

**TOWN OF SPRAGUE,
CONNECTICUT**

**BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2018**

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT,

**REQUIRED SUPPLEMENTARY
INFORMATION,**

OTHER SUPPLEMENTARY INFORMATION,

AND

STATE SINGLE AUDIT REPORTS

**TOWN OF SPRAGUE, CONNECTICUT
TABLE OF CONTENTS
JUNE 30, 2018**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-15
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of the Governmental Funds to the Government-Wide Statement of Net Position – Governmental Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Fund	22
Statement of Revenues, Expenses, and Changes in Net Position -Proprietary Fund	23
Statement of Cash Flows – Proprietary Fund	24
Statement of Fiduciary Net Position – Fiduciary Funds	25
Notes to Financial Statements	26-62
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	63-65
Schedule of the Changes in Total OPEB Liability and Related Ratios– Other Post-Employment Benefits Plan – Board of Education	66
Schedule of the Town's Proportionate Share of the Net OPEB Liability Teachers 'Retirement System	67

**TOWN OF SPRAGUE, CONNECTICUT
TABLE OF CONTENTS
JUNE 30, 2018**

REQUIRED SUPPLEMENTARY INFORMATION <i>(Continued)</i>	<u>Page</u>
Schedule of the Town’s Proportionate Share of the Net Pension Liability Connecticut Teachers’ Retirement System	68
 OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	70
Combining Balance Sheet – Nonmajor Special Revenue Funds	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -Nonmajor Special Revenue Funds	72
Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	73
Report of the Property Tax Collector	74
Schedule of Changes in Fund Balance - by Project – Capital Nonrecurring Fund	75-76
Schedule of Expenditures – Budget and Actual (Budgetary Basis) -General Fund – Board of Education Expenditures	77-81
 STATE SINGLE AUDIT REPORTS	
State Internal Control and Compliance Reports	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82-83
Independent Auditors’ Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	84-86
 Schedule of Expenditures of State Financial Assistance	
Schedule of Expenditures of State Financial Assistance	87
Notes to Schedule of Expenditures of State Financial Assistance	88-89
 Schedule of State Findings and Questioned Costs	 90-93

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Finance of
Town of Sprague, Connecticut

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sprague, Connecticut (the Town), as of and for the year ended June 30, 2018, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 20 to the financial statements, during the fiscal year ended June 30, 2018, the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the Town has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 15, the budgetary comparison information on pages 63 - 65, and the other post-employment benefit and pension schedules on pages 66 - 68 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 nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements and supplemental schedules, and the schedule of expenditures of state financial assistance, as required by the State Single Audit Act, respectively, are not a required part of the basic financial statements.

The combining nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements, supplemental schedules, and the schedule of state financial assistance, as required by the State of Connecticut Single Audit Act, 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 nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements, supplemental schedules, and the schedule of state financial assistance, as required by the State of Connecticut Single Audit Act, 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 a report dated December 27, 2018, 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.

Hoyt, Filippetti & Malachuk, LLC

Groton, Connecticut

December 27, 2018

TOWN OF SPRAGUE, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Our discussion and analysis of Town of Sprague, Connecticut's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements, which begin with the Government Wide Statement of Net Position.

FINANCIAL HIGHLIGHTS

The following are the Town's significant financial highlights for the year ended June 30, 2018:

- Total net position *increased* \$1,200,262. This includes a governmental activities *increase* of \$1,255,640 and a business-type activities *decrease* of \$55,378.
- Total fund balance *decreased* by \$794,397. This includes a \$1,225,281 *decrease* in the General Fund, a \$442,654 *increase* in the Capital Nonrecurring Fund, a \$1,412 *decrease* in the Education Grants Fund, and a \$10,358 *decrease* in Nonmajor Governmental Funds.
- The General Fund and Education Grant Fund ended the fiscal year with a net deficit fund balance of (\$1,084,244) and (\$1,412), respectively.
- Total revenues for fiscal year ended June 30, 2018 came in \$378,869 *behind* budget, while total expenditures came in at \$827,005 *over* budget. The combination of the *shortfall* in revenues and *overage* in expenditures turned the fund balance of the General Fund into a fund *deficit* at year-end.
- The majority of the reason why revenues came in *behind* budget is due to the State of Connecticut cutting the Town's share of the Education Cost Sharing grant by \$354,531. The reason why expenditures were *over* budget is due to greater than anticipated costs for the Board of Education totaling \$835,443.

USING THIS ANNUAL REPORT

This annual 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 with the Governmental Funds Balance Sheet. 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.

TOWN OF SPRAGUE, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Reporting the Town as a Whole

Our analysis of the Town as a whole begins with the Statement of Net Position. 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 them. 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. In the Statement of Net Position and the Statement of Activities, the Town shows the following activity:

- 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.
- Business-type activities—The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water Pollution Control Authority (Water and Sewer Fund)'s operations are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins in the section titled "The Town's Funds". The fund financial statements begin on page 18 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by 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. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *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.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Reporting the Town's Most Significant Funds (*Continued*)

Governmental funds (Continued) - Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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 following the fund financial statements.

- *Proprietary funds*—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Town as Trustee

The Town is the trustee, or *fiduciary*, for the activity funds and the Parent Teacher Organization funds at the school. These funds do 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.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The Town as a Whole – Governmental Activities – Statement of Net Position

The net position of the Town's Governmental Activities *increased* by \$1,110,107 from a year ago—*increasing* from \$18,267,004 to \$19,377,111.

	Governmental Activities		Increase
	2018	2017	(Decrease)
Current and other assets	\$ 1,167,142	\$ 1,088,389	\$ 78,753
Capital assets, net	29,706,876	27,338,038	2,368,838
Deferred outflows of resources	3,331	-	3,331
Total assets and deferred outflows of resources	<u>\$ 30,877,349</u>	<u>\$ 28,426,427</u>	<u>\$ 2,450,922</u>
Other liabilities	\$ 1,325,323	\$ 515,942	\$ 809,381
Long-term debt outstanding	10,158,307	9,643,481	514,826
Total liabilities	<u>11,483,630</u>	<u>10,159,423</u>	<u>1,324,207</u>
Deferred inflows of resources	16,608	-	16,608
Total liabilities and deferred inflows of resources	<u>11,500,238</u>	<u>10,159,423</u>	<u>1,340,815</u>
Net position			
Net investment in capital assets	20,223,556	18,224,455	1,999,101
Restricted	231,176	240,615	(9,439)
Unrestricted	<u>(1,077,621)</u>	<u>(198,066)</u>	<u>(879,555)</u>
Total net position	<u>19,377,111</u>	<u>18,267,004</u>	<u>1,110,107</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,877,349</u>	<u>\$ 28,426,427</u>	<u>\$ 2,450,922</u>

Of the \$1,110,107 net *increase*, \$1,255,640 was from the change in net position for the year ended June 30, 2018, and (\$145,533) was a restatement of beginning net position from the adoption of GASB 75 (*See Note 20*). Governmental Activities capital assets, net *increased* \$2,368,838 from the prior year. This was primarily as a result of a \$1,738,910 gain recognized on the foreclosure by the Town on acreage for which the delinquent property taxes and interest were previously written off. The balance of the increase was the result of significant equipment additions and road improvements. Other liabilities *increased* by \$809,381 from the prior year largely as a result of significant *increase* in unanticipated accounts payable relating to the Board of Education budget. Long-term debt outstanding in Governmental Activities *increased* \$514,826 from the prior year from both an *increase* in the other post-employment liability resulting from the adoption of GASB 75 (*See Note 20*) and the net *increase* in bonds outstanding used to finance various projects.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The Town as a Whole – Business-Type Activities – Statement of Net Position

The net position of the Town's Business-Type Activities *decreased* by \$55,378 from a year ago—*decreasing* from \$4,096,462 to \$4,041,084.

	Business-Type Activities		Increase (Decrease)
	2018	2017	
Current and other assets	\$ 489,628	\$ 397,567	\$ 92,061
Capital assets, net	3,604,531	3,740,099	(135,568)
Total assets	\$ 4,094,159	\$ 4,137,666	\$ (43,507)
Other liabilities	\$ 41,098	\$ 31,849	\$ 9,249
Long-term debt outstanding	11,977	9,355	2,622
Total liabilities	53,075	41,204	11,871
Net position			
Net investment in capital assets	3,604,531	3,740,099	(135,568)
Restricted	-	-	-
Unrestricted	436,553	356,363	80,190
Total net position	4,041,084	4,096,462	(55,378)
Total liabilities and net position	\$ 4,094,159	\$ 4,137,666	\$ (43,507)

Business-Type Activities current assets *increased* \$92,061 and other liabilities *increased* \$9,249 from the prior year. This was mainly due to *increases* in cash and cash equivalents as well as accounts payable, respectively at year-end. The *decrease* in Business-Type Activities capital assets, net was due to annual depreciation expense.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The Town as a Whole – Combined Statement of Net Position

The Town's *combined* net position *increased* by \$1,054,729 from a year ago—*increasing* from \$22,363,466 to \$23,418,195 as presented below:

