Nonspendable	6,265	1,028	18,170	25,463
Assigned	391	1	4,223	4,615
Total fund balances	6,656	1,029	22,393	30,078
Total liabilities and fund balances	\$ 7,006	\$ 1,029	\$ 22,393	\$ 30,428

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

**PERMANENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Brewster Cemetery	Downing Library	Educational Fund Various Scholarships	Total
Revenues:				
Local	\$ 186	\$ 5	\$ 1,301	\$ 1,492
Total revenues	<u>186</u>	<u>5</u>	<u>1,301</u>	<u>1,492</u>
Expenditures:				
Education	-	-	945	945
Total expenditures	<u>-</u>	<u>-</u>	<u>945</u>	<u>945</u>
Excess of revenues over expenditures	<u>186</u>	<u>5</u>	<u>356</u>	<u>547</u>
Other financing sources (uses):				
Transfers in (out)	-	(5)	-	(5)
Net change in fund balances	186	-	356	542
Fund balances, beginning of year	<u>6,470</u>	<u>1,029</u>	<u>22,037</u>	<u>29,536</u>
Fund balances, end of year	<u>\$ 6,656</u>	<u>\$ 1,029</u>	<u>\$ 22,393</u>	<u>\$ 30,078</u>

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

AGENCY FUND
STUDENT ACTIVITY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash	\$ 12,002	\$ 48,637	\$ (54,519)	\$ 6,120
Total assets	<u>\$ 12,002</u>	<u>\$ 48,637</u>	<u>\$ (54,519)</u>	<u>\$ 6,120</u>
Liabilities:				
Due to student groups	\$ 12,002	\$ 48,637	\$ (54,519)	\$ 6,120
Total liabilities	<u>\$ 12,002</u>	<u>\$ 48,637</u>	<u>\$ (54,519)</u>	<u>\$ 6,120</u>

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

CAPITAL AND NONRECURRING FUND
 SCHEDULE OF CHANGES IN FUND BALANCE BY PROJECT
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Beginning Balance</u>	<u>Transfers In</u>	<u>Other Revenues</u>	<u>Internal Transfers</u>	<u>Transfers Out</u>	<u>Annual Expenditures</u>	<u>Ending Balance</u>
Restricted fund balance:							
Open Space	\$ 278,820	\$ -	\$ 12,389	\$ -	\$ -	\$ (34,559)	\$ 256,650
Total restricted fund balance	<u>278,820</u>	<u>-</u>	<u>12,389</u>	<u>-</u>	<u>-</u>	<u>(34,559)</u>	<u>256,650</u>
Committed fund balance:							
<i>General government:</i>							
Vehicles and equipment:							
Fire protection clothing	3,168	-	-	-	-	-	3,168
Foreman's truck	-	-	-	8,000	-	(5,829)	2,171
Additional compactor (1)	20,000	-	-	-	-	-	20,000
Board of Finance contingency (1)	2,000	-	-	-	-	-	2,000
Other:							
Revaluation	3,000	-	-	-	-	(3,000)	-
Town Clerk	22,353	-	2,247	-	-	-	24,600
<i>Board of Education:</i>							
Vehicles and equipment:							
Responder units	29	-	-	-	-	-	29
Playground	400	-	-	-	-	-	400
Total committed fund balance	<u>50,950</u>	<u>-</u>	<u>2,247</u>	<u>8,000</u>	<u>-</u>	<u>(8,829)</u>	<u>52,368</u>
Assigned fund balance:							
Assigned to future projects	177,632	20,000	20,900	(8,000)	(25,000)	-	185,532
Total assigned fund balance	<u>177,632</u>	<u>20,000</u>	<u>20,900</u>	<u>(8,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>185,532</u>
Total fund balance	<u>\$ 507,402</u>	<u>\$ 20,000</u>	<u>\$ 35,536</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ (43,388)</u>	<u>\$ 494,550</u>

(1) Approved September 4, 2004, town meeting. The Board of Finance may transfer unspent portions to other projects as long as the amended budget for the specific project is not more than 10% over the original balances.

See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT
STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7.374(B)
FOR THE YEAR ENDED JUNE 30, 2014

Total tax collection including interest and
lien fees for the year ended June 30, 2014 \$ 9,143,928

Reimbursement for revenue loss on:
Tax relief for elderly (CGS 12-129d) 23,533

Base \$ 9,167,461

	<u>General</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 20,626,787	\$	\$	\$	\$
4 1/2 times base		41,253,575			
3 3/4 times base			34,377,979		
3 1/4 times base				29,794,248	
3 times base					27,502,383
Total debt limitation	<u>20,626,787</u>	<u>41,253,575</u>	<u>34,377,979</u>	<u>29,794,248</u>	<u>27,502,383</u>
Indebtedness:					
School refunding bonds	-	1,760,000	-	-	-
Capital projects	1,788,000	825,000	-	-	-
State loan payable	2,000,000	-	-	-	-
Bond anticipation notes	2,000,000	-	-	-	-
Total indebtedness	<u>5,788,000</u>	<u>2,585,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 14,838,787</u></u>	<u><u>\$ 38,668,575</u></u>	<u><u>\$ 34,377,979</u></u>	<u><u>\$ 29,794,248</u></u>	<u><u>\$ 27,502,383</u></u>

-49- See accompanying Independent Auditor's Report.

TOWN OF PRESTON, CONNECTICUT

**REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2014**

Grand List October 1,	Taxes Receivable July 1, 2013	Lawful Corrections		Suspense Transfers	Adjusted Taxes Receivable	Collections			Taxes Receivable June 30, 2014
		Additions	Deductions			Taxes	Interest and Liens	Total	
2012	\$ 9,131,353	\$ 50,400	\$ 44,590	\$ -	\$ 9,137,163	\$ 8,938,446	\$ 39,347	\$ 8,977,793	\$ 198,717
2011	152,409	1,263	2,110	-	151,562	103,577	24,817	128,394	47,985
2010	41,865	1,581	535	(10,418)	32,493	25,975	4,503	30,478	6,518
2009	388	-	-	-	388	297	175	472	91
2008	347	-	-	-	347	195	163	358	152
2007	(43)	-	-	-	(43)	299	285	584	(342)
2006	238	-	-	-	238	251	278	529	(13)
2005	2,024	-	-	-	2,024	431	587	1,018	1,593
2004	3,097	-	-	-	3,097	885	1,318	2,203	2,212
2003	634	-	-	-	634	393	662	1,055	241
2002	(275)	-	-	-	(275)	316	593	909	(591)
2001	(20)	-	-	-	(20)	-	-	-	(20)
2000	(768)	-	-	-	(768)	69	66	135	(837)
1999	(544)	-	-	-	(544)	-	-	-	(544)
1998	(393)	-	-	-	(393)	-	-	-	(393)
	<u>\$ 9,330,312</u>	<u>\$ 53,244</u>	<u>\$ 47,235</u>	<u>\$ (10,418)</u>	<u>\$ 9,325,903</u>	<u>\$ 9,071,134</u>	<u>\$ 72,794</u>	<u>\$ 9,143,928</u>	<u>\$ 254,769</u>

See accompanying Independent Auditor's Report.