	Total Town		Increase (Decrease)
	2018	2017	
Current and other assets	\$ 1,656,770	\$ 1,485,956	\$ 170,814
Capital assets, net	33,311,407	31,078,137	2,233,270
Deferred outflows of resources	3,331	-	3,331
Total assets and deferred outflows of resources	<u>\$ 34,971,508</u>	<u>\$ 32,564,093</u>	<u>\$ 2,407,415</u>
Other liabilities	\$ 1,366,421	\$ 547,791	\$ 818,630
Long-term debt outstanding	10,170,284	9,652,836	517,448
Total liabilities	<u>11,536,705</u>	<u>10,200,627</u>	<u>1,336,078</u>
Deferred inflows of resources	16,608	-	16,608
Total liabilities and deferred inflows of resources	<u>11,553,313</u>	<u>10,200,627</u>	<u>1,352,686</u>
Net position			
Net investment in capital assets	23,828,087	21,964,554	1,863,533
Restricted	231,176	240,615	(9,439)
Unrestricted	<u>(641,068)</u>	<u>158,297</u>	<u>(799,365)</u>
Total net position	<u>23,418,195</u>	<u>22,363,466</u>	<u>1,054,729</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 34,971,508</u>	<u>\$ 32,564,093</u>	<u>\$ 2,407,415</u>

As discussed earlier, the overall *increase* was a combination of a gain recognized on the foreclosure of real property, greater than expected Board of Education costs, and a restatement of opening net position from the adoption of GASB 75.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The Town as a Whole - Governmental Activities – Statement of Activities

	<u>Governmental Activities</u>		Increase
	<u>2018</u>	<u>2017</u>	(Decrease)
Revenues			
Program revenues			
Charges for services	\$ 282,183	\$ 430,986	\$ (148,803)
Operating grants and contributions	4,333,008	4,657,959	(324,951)
Capital grants and contributions	1,915,307	1,417,373	497,934
General revenues			
Property taxes, payments in lieu of taxes, interest and liens	5,433,138	4,616,142	816,996
Unrestricted interest and investment earnings	3,338	918	2,420
Gain on foreclosure	1,738,910	-	1,738,910
Total revenues	<u>13,705,884</u>	<u>11,123,378</u>	<u>2,582,506</u>
Program expenses			
General government	2,027,747	1,936,156	91,591
Public safety	943,208	456,512	486,696
Public works	633,503	593,120	40,383
Education	8,631,306	7,927,913	703,393
Interest on long-term debt	335,193	336,452	(1,259)
Water and Sewer Enterprise Fund	-	-	-
Total expenses	<u>12,570,957</u>	<u>11,250,153</u>	<u>1,320,804</u>
Excess (deficiency) before transfers	1,134,927	(126,775)	1,261,702
Transfers in (transfers out)	<u>120,713</u>	<u>96,132</u>	<u>24,581</u>
Change in net position	1,255,640	(30,643)	1,286,283
Net position - beginning of year, as originally reported	18,267,004	18,297,647	(30,643)
Adjustments (<i>See Note 20</i>)	(145,533)	-	(145,533)
Net position - beginning of year, as adjusted	<u>18,121,471</u>	<u>18,297,647</u>	<u>(176,176)</u>
Net position - end of year	<u>\$ 19,377,111</u>	<u>\$ 18,267,004</u>	<u>\$ 1,110,107</u>

Charges for services for 2018 *decreased* in comparison with 2017 primarily because 2017 included \$150,000 in non-recurring permit revenue related to a solar farm. Operating grants and contributions also *decreased* in comparison with the prior year because of the the approximate \$354,000 cut in the Town's Education Cost Sharing grant, as previously mentioned. In contrast, capital grants and contributions *increased* from the prior year, primarily due to a Brownfield grant awarded by the State of Connecticut for environmental cleanup of a former mill site. This grant is also the primary reason for the corresponding *increase* in public safety expenses of approximately \$487,000. Property tax revenue also *increased* over 2017 as there were no significant write-offs in 2018.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

**The Town as a Whole - Governmental Activities – Statement of Activities
(Continued)**

As mentioned previously, Board of Education expenses *increased* significantly from the prior year due to unexpected costs, and a gain was recognized in 2018 on the foreclosure of real property for which the delinquent taxes and interest had previously been written off.

The Town as a Whole – Business-Type Activities – Statement of Activities

	<u>Business-Type Activities</u>		Increase
	<u>2018</u>	<u>2017</u>	(Decrease)
Revenues			
Program revenues			
Charges for services	\$ 582,800	\$ 572,216	\$ 10,584
General revenues			
Unrestricted interest and investment earnings	242	176	66
Total revenues	<u>583,042</u>	<u>572,392</u>	<u>10,650</u>
Program expenses			
Water and Sewer Enterprise Fund	517,707	510,090	7,617
Total expenses	<u>517,707</u>	<u>510,090</u>	<u>7,617</u>
Excess (deficiency) before transfers	65,335	62,302	3,033
Transfers in (transfers out)	<u>(120,713)</u>	<u>(96,132)</u>	<u>(24,581)</u>
Change in net position	(55,378)	(33,830)	(21,548)
Net position - beginning of year	4,096,462	4,130,292	(33,830)
Net position - end of year	<u>\$ 4,041,084</u>	<u>\$ 4,096,462</u>	<u>\$ (55,378)</u>

There were no significant variations between years with respect to the revenues and expenses of the Town's business-type activities. The net transfer out in 2018 was *greater* than the prior year as 2017 included a transfer into the business-type activities for water and sewer capital assets purchased through the governmental activities.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The Town as a Whole – Combined Statement of Activities

As mentioned earlier, the Town overall incurred an *increase* in Net Position of \$1,200,262. This was an *increase* over the 2016-2017 fiscal year change by \$1,264,735.

	Total Town		Increase (Decrease)
	2018	2017	
Revenues			
Program revenues			
Charges for services	\$ 864,983	\$ 1,003,202	\$ (138,219)
Operating grants and contributions	4,333,008	4,657,959	(324,951)
Capital grants and contributions	1,915,307	1,417,373	497,934
General revenues			
Property taxes, payments in lieu of taxes, interest and liens	5,433,138	4,616,142	816,996
Unrestricted interest and investment earnings	3,580	1,094	2,486
Gain on foreclosure	1,738,910	-	1,738,910
Total revenues	<u>14,288,926</u>	<u>11,695,770</u>	<u>2,593,156</u>
Program expenses			
General government	2,027,747	1,936,156	91,591
Public safety	943,208	456,512	486,696
Public works	633,503	593,120	40,383
Education	8,631,306	7,927,913	703,393
Interest on long-term debt	335,193	336,452	(1,259)
Water and Sewer Enterprise Fund	517,707	510,090	7,617
Total expenses	<u>13,088,664</u>	<u>11,760,243</u>	<u>1,328,421</u>
Excess (deficiency) before transfers	1,200,262	(64,473)	1,264,735
Transfers in (transfers out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	1,200,262	(64,473)	1,264,735
Net position - beginning of year, as originally reported	22,363,466	22,427,939	(64,473)
Adjustments (<i>See Note 20</i>)	(145,533)	-	(145,533)
Net position - beginning of year, as adjusted	<u>22,217,933</u>	<u>22,427,939</u>	<u>(210,006)</u>
Net position - end of year	<u>\$ 23,418,195</u>	<u>\$ 22,363,466</u>	<u>\$ 1,054,729</u>

Governmental Activities – Total and Net Cost of Activities

The schedule below presents the cost of each of the Town's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions:

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Governmental Activities – Total and Net Cost of Activities (Continued)

	Total Cost of Services		Increase (Decrease)	Net Cost (Revenue) of Services		Increase (Decrease)
	2018	2017		2018	2017	
General government	2,027,747	1,936,156	4.70%	410,902	(192,491)	-313.50%
Public safety	943,208	456,512	106.60%	355,682	442,672	-19.70%
Public works	633,503	593,120	6.80%	148,581	376,489	-60.50%
Education	8,631,306	7,927,913	8.90%	4,790,101	3,780,713	26.70%
	<u>\$ 12,235,764</u>	<u>\$ 10,913,701</u>	<u>12.10%</u>	<u>\$ 5,705,266</u>	<u>\$ 4,407,383</u>	<u>29.40%</u>

The largest change in net cost of services from the prior year is with the Town's general government activities. The net cost of general government services *increased* by \$410,902. This is due to the *decrease* in general government related capital grants available to offset expenses. The *decrease* in net cost of public works services is primarily due to the \$420,000 Small Town Economic Assistance Program grant used for a equipment cold storage shed.

Business-type Activities – Total and Net Cost of Activities

The only business-type activity in Sprague is the Water and Sewer Fund. The schedule below presents the cost of the Town's business-type programs as well as the business-type program's net cost (total cost less revenues generated by the activities):

	Total Cost of Services		Increase (Decrease)	Net Cost (Revenue) of Services		Increase (Decrease)
	2018	2017		2018	2017	
Water and Sewer Enterprise Fund	<u>\$ 517,707</u>	<u>\$ 510,090</u>	<u>1.50%</u>	<u>\$ (65,093)</u>	<u>\$ (62,126)</u>	<u>4.80%</u>

Both the total cost and net revenue from services for 2018 were very consistent with the prior year.

THE TOWN'S FUNDS

As the year showed a positive \$1,255,640 change in net position in governmental activities, it also showed a combined \$794,397 *decrease* in fund balances in the governmental funds as presented in governmental funds financial statements. The difference in the amounts is primarily from the treatment of long-term debt and capital assets. In the fund financial statements, principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net position on the government-wide statements. Likewise, purchases of capital assets are reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net position on the government-wide statements. In the government-wide financial statements, a gain was recognized from the acquisition of real property (a capital asset) in satisfaction of previously written off receivables. Such a gain is not recognized in the fund financial statements because capital assets do not represent liquid resources.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Town's budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by 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 pull appropriations from one department that needs additional funding from other departments that might have excess funding. 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:

	Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 5,397,868	\$ 5,435,310	\$ 37,442
State grants-school	2,626,404	2,271,873	(354,531)
State grants-local	724,587	678,179	(46,408)
Local revenues	<u>218,265</u>	<u>202,893</u>	<u>(15,372)</u>
Total revenues	<u>8,967,124</u>	<u>8,588,255</u>	<u>(378,869)</u>
Expenditures			
General government operating budget	1,954,214	1,945,776	8,438
Board of Education expenditures	6,172,737	7,008,180	(835,443)
Debt service	838,010	838,010	-
Other financing sources	<u>20,500</u>	<u>20,500</u>	<u>-</u>
Total expenditures	<u>8,985,461</u>	<u>9,812,466</u>	<u>(827,005)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (18,337)</u>	<u>\$ (1,224,211)</u>	<u>\$ (1,205,874)</u>

The largest budget variances for the year ended June 30, 2018 were related to the Board of Education. While the Town incurred greater than anticipated Board of Education costs of approximately \$835,000, it also was subject to a \$354,000 cut in expected State Education Cost Sharing grant revenues. The net effect of both was to *increase* the expected budget shortfall from approximately \$18,000 to more than \$1,200,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had almost \$42 million invested in government activity capital assets. This amount represents a net *increase* (including additions and deductions) of approximately \$2.3 million from last year. This is due to capital asset additions exceeding related depreciation expense for the year. Significant capital additions included the acquisition of acreage in connection with a foreclosure, cold storage building construction, and sidewalk improvements to River Street.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (*Continued*)

Capital Assets (*Continued*)

At the end of June 30, 2018, the Town had business-type activity capital assets of approximately \$6.3 million. There were no additions or disposals during the fiscal year. Depreciation expense totaled \$135,568 for the year.

Debt

At year end, the Town had \$9,483,320 in bonds and notes outstanding. This is an *increase* of \$369,737 from last year. This net increase includes the addition of \$3,682,860 of bond anticipation notes due in September 2018, less principal payments totaling \$3,313,123 on existing long-term debt. The Town's debt also includes compensated absences, post closure landfill costs, and an other post-employment benefits obligation. More detailed information about the Town's long-term liabilities is present in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As of June 30, 2018 the Town's General Fund had a net deficit fund balance of (\$1,084,244). The Town's budget for the 2018-2019 fiscal year includes \$9,147,192 of budgeted revenues and \$9,163,959 of budgeted expenditures, leaving an additional shortfall of approximately \$16,000.

Subsequent to June 30, 2018, the Town sought and received designation by the State of Connecticut as a Tier II municipality under Sections 349 to 376 of the State of Connecticut's Distressed Municipality Assistance and Accountability Provisions of Public Act 17-2. As a Tier II municipality, the Town may be entitled to certain assistance from the State. See *Note 21* for additional information.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and 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 questions about this report or need additional financial information, contact the Board of Finance at Town of Sprague, Connecticut, 1 Main Street, Baltic CT 06330.

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 390,358	\$ 381,739	\$ 772,097
Receivables, net	743,093	105,258	848,351
Prepaid expenses	27,191	1,186	28,377
Inventories	6,500	1,445	7,945
Capital assets			
Non-depreciable	10,274,426	-	10,274,426
Depreciable, net	19,432,450	3,604,531	23,036,981
Total assets	<u>30,874,018</u>	<u>4,094,159</u>	<u>34,968,177</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences between expected and actual experience - OPEB	3,331	-	3,331
Total deferred outflows of resources	<u>3,331</u>	<u>-</u>	<u>3,331</u>
Total assets and deferred outflows of resources	<u>\$ 30,877,349</u>	<u>\$ 4,094,159</u>	<u>\$ 34,971,508</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES			
Accounts payable	\$ 1,023,887	\$ 6,329	\$ 1,030,216
Accrued payroll and related	69,976	6,390	76,366
Accrued interest payable	119,747	-	119,747
Internal balances	(32)	32	-
Due to others	24,772	-	24,772
Unearned revenues	86,973	28,347	115,320
Noncurrent liabilities			
Due within one year	4,284,601	-	4,284,601
Due in more than one year	5,873,706	11,977	5,885,683
Total liabilities	<u>11,483,630</u>	<u>53,075</u>	<u>11,536,705</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in assumptions - OPEB	16,608	-	16,608
Total deferred inflows of resources	<u>16,608</u>	<u>-</u>	<u>16,608</u>
NET POSITION			
Invested in capital assets, net of related debt	20,223,556	3,604,531	23,828,087
Restricted			
Expendable	229,926	-	229,926
Nonexpendable	1,250	-	1,250
Unrestricted	(1,077,621)	436,553	(641,068)
Total net position	<u>19,377,111</u>	<u>4,041,084</u>	<u>23,418,195</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,877,349</u>	<u>\$ 4,094,159</u>	<u>\$ 34,971,508</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ (2,027,747)	\$ 247,026	\$ 516,289	\$ 853,530	\$ (410,902)	\$ -	\$ (410,902)
Public safety	(943,208)	-	10,671	576,855	(355,682)	-	(355,682)
Public works	(633,503)	-	-	484,922	(148,581)	-	(148,581)
Education	(8,631,306)	35,157	3,806,048	-	(4,790,101)	-	(4,790,101)
Interest on long-term debt	(335,193)	-	-	-	(335,193)	-	(335,193)
Total governmental activities	<u>(12,570,957)</u>	<u>282,183</u>	<u>4,333,008</u>	<u>1,915,307</u>	<u>(6,040,459)</u>		<u>(6,040,459)</u>
Business-type activities							
Water and sewer enterprise fund	<u>(517,707)</u>	<u>582,800</u>	<u>-</u>	<u>-</u>		<u>65,093</u>	<u>65,093</u>
Total government	<u>\$ (13,088,664)</u>	<u>\$ 864,983</u>	<u>\$ 4,333,008</u>	<u>\$ 1,915,307</u>	<u>(6,040,459)</u>	<u>65,093</u>	<u>(5,975,366)</u>
General revenues							
Property taxes, payments in lieu of taxes, interest and liens					5,433,138	-	5,433,138
Unrestricted interest and investment earnings					3,338	242	3,580
Gain on foreclosure					1,738,910	-	1,738,910
Total general revenues					<u>7,175,386</u>	<u>242</u>	<u>7,175,628</u>
Transfers in (out), net					120,713	(120,713)	-
Change in net position					1,255,640	(55,378)	1,200,262
Net position, beginning, as originally reported					18,267,004	4,096,462	22,363,466
Adjustments (See Note 20)					(145,533)	-	(145,533)
NET POSITION, beginning of year, as adjusted					<u>18,121,471</u>	<u>4,096,462</u>	<u>22,217,933</u>
NET POSITION, end of year					<u>\$ 19,377,111</u>	<u>\$ 4,041,084</u>	<u>\$ 23,418,195</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total Governmental Funds
CURRENT ASSETS						
Cash and cash equivalents	\$ (7,401)	\$ 288,305	\$ -	\$ 791	\$ 108,664	\$ 390,359
Receivables, net	264,633	264,243	-	214,217	-	743,093
Due from other funds	31	242,501	85,321	-	28,822	356,675
Prepaid expenditures	26,941	-	-	-	250	27,191
Inventories	5,405	-	-	-	1,095	6,500
Total current assets	<u>\$ 289,609</u>	<u>\$ 795,049</u>	<u>\$ 85,321</u>	<u>\$ 215,008</u>	<u>\$ 138,831</u>	<u>\$ 1,523,818</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES						
Accounts payable	\$ 735,395	\$ 286,056	\$ -	\$ 2,437	\$ -	\$ 1,023,888
Accrued payroll and related	69,976	-	-	-	-	69,976
Due to other funds	349,166	7,477	-	-	-	356,643
Due to others	24,772	-	-	-	-	24,772
Unearned revenue	240	-	86,733	-	-	86,973
Total current liabilities	<u>1,179,549</u>	<u>293,533</u>	<u>86,733</u>	<u>2,437</u>	<u>-</u>	<u>1,562,252</u>
DEFERRED INFLOWS OF RESOURCES						
Revenue - unavailable	194,304	109,916	-	-	-	304,220
Total deferred inflows of resources	<u>194,304</u>	<u>109,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,220</u>
Total liabilities and deferred inflows of resources	<u>1,373,853</u>	<u>403,449</u>	<u>86,733</u>	<u>2,437</u>	<u>-</u>	<u>1,866,472</u>
FUND BALANCES						
Nonspendable	32,346	-	-	-	2,345	34,691
Restricted	-	15,296	-	211,780	2,850	229,926
Committed	-	632,446	-	-	-	632,446
Assigned	16,766	102,388	-	791	133,677	253,622
Unassigned	(1,133,356)	(358,530)	(1,412)	-	(41)	(1,493,339)
Total fund balances	<u>(1,084,244)</u>	<u>391,600</u>	<u>(1,412)</u>	<u>212,571</u>	<u>138,831</u>	<u>(342,654)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 289,609</u>	<u>\$ 795,049</u>	<u>\$ 85,321</u>	<u>\$ 215,008</u>	<u>\$ 138,831</u>	<u>\$ 1,523,818</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2018**

Total fund balance for governmental funds		\$ (342,654)
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		29,706,876
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds		304,220
Deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds		3,331
Deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds		(16,608)
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest payable	(119,747)	
Long-term debt:		
General obligation bonds	(8,847,860)	
Other long-term liabilities:		
Notes payable	(635,460)	
Compensated absences	(62,884)	
Post-closure landfill costs	(7,200)	
Net OPEB obligation	(604,903)	
		(10,278,054)
Net position of governmental activities		\$ 19,377,111

The accompanying notes are an integral part of these financial statements.

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total
REVENUES						
Property taxes, interest, lien fees	\$ 5,435,310	\$ -	\$ -	\$ -	\$ -	\$ 5,435,310
Intergovernmental revenues	3,998,360	495,068	372,683	350,942	113,297	5,330,350
Local revenues	128,828	844,979	5,000	-	151,580	1,130,387
Total revenues	<u>9,562,498</u>	<u>1,340,047</u>	<u>377,683</u>	<u>350,942</u>	<u>264,877</u>	<u>11,896,047</u>
EXPENDITURES						
Current:						
General government	1,073,228	108,442	-	-	5,130	1,186,800
Public safety	320,648	-	-	-	115,635	436,283
Public works	553,938	-	-	-	-	553,938
Education	8,056,488	-	378,127	-	154,470	8,589,085
Capital outlays	-	1,735,811	-	350,942	-	2,086,753
Debt service:						
Principal payments	660,536	2,665,660	-	-	-	3,326,196
Interest and fiscal charges	224,122	59,282	-	-	-	283,404
Bond issuance costs	-	31,558	-	-	-	31,558
Total expenditures	<u>10,888,960</u>	<u>4,600,753</u>	<u>378,127</u>	<u>350,942</u>	<u>275,235</u>	<u>16,494,017</u>
Excess (deficiency) of revenues over expenditures	<u>(1,326,462)</u>	<u>(3,260,706)</u>	<u>(444)</u>	<u>-</u>	<u>(10,358)</u>	<u>(4,597,970)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term bonds and notes		3,682,860	-	-	-	3,682,860
Transfers in	121,681	20,500	-	-	-	142,181
Transfers out	(20,500)	-	(968)	-	-	(21,468)
Total other financing sources (uses)	<u>101,181</u>	<u>3,703,360</u>	<u>(968)</u>	<u>-</u>	<u>-</u>	<u>3,803,573</u>
Net change in fund balances	(1,225,281)	442,654	(1,412)	-	(10,358)	(794,397)
FUND BALANCE, beginning of year	<u>141,037</u>	<u>(51,054)</u>	<u>-</u>	<u>212,571</u>	<u>149,189</u>	<u>451,743</u>
FUND BALANCE, end of year	<u>\$ (1,084,244)</u>	<u>\$ 391,600</u>	<u>\$ (1,412)</u>	<u>\$ 212,571</u>	<u>\$ 138,831</u>	<u>\$ (342,654)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, 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, 2018**

Net change in fund balances - total governmental funds \$ (794,397)

Total change in net position reported for governmental activities in the statement of activities is different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense in the current period is as follows:

Expenditures for capital assets	1,502,127	
Depreciation expense	(872,199)	
Gain on foreclosure	1,738,910	
Net adjustment		2,368,838

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

Property taxes and other revenues in the General Fund	(2,170)	
Revenues in the Capital Nonrecurring Fund	73,099	
Net adjustment		70,929

Deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds 3,331

Deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds (16,608)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Debt issued or incurred:		
General obligation bonds	(3,682,860)	
Principal repayments:		
General obligation bonds	3,279,548	
Notes payable	33,575	
Net adjustment		(369,737)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the effect of such items:

Accrued interest	(7,158)	
Compensated absences	2,668	
Post-closure landfill costs	1,200	
Net OPEB obligation	(3,426)	
Net adjustment		(6,716)

Change in net position of governmental activities \$ 1,255,640

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

ASSETS

	Water and Sewer Fund
CURRENT ASSETS	
Cash and cash equivalents	\$ 381,739
Receivables, net	105,258
Prepaid expenses	1,186
Inventories	1,445
Total current assets	489,628
 CAPITAL ASSETS, net	 3,604,531
Total assets	\$ 4,094,159

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	6,329
Accrued payroll and related	6,390
Unearned revenues	28,347
Due to other funds	32
Total current liabilities	41,098
 COMPENSATED ABSENCES	 11,977
 NET POSITION	
Invested in capital assets	3,604,531
Unrestricted	436,553
Total net position	4,041,084
Total liabilities and net position	\$ 4,094,159

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Water and Sewer Fund
OPERATING REVENUE	
Charges for services	\$ 582,800
Total operating revenue	582,800
OPERATING EXPENSES	
Salaries and related	193,317
Contractual services	17,651
Utilities	88,854
Repairs and maintenance	38,763
Other supplies and expenses	43,554
Depreciation	135,568
Total operating expenses	517,707
Operating income	65,093
NON-OPERATING REVENUE	
Interest income	242
Total non-operating revenue	242
TRANSFERS	
Transfers out	(120,713)
Change in net position	(55,378)
NET POSITION, beginning of year	4,096,462
NET POSITION, end of year	\$ 4,041,084

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 576,650
Cash payments to employees	(161,968)
Cash payments to suppliers	(207,717)
Net cash provided by operating activities	<u>206,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest income	242
Net cash provided by investing activities	<u>242</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out	(120,713)
Net cash used in non-capital financing activities	<u>(120,713)</u>
Net increase in cash and cash equivalents	86,494
CASH AND CASH EQUIVALENTS, beginning of year	295,245
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 381,739</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 65,093
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	135,568
Changes in assets and liabilities:	
Accounts receivable	(6,150)
Prepaid expenses	19
Inventories	564
Accounts payable	(19,346)
Accrued payroll and related	380
Unearned revenues	28,347
Due to other funds	(132)
Compensated absences	2,622
Net cash provided by operating activities	<u><u>\$ 206,965</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

ASSETS

	<u>Agency Funds</u>
Cash and cash equivalents	<u>\$ 27,196</u>

LIABILITIES

Due to students	<u>\$ 27,196</u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

The Town of Sprague, Connecticut (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. The elected Board of Finance is the budget making authority and supervises the town financial matters.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

REPORTING ENTITY

The reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) 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 incomplete or misleading as set forth by GASB.

In evaluating how to define the reporting entity for financial statement reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which 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 or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues and expenses/expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with nonmajor funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles, as follows:

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:
 - General Fund - This fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.
 - Capital Nonrecurring Fund - The Capital Nonrecurring Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (*Continued*)

The Town also reports the following other governmental funds, some of which are major and others are considered nonmajor:

- Special Revenue Funds — Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purpose other than debt service or capital projects. The Special Revenue Funds of the Town are:
 - The Library Fund is used to account for the transactions of the Sprague Public Library. This fund is considered nonmajor.
 - The Dog Fund is used to account for activity for the Regional Animal Control Program. This fund is considered nonmajor.
 - The Child Nutrition Fund is used to account for the cafeteria at the elementary school. This fund is considered nonmajor.
 - The Education Grants Fund is used to account for State, Federal, and private grants to be used for educational purposes. This fund is considered a major fund.
 - The Recreation Fund is used for the transactions of the Parks & Recreation Committee. This fund is considered nonmajor.
 - The School Fund is used to account for donations and expenditures for school purposes. This fund is considered nonmajor.
 - The Small Cities Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for the Federal community development block grants for both program income and the First and Second Street project. This fund is considered a major fund.
 - The Senior Smile Fund is used to account for transactions related to the Senior Center. This fund is considered nonmajor.

The Town also reports the following permanent fund:

- Lovett Cemetery Fund — The Lovett Cemetery Fund is used to maintain the principal endowment of the cemetery fund and accounts for the financial transactions of the Lovett Cemetery. This fund is considered nonmajor.
- b. Proprietary Funds - Proprietary funds include enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The following is the Town's major proprietary fund:

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (Continued)

- Water and Sewer Fund — The Water and Sewer Fund accounts for transactions through the Sprague Water and Sewer Authority. The authority has the responsibility to plan and direct the water and sewage supply, systems, disposal and distribution facilities for certain sections of the Town.
- c. Fiduciary Funds - (Not Included in Government-Wide Financial Statements) The Town's Fiduciary Funds (Agency Funds) are used to account for assets held by the Town in an agency capacity on behalf of others. The Agency Funds are primarily utilized to account for monies held as custodian for outside student groups.

MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and the business-type activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION
(Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET
POSITION, FUND BALANCES**

DEPOSITS AND RISK DISCLOSURES

Cash and equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

The 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 reports its investments at amortized cost (which approximates fair value). The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. 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.

Interest Rate Risk - Interest rate risk is the risk that the government 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 changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (Continued)

DEPOSITS AND RISK DISCLOSURES (Continued)

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.

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.

TAXES RECEIVABLE

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. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. 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 12st), the bill becomes delinquent, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under 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.

An allowance for uncollectable taxes of \$30,000 has been recorded net with taxes and interest receivable as of June 30, 2018.

OTHER RECEIVABLES

Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (*Continued*)

DUE FROM/TO OTHER FUNDS

During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

PREPAID EXPENSES/EXPENDITURES

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

INVENTORIES

Inventories in the governmental and business-type funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to record inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the 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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Intangible assets lack physical substance, are nonfinancial in nature and their useful lives extend beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized. Intangible assets with legal, contractual, regulatory, technological or other factors limiting their useful life are amortized over their useful lives.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (Continued)

CAPITAL ASSETS (Continued)

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

Land is considered inexhaustible and, therefore, not depreciated. Construction in progress has not been put into service yet and, therefore, is not depreciated.

Property, plant, and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
Land	N/A	\$ 50,000
Construction in progress	N/A	5,000
Buildings and systems	50	15-30,000
Machinery and equipment	5 - 20	5-15,000
Infrastructure	25 - 50	5-100,000

UNEARNED REVENUES

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows or resources in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not “available” pursuant to generally accepted accounting principles.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (*Continued*)

LONG-TERM LIABILITIES

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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

COMPENSATED ABSENCES

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee termination or retirement.

NET POSITION

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes net investment in capital assets and restricted. The balance is classified as unrestricted.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

FUND BALANCE

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (*Continued*)

FUND BALANCE (*Continued*)

- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for specific purposes as provided in the legislation.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. A motion at a Town Meeting is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.
- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ENCUMBRANCES

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

USE OF ESTIMATES

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

SUBSEQUENT EVENTS EVALUATION BY MANAGEMENT

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 27, 2018. Subsequent events are discussed in *Note 21*.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET 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 income or expenditures payments made for the teachers' retirement or other post-employment benefits by the State of Connecticut on the Town's behalf in its budget. U.S. Generally Accepted Accounting Principles require 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 and Certain Other Grants - The State reimburses the Town for certain costs incurred for special educational needs. 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 a revenue. Certain other grants are also net with education expenditures instead of being reported as intergovernmental revenue.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (*Continued*)

BUDGET BASIS (*Continued*)

Long-Term Debt and Lease Financing - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.

Cash Basis Payroll —The general government payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

BUDGET CALENDAR

The Boards of Selectmen and Education submit requests for appropriation(s) 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

The 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 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 a previously adjusted appropriation.

For the year ended June 30, 2018, several line item transfers were made to the Town's budget, but no additional appropriations.

EXPENDITURES IN EXCESS OF BUDGET

The Board of Education had over expended appropriations for the year ended June 30, 2018 in the amount of \$835,443.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (*Continued*)

APPLICATION OF ACCOUNTING STANDARDS

For the year ended June 30, 2018, the following accounting pronouncements became effective. The Town implemented such pronouncements, where applicable:

GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other than Pensions – This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) and applies to all governments whose employees are provided with OPEB. Restatement information for GASB No. 75 can be found under *Note 20*.

GASB Statement 81 – Irrevocable Split-Interest Agreements – This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement 85 – Omnibus 2017 – This statement addresses practice issues that have been identified during implementation and application of certain GASB statements.

GASB Statement 86 – Certain Debt Extinguishment Issues – The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt.

NET POSITION / FUND DEFICITS

At June 30, 2018, the Town reported a deficit balance of \$1,077,621 in its unrestricted net position for governmental activities in the government-wide financial statements

In the fund financial statements, the General Fund reported a net deficit fund balance of (\$1,084,244) at June 30, 2018, the Education Grants Fund reported an unassigned fund balance deficit of (\$1,412), and the Capital Nonrecurring and Lovett Cemetery Funds reported an unassigned fund balance deficit of (\$358,530) and (\$41), respectively.

The Town is currently working on a five-year plan to replenish its deficit fund balances as a Connecticut Tier II municipality (*See Note 21*).

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Town consist of the following at June 30, 2018:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 772,097
Statement of fiduciary net position:	
Cash and cash equivalents	27,196
	\$ 799,293

Cash and Cash Equivalents - As of June 30, 2018, the carrying amount of the Town's deposits with financial institutions and funds maintained in external investment pools was as follows:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 789,942
Plus external investment pools	9,351
	\$ 799,293

The bank balance of the deposits with financial institutions was \$799,684 and exposed to custodial credit risk as follows:

Covered by Federal Depository insurance	\$ 281,218
Collateralized	79,870
Uninsured and uncollateralized	438,596
	\$ 799,684

NOTE 4 - RECEIVABLES, DEFERRED INFLOWS AND UNEARNED REVENUES

Receivables consisted of the following at June 30, 2018:

	Fund Financials				Government-Wide Financials	
	General Fund	Capital Non-Recurring Fund	Small Cities Fund	Water & Sewer Fund	Governmental Activities	Business-type Activities
Receivables						
Property taxes and interest	\$ 253,965	\$ -	\$ -	\$ -	\$ 253,965	\$ -
Accounts	40,668	-	-	-	40,668	-
Intergovernmental	-	264,243	2,437	-	266,680	-
Loans	-	-	211,780	-	211,780	-
Usage	-	-	-	105,258	-	105,258
Receivables, gross	294,633	264,243	214,217	105,258	773,093	105,258
Allowance for doubtful accounts	(30,000)	-	-	-	(30,000)	-
Receivables, net	\$ 264,633	\$ 264,243	\$ 214,217	\$ 105,258	\$ 743,093	\$ 105,258

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2018. Governmental funds report deferred inflows of resources in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - RECEIVABLES, DEFERRED INFLOWS AND UNEARNED REVENUES
(Continued)

Town reports property taxes not received within 60 days of the year end as *deferred inflows of resources*.

At June 30, 2018, the Town's unearned revenues and deferred inflows of resources consisted of the following:

	Fund Financials				Government-Wide Financials	
	General Fund	Capital Non-Recurring Fund	Education Grants Fund	Water & Sewer Fund	Governmental Activities	Business-type Activities
Current liabilities						
Unearned revenues	\$ 240	\$ -	\$ 86,733	\$ 28,347	\$ 86,973	\$ 28,347
Deferred inflows of resources						
Revenue - unavailable	\$ 194,304	\$ 109,916	\$ -	\$ -	\$ -	\$ -

NOTE 5 - INTERFUND TRANSACTIONS

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2018, these were summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 32
Capital Nonrecurring Fund	General Fund	242,501
Education Grants Fund	General Fund	85,321
Nonmajor Governmental Funds	Capital Nonrecurring Fund	7,477
Nonmajor Governmental Funds	General Fund	21,344
		<u>\$ 356,675</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2018 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewer Fund	\$ 120,713
Capital Nonrecurring Fund	General Fund	20,500
General Fund	Education Grants Fund	968
		<u>\$ 142,181</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - CAPITAL ASSETS

Changes in the Town's capital assets used in the governmental activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 7,432,487	\$ 1,738,910	\$ -	\$ 9,171,397
Construction in progress	109,918	993,111	-	1,103,029
Total capital assets, not being depreciated	<u>7,542,405</u>	<u>2,732,021</u>	<u>-</u>	<u>10,274,426</u>
Capital assets, being depreciated:				
Buildings and systems	10,290,574	-	-	10,290,574
Machinery and equipment	4,400,228	75,124	-	4,475,352
Infrastructure	16,509,588	433,890	-	16,943,478
Total capital assets, being depreciated	<u>31,200,390</u>	<u>509,014</u>	<u>-</u>	<u>31,709,404</u>
Less accumulated depreciation for:				
Buildings and systems	(5,437,186)	(128,583)	-	(5,565,769)
Machinery and equipment	(2,464,139)	(183,853)	-	(2,647,992)
Infrastructure	(3,503,430)	(559,763)	-	(4,063,193)
Total accumulated depreciation	<u>(11,404,755)</u>	<u>(872,199)</u>	<u>-</u>	<u>(12,276,954)</u>
Total capital assets, being depreciated, net	<u>19,795,635</u>	<u>(363,185)</u>	<u>-</u>	<u>19,432,450</u>
Governmental activities capital assets, net	<u>\$ 27,338,040</u>	<u>\$ 2,368,836</u>	<u>\$ -</u>	<u>\$ 29,706,876</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

	Depreciation Expense
General Government	\$ 669,327
Education	80,489
Public Safety	68,434
Public Works	53,949
	<u>\$ 872,199</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in the Town's capital assets used in the business-type activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, being depreciated:				
Buildings and systems	\$ 5,598,552	\$ -	\$ -	\$ 5,598,552
Machinery and equipment	738,399	-	(7,218)	731,181
Total capital assets, being depreciated	<u>6,336,951</u>	<u>-</u>	<u>(7,218)</u>	<u>6,329,733</u>
Less accumulated depreciation for:				
Buildings and systems	\$ (2,184,702)	\$ (127,378)	\$ -	\$ (2,312,080)
Machinery and equipment	(412,150)	(8,190)	7,218	(413,122)
Total accumulated depreciation	<u>(2,596,852)</u>	<u>(135,568)</u>	<u>7,218</u>	<u>(2,725,202)</u>
Total capital assets, being depreciated, net	<u>\$ 3,740,099</u>	<u>\$ (135,568)</u>	<u>\$ -</u>	<u>\$ 3,604,531</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

	Depreciation Expense
Water and sewer	<u>\$ (135,568)</u>

NOTE 7 - LONG-TERM LIABILITIES

The following table summarizes changes in the Town's long-term indebtedness for the governmental activities for the year ending June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 8,444,548	\$ 3,682,860	\$ (3,279,548)	\$ 8,847,860	\$ 4,242,860
Other long-term liabilities:					
Notes payable	669,035	-	(33,575)	635,460	34,252
Compensated absences	65,554	13,698	(16,368)	62,884	6,289
Post closure landfill costs	8,400	-	(1,200)	7,200	1,200
Net OPEB obligation*	601,477	41,714	(38,288)	604,903	-
	<u>\$ 9,789,014</u>	<u>\$ 3,738,272</u>	<u>\$ (3,368,979)</u>	<u>\$ 10,158,307</u>	<u>\$ 4,284,601</u>

* Amount restated for implementation of GASB Statement No. 75, see Note 20

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - 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 of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2018 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
General	2006	\$ 1,600,000	4/1/2025	3.75-5.00%	\$ 580,000
General	2009	1,810,000	12/1/2024	2.50-4.00%	785,000
General	2013	5,290,000	6/30/2034	3.50-4.375%	3,800,000
General	2017	3,682,860	9/12/2018	2.00%	3,682,860
					<u>\$ 8,847,860</u>

Payments to maturity on the general obligation bonds are as follows:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 4,242,860	\$ 283,575	\$ 4,526,435
2020	560,000	178,324	738,324
2021	545,000	159,624	704,624
2022	445,000	143,224	588,224
2023	435,000	116,174	551,174
2024	435,000	101,974	536,974
2025	435,000	88,399	523,399
2026	250,000	65,393	315,393
2027	250,000	56,175	306,175
2028	250,000	46,644	296,644
2029	250,000	36,800	286,800
2030	150,000	28,800	178,800
2031	150,000	22,650	172,650
2032	150,000	16,312	166,312
2033	150,000	9,843	159,843
2034	150,000	3,281	153,281
	<u>\$ 8,847,860</u>	<u>\$ 1,357,192</u>	<u>\$ 10,205,052</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2018 totaled \$322,714.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2018, approximately \$238,295 of bonds outstanding are considered defeased.

NOTE 9 - LOANS AND NOTES PAYABLE

The Town has a loan from the Clean Water Fund with an original amount of \$775,645. The note is payable in monthly installments of \$3,887 beginning in fiscal year 2015 when the final project obligation was signed. This loan includes interest at a rate of 2 percent per year.

Annual debt service requirements to maturity for the loans and notes payable are as follows:

Year ending June 30:	Governmental Activities		
	Notes and Loans		
	Principal	Interest	Total
2019	\$ 34,252	\$ 12,392	\$ 46,644
2020	34,943	11,705	46,648
2021	35,649	10,999	46,648
2022	36,368	10,280	46,648
2023	37,102	9,546	46,648
2024	37,851	8,797	46,648
2025	38,612	8,036	46,648
2026	39,395	7,253	46,648
2027	40,190	6,458	46,648
2028	41,001	5,647	46,648
2029	41,828	4,820	46,648
2030	42,673	3,975	46,648
2031	43,534	3,114	46,648
2032	44,413	2,235	46,648
2033	45,310	1,338	46,648
2034	42,339	425	42,764
	<u>\$ 635,460</u>	<u>\$ 107,020</u>	<u>\$ 742,480</u>

Interest incurred and expensed on loans and notes payable for the year ended June 30, 2018 totaled \$13,073.

NOTE 10 – 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 thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Monitoring costs for the next 6 years totals \$7,200. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year, the actual costs amounted to \$686.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – LONG-TERM LIABILITIES — ENTERPRISE FUND

The following table summarizes changes in the Town's long-term indebtedness in the enterprise fund for the year ending June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
Compensated absences	\$ 9,355	2,622	-	\$ 11,977

NOTE 12 – LEGAL DEBT LIMIT

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Sprague, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year	\$ 5,216,071
Debt limitation base	<u>\$ 5,216,071</u>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 11,736,160	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	23,472,320	-	-	-
3-3/4 times base	-	-	19,560,266	-	-
3-1/4 times base	-	-	-	16,952,231	-
3 times base	-	-	-	-	15,648,213
Total debt limitation	<u>\$ 11,736,160</u>	<u>\$ 23,472,320</u>	<u>\$ 19,560,266</u>	<u>\$ 16,952,231</u>	<u>\$ 15,648,213</u>
Indebtedness:					
Bonds and notes payable	<u>\$ 7,870,262</u>	<u>\$ 234,128</u>	<u>\$ 1,378,930</u>	<u>\$ -</u>	<u>\$ -</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 3,865,898</u>	<u>\$ 23,238,192</u>	<u>\$ 18,181,336</u>	<u>\$ 16,952,231</u>	<u>\$ 15,648,213</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 36,512,497

NOTE 13 - NET POSITION

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - NET POSITION (Continued)

Restricted Net Position — Expendable - the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of:

General Government	\$	211,780
Education		2,850
Capital Projects		15,296
		\$ 229,926

Restricted Net Position- Nonexpendable - the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$1,250 in trust principal.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets". At June 30, 2018, the Town of Sprague had a deficit unrestricted net position of \$1,077,621 in its governmental activities, while it reported a positive unrestricted net position of \$436,553 in its business-type activities.

NOTE 14 - FUND BALANCES

As discussed in *Note 1*, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds
Nonspendable					
Not in spendable form					
Prepaid expenditures	\$ 26,941	\$ -	\$ -	\$ -	\$ -
Inventories	5,405	-	-	-	1,095
Required to be maintained					
Trust principal	-	-	-	-	1,250
	\$ 32,346	\$ -	\$ -	\$ -	\$ 2,345

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 - FUND BALANCES (Continued)

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds
Restricted					
General Government	\$ -	\$ -	\$ -	\$ 211,780	\$ -
Education	-	-	-	-	2,850
Capital Projects	-	15,296	-	-	-
	<u>\$ -</u>	<u>\$ 15,296</u>	<u>\$ -</u>	<u>\$ 211,780</u>	<u>\$ 2,850</u>
Committed					
Capital Projects	<u>\$ -</u>	<u>\$ 632,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned					
General Government	\$ -	\$ -	\$ -	\$ 791	\$ 10,517
Education	-	-	-	-	73,671
Public Safety	-	-	-	-	49,489
Capital Projects	-	102,388	-	-	-
To balance next year's budget	16,766	-	-	-	-
	<u>\$ 16,766</u>	<u>\$ 102,388</u>	<u>\$ -</u>	<u>\$ 791</u>	<u>\$ 133,677</u>
Unassigned	<u>\$ (1,133,356)</u>	<u>\$ (358,530)</u>	<u>\$ (1,412)</u>	<u>\$ -</u>	<u>\$ (41)</u>

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM

Plan Description

Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System (TRS), a cost-sharing multiemployer defined benefit pension plan administered by the Teachers' Retirement Board (TRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. The TRS issues a publically available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability, and death benefits. Employees are eligible to retire at age sixty with twenty years of credited service in Connecticut, or thirty-five years of credited service including at least twenty-five years of service in Connecticut.

Normal Retirement – Retirement benefits for the employees are calculated as two percent of the average annual salary times the number of years of credited service (maximum benefit is seventy-five percent of the average annual salary during the three years of highest salary).

In addition, amounts derived from the accumulation of the six percent contributions made prior to July 1, 1989 and voluntary contributions are payable.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

TEACHERS' RETIREMENT SYSTEM (*Continued*)

Benefit Provisions (*Continued*)

Early Retirement – Employees are eligible after twenty-five years of credited service with a minimum of twenty years of Connecticut service, or at age fifty-five with twenty years of credited service with a minimum of fifteen years of Connecticut service. Benefit amounts are reduced by six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding retirement age. Effective July 1, 1999, the reduction for individuals with thirty or more years of service is three percent per year by which retirement precedes normal retirement date.

Minimum Benefit – Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut Service at retirement.

Disability Benefit – Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as two percent per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than fifteen percent, nor more than fifty percent. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed seventy-five percent of average annual salary.

A plan member who leaves service and has attained ten years of service will be entitled to one hundred percent of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age sixty, and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

Pre-Retirement Death Benefit – The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are amended and certified by the TRB and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)

TEACHERS' RETIREMENT SYSTEM (Continued)

Contributions (Continued)

Employer (School Districts)

School district employers are not required to make contributions to the plan.

Employees

Effective July 1, 1992, each teacher is required to contribute six percent of their annual pensionable salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to seven percent of annual pensionable salary.

Administrative Expenses

Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Town's Proportionate Share of the Collective Net Pension Liability

At June 30, 2018, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town of Sprague's Net Pension Liability	\$	-
State of Connecticut's Net Pension Liability for the Town of Sprague		6,917,597
Net Pension Liability	\$	6,917,597
Portion of the State of Connecticut's Net Pension Liability which is related to the Town of Sprague employees		0.051233%
On-behalf payments revenue and Pension expense	\$	800,164
Proportion Basis		Employee contributions
Change in proportion since prior measurement date		None

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)

TEACHERS' RETIREMENT SYSTEM (Continued)

Actuarial Methods and Significant Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation
Administrative Expenses	\$0 assumption as expenses are paid for by the General Assembly

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade increases (five percent for females and eight percent for males) over age eighty. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2017 with the BB improvement scale is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)

TEACHERS' RETIREMENT SYSTEM (Continued)

Long-Term Rate of Return (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table::

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Core Fixed Income	7.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	5.00%	3.70%
Inflation Linked Bond Fund	3.00%	1.00%
Cash	6.00%	0.40%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 8.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate 8.00%	1% Increase
State's Net Pension Liability	\$ 8,658,792	\$ 6,917,597	\$ 5,445,526

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

TEACHERS' RETIREMENT SYSTEM (*Continued*)

Other Information

Additional information is included in the required supplementary information section of the financial statements.

DEFERRED COMPENSATION PLAN

The Town of Sprague, Connecticut Employee Savings Plan was established under Internal Revenue Code Section 457 and is administered by AETNA. This was established and can be amended with a change in the personnel policies and union contracts. This plan provides a noncontributory employer-contributed non-elective contribution for certain full-time employees. The contribution percentage is based on the employee's years of service. Employer contributions during the year totaled \$15,574.

OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System - a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM
(*Continued*)**

Benefit Provisions (*Continued*)

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Employees are eligible to retire at age sixty with twenty years of credited service in Connecticut, or thirty-five years of credited service including at least twenty-five years of service in Connecticut.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of the plan costs through an annual appropriation in the General Fund.

Employer

School district employers are not required to make contributions to the Plan.

Employees/Retirees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM
(*Continued*)**

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2018

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (five percent for females and eight percent for males) over age eighty. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is 0.04%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM
(*Continued*)**

Discount Rate (*Continued*)

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

The State of Connecticut's proportionate share of the net OPEB liability associated with the Town is .051% or \$1,780,523. The Town recognized on-behalf revenues and expenditures of \$82,518 in connection with this plan.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION

From an accrual accounting perspective, the cost of post-employment health care benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of Sprague, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

At July 1, 2017, plan membership consisted of 34 participants, of which 31 were active employees and 3 were retirees.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (*Continued*)

Funding Policy

Retired teachers and their spouses must be allowed to continue their health insurance benefits, in the same health insurance plan offered to active teachers, through their last employing Town. The Town does not contribute to the retirees' health insurance. The retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements. Since the Town's liability is solely from the implicit rate subsidy calculation, the Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines.

Actuarial Methods and Significant Assumptions

The Town's annual post employment benefit expense is calculated based using the Entry Age Normal Cost Method. Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The normal cost for each participant is expected to remain a level percentage of the employee's salary. The normal cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Investment Rate of Return	3.87% (June 30, 2018)
Payroll Growth Rate	2.60%
Inflation	2.60%
Healthcare Cost Trend Rates	7.50% for 2017, decreasing 0.5% per year, to an ultimate rate of 4.60% for 2021 and beyond
Asset Valuation Method	N/A

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)

Actuarial Methods and Significant Assumptions (Continued)

Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.
Retirement	As used in the Connecticut State Teachers' Retirement System 2016 Pension Valuation
Future Retiree Coverage	100% of all actives eligible at retirement are assumed to elect coverage. 20% of non-Medicare eligible teachers continue coverage after age 65.
Future Dependent Coverage	50% of males and 50% of females assumed married with wives assumed to be three years younger than their husbands

The discount rate used to measure the total OPEB liability was 3.87% and was based on the published Bond Buyer General Obligation 20-Bond Municipal Index effective as of June 30, 2018.

Total OPEB expense recognized for this Plan for the year ended June 30, 2018 was \$36,434.

Changes in the OPEB Liability

Changes in the OPEB liability for the year ended June 30, 2018 are as follows:

Balance as of June 30, 2017	\$ 601,477
Changes for the year:	
Service cost	20,930
Interest	21,838
Differences between expected and actual experience	3,595
Changes of assumptions	(17,926)
Benefit payments	(25,011)
Net changes	<u>3,426</u>
Balance as of June 30, 2018	<u>\$ 604,903</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the current discount rate of 3.87% as well as what the Town’s net OPEB liability if it were calculated using a discount rate that is 1 percentage lower (2.87%) or 1 percentage higher (4.87%)

	1% Decrease 2.87 %	Current Discount Rate 3.87%	1% Increase 4.87%
Total OPEB liability as of June 30, 2018	<u>\$ 670,217</u>	<u>\$ 604,903</u>	<u>\$ 548,722</u>

The following presents the total OPEB liability of the Town, calculated using the current health care cost trend rate of 7.50% decreasing to 4.60% as well as what the Town’s net OPEB liability if it were calculated using a health care cost trend rate that is 1 percentage lower (6.50% decreasing to 3.60%) or 1 percentage higher (8.50% decreasing to 5.60%).

	6.50% decreasing to 3.60%	7.50% decreasing to 4.60%	8.50% decreasing to 5.60%
Total OPEB liability as of June 30, 2018	<u>\$ 537,258</u>	<u>\$ 604,903</u>	<u>\$ 685,615</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2018, the Town reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,331	\$ -
Changes of assumptions	-	(16,608)
Total	<u>\$ 3,331</u>	<u>\$ (16,608)</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Continued)**

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (1,054)
2020	(1,054)
2021	(1,054)
2022	(1,054)
2023	(1,054)
2024 and thereafter	(8,007)
	<u>\$ (13,277)</u>

NOTE 16 – CONTINGENT LIABILITIES

LITIGATION

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.

CONTINGENCIES

Grants - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates 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 of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to 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 18 – TAX ABATEMENT

As an inducement for a private commercial venture to build and operate a solar photovoltaic facility (the Project) on approximately 114 acres located within the Town, the Town has entered into a 20 year tax abatement agreement, as permissible under Connecticut General Statutes Section 12-81(57)(F), effective July 1, 2016. Under the terms of the agreement, the Town of Sprague agrees to abate the combined real estate and personal property taxes on the Project in exchange for an annual payment of \$200,000 due and payable in the month of July of each of the 20 years. These payments shall be subject to collection and enforcement as real estate taxes as provided in the Connecticut General Statutes. Should any or all of a payment due under this agreement be in default for 90 days or more, the Town may declare the abatement to be void. During the year ended June 30, 2018, the Town received its scheduled payment of \$200,000, while the abated taxes were approximately \$2,012.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

The Towns of Sprague, Bozrah, Franklin, Lebanon and Lisbon entered into an agreement effective July 1, 2010 to operate a regional animal control service. The Animal Control Service's Board of Directors has oversight responsibility over the entity. The board is composed of the First Selectman of each of the five towns. The animal control services net costs are funded on a per capita basis. The Town of Sprague maintains the financial records and financial reports are prepared and presented by the Town of Sprague at the regular meetings of their Board of Directors.

NOTE 20 – PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning governmental activities net position as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

Net position as of June 30, 2017, as previously reported	\$ 18,267,004
Adjustments:	
Eliminate net OPEB obligation reported per GASB No. 45	455,944
Record starting total OPEB liability per GASB No. 75	<u>(601,477)</u>
Net position as of June 30, 2017, as restated	<u>\$ 18,121,471</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 21 – SUBSEQUENT EVENTS

Bond Anticipation Note

On September 12, 2018, the Town issued \$3,580,000 of Bond Anticipation Notes, with interest at 3.25% to finance certain capital and nonrecurring projects and to pay down current Bond Anticipation Notes. The Notes mature on January 31, 2019.

Distressed Municipality Assistance and Accountability Provisions of Public Act 17-2

In November 2018, the Town began the process to seek designation by the Connecticut Office of Policy and Management (“OPM”) as a Tier II municipality under Sections 349 to 376 of the Distressed Municipality Assistance and Accountability Provisions of Public Act 17-2 (“the Act”). Because the Town has sought this designation, it has been referred to the Connecticut Municipal Accountability Review Board (“MARB”). The function of the MARB is to work with municipalities referred to it to improve their financial condition. If designated as Tier II, the Town would retain the designation until, in the years following designation: (1) there have been no annual operating budget deficits for two consecutive years; (2) the municipality’s bond rating has remained unchanged or has improved; (3) the MARB has approved a three-year financial plan; and (4) its audits have been completed and contain no general fund deficit. After meeting these requirements, the municipality would remain undesignated unless circumstances would render it eligible for a numerically higher tier.

In December 2018, OPM accepted the Town’s Tier II designation. As a Tier II municipality, the Town may issue, in accordance with Section 364 and with MARB approval, general obligation bonds, including to fund a general fund deficiency, supported by the State of Connecticut’s Special Capital Reserve Fund (“SCRF”). A designated Tier II municipality is also eligible to apply for Municipal Restructuring Funds in accordance with Section 370 of the Act.

The Town has submitted a five-year expenditure plan in connection with its application for Tier II status, wherein the Town’s fund balance would increase to a positive position. It is anticipated that the MARB will address Municipal Restructuring Funds for the Town at their January 2019 meeting.

NOTE 22 – 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 83 – *Certain Asset Retirement Obligations* – This statement addresses accounting and financial reporting for certain asset retirement obligations (“ARO”). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The statement is effective for periods beginning after June 15, 2018. Management does not expect this statement to have a significant impact on the Town.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 22 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE (*Continued*)

- GASB Statement 84 – *Fiduciary Activities* – This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and is effective for periods beginning after December 15, 2018. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 87 – *Leases* – This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – This statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period* – This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 90 – *Majority Equity Interests, an Amendment of GASB Statements No. 14 and 61* – This statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Management does not expect this statement to have a significant impact on the Town.

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
PROPERTY TAXES					
Current year taxes	\$ 4,945,868	\$ -	\$ 4,945,868	\$ 4,980,923	\$ 35,055
PILOT Solar Farm	200,000	-	200,000	200,000	-
Prior year taxes	145,000	-	145,000	360,530	215,530
Interest and lien fees	55,000	-	55,000	(182,517)	(237,517)
Motor vehicle supplement	52,000	-	52,000	76,374	24,374
	<u>5,397,868</u>	<u>-</u>	<u>5,397,868</u>	<u>5,435,310</u>	<u>37,442</u>
STATE GRANTS - SCHOOL					
Education cost sharing (ECS)	2,626,404	-	2,626,404	2,271,873	(354,531)
	<u>2,626,404</u>	<u>-</u>	<u>2,626,404</u>	<u>2,271,873</u>	<u>(354,531)</u>
STATE GRANTS - LOCAL					
MRSA municipal projects	386,528	-	386,528	386,528	-
Town aid roads (TAR)	151,417	-	151,417	151,219	(198)
MRSA property tax relief	89,456	-	89,456	79,761	(9,695)
Mashantucket Pequot grant	25,323	-	25,323	25,323	-
Adult Education	15,783	-	15,783	0	(15,783)
State police overtime reimbursement	15,000	-	15,000	10,671	(4,329)
Elderly tax relief - homeowners	9,900	-	9,900	0	(9,900)
Elderly and disabled transportation grant	8,800	-	8,800	8,543	(257)
Telecommunication property grant	8,700	-	8,700	5,543	(3,157)
PILOT state property	7,384	-	7,384	366	(7,018)
Veterans tax relief	2,816	-	2,816	3,072	256
Emergency management agency	2,800	-	2,800	5,177	2,377
Disability exemption reimbursement	480	-	480	416	(64)
Judicial 10th circuit	200	-	200	1,560	1,360
	<u>724,587</u>	<u>-</u>	<u>724,587</u>	<u>678,179</u>	<u>(46,408)</u>
LOCAL REVENUES					
Waste management	52,000	-	52,000	44,143	(7,857)
Principal subsidy for Resv. Dam project	45,000	-	45,000	45,000	-
Interest subsidy for Resv. Dam project	29,065	-	29,065	29,065	-
Landfill receipts	25,000	-	25,000	24,829	(171)
Building permit fees	20,000	-	20,000	3,053	(16,947)
Conveyance tax	17,000	-	17,000	15,104	(1,896)
Land records, maps, etc.	10,000	-	10,000	10,824	824
Copies and fax machine	5,000	-	5,000	4,380	(620)
Permit fees, planning and zoning, inlands and wetlands	4,000	-	4,000	3,071	(929)
Newsletter	3,000	-	3,000	2,346	(654)
Dog license fees	2,750	-	2,750	1,329	(1,421)
Transportation subsidy (SCRRRA)	2,000	-	2,000	3,186	1,186
License and permit fees	1,000	-	1,000	1,804	804
Interest income	1,000	-	1,000	3,338	2,338
Farmland preservation	950	-	950	927	(23)
Sundry receipts	200	-	200	224	24
Marriage licenses	150	-	150	231	81
Sportsman licenses	150	-	150	158	8
Miscellaneous local revenues	-	-	-	9,881	9,881
	<u>218,265</u>	<u>-</u>	<u>218,265</u>	<u>202,893</u>	<u>(15,372)</u>
Total revenues	<u>8,967,124</u>	<u>-</u>	<u>8,967,124</u>	<u>8,588,255</u>	<u>(378,869)</u>

Continued

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
GENERAL GOVERNMENT					
Board of Selectmen	99,673	-	99,673	98,706	967
Elections	18,104	(7,903)	10,201	10,201	-
Board of Finance	250	-	250	220	30
Auditing	23,650	-	23,650	22,921	729
Bookkeeper	26,960	-	26,960	26,606	354
Tax Assessor	24,445	(1,742)	22,703	22,703	-
Tax Collector	29,213	-	29,213	29,143	70
Town Treasurer	2,400	-	2,400	2,400	-
Town Council	25,000	8,965	33,965	33,965	-
Town Clerk	51,608	266	51,874	51,874	-
Telephone services and website	11,500	20	11,520	11,520	-
Pool secretaries	56,520	-	56,520	56,075	445
Town office building	41,311	(2,350)	38,961	38,961	-
Grants/contracts manager	33,199	(1,632)	31,567	31,567	-
Planning and zoning commission	23,376	194	23,570	23,570	-
Land use	800	-	800	686	114
Economic development	1,500	-	1,500	575	925
Conservation commission	1,100	-	1,100	383	717
Conservation/Wetlands enforcement officer	7,178	1,327	8,505	8,505	-
Highways	388,738	5,572	394,310	394,310	-
Tree maintenance	13,000	(2,416)	10,584	10,584	-
Street lighting	28,000	-	28,000	27,281	719
Social security	61,814	(166)	61,648	60,683	965
Deferred compensation	15,518	56	15,574	15,574	-
Regional planning agencies	39,244	-	39,244	38,739	505
Insurance	196,288	(15,210)	181,078	181,078	-
Police department	164,468	9,406	173,874	173,874	-
Fire department	107,329	504	107,833	107,833	-
Emergency management	4,030	-	4,030	4,006	24
Fire marshal	11,189	-	11,189	10,660	529
Building official	20,580	(1,280)	19,300	19,300	-
Blight enforcement officer	3,753	-	3,753	3,678	75
Sanitation and waste removal	50,000	18,472	68,472	68,472	-
Waste management	57,942	(7,388)	50,554	50,554	-
Commission on aging	93,039	(5,925)	87,114	87,114	-
Capital projects	14,000	6,199	20,199	20,199	-
Parks and playground	2,000	159	2,159	2,159	-
Recreation commission	15,770	-	15,770	14,722	1,048
Recreation facilities	2,200	-	2,200	1,978	222
Recreation events	8,833	291	9,124	9,124	-
Other recreation programs	1,250	-	1,250	1,250	-
Grist mill	16,925	827	17,752	17,752	-
Historical museum	7,075	(1,486)	5,589	5,589	-
Library	72,574	(1,947)	70,627	70,627	-
Miscellaneous	23,169	5,663	28,832	28,832	-
Water and sewer authority	7,500	40	7,540	7,540	-
Computer service and supplies	45,949	(4,266)	41,683	41,683	-
Total general government	<u>1,949,964</u>	<u>4,250</u>	<u>1,954,214</u>	<u>1,945,776</u>	<u>8,438</u>

Continued

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
BOARD OF EDUCATION	6,172,737	-	6,172,737	7,008,180	(835,443)
DEBT SERVICE					
Principal payments	613,888	-	613,888	613,888	-
Interest and fiscal charges	228,372	(4,250)	224,122	224,122	-
Total debt service	<u>842,260</u>	<u>(4,250)</u>	<u>838,010</u>	<u>838,010</u>	<u>-</u>
OTHER FINANCING USES					
Transfer out - Capital Nonrecurring Fund	<u>20,500</u>	<u>-</u>	<u>20,500</u>	<u>20,500</u>	<u>-</u>
Total expenses and other financing uses	<u>8,985,461</u>	<u>-</u>	<u>8,985,461</u>	<u>9,812,466</u>	<u>(827,005)</u>
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (18,337)</u>	<u>\$ -</u>	<u>\$ (18,337)</u>	<u>(1,224,211)</u>	<u>\$ (1,205,874)</u>
Adjustments to Generally Accepted Accounting Principals (GAAP):					
On behalf revenues from teacher's retirement and OPEB netted in budget				882,682	
On behalf expenditures from teacher's retirement and OPEB netted in budget				(882,682)	
Revenues from education grants netted in budget				165,626	
Expenditures from education grants netted in budget				(165,626)	
Transfers in from Water and Sewer Funds				120,713	
Payment of Water and Sewer debt				(120,713)	
Change in accrued payroll				<u>(1,070)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) - GAAP Basis				<u>\$ (1,225,281)</u>	

See Independent Auditors' Report

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF THE CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS PLAN
BOARD OF EDUCATION
LAST 10 YEARS OR SINCE INCEPTION OF GASB 75**

	2018
Balance as of June 30, 2017	\$ 601,477
Changes for the year:	
Service cost	20,930
Interest	21,838
Differences between expected and actual experience	3,595
Changes of assumptions	(17,926)
Benefit payments	(25,011)
Net changes	3,426
Balance as of June 30, 2018	\$ 604,903
 Town's covered payroll	\$ 1,927,845
 Total OPEB liability as a percentage of its covered payroll	31.38%

NOTES TO SCHEDULE

There are no assets being accumulated in a trust to pay benefits that meets the criteria of GASB 75.

Changes in Actuarial Assumptions

Investment Rate of Return 3.87% as of June 30, 2018 (Prior was 3.58%).

Rate of Compensation Increase 2.60% (Prior was 3.0%).

Inflation 2.60% (Prior was 3.0%).

Mortality RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

(Prior was RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015).

Mortality Improvement Projected to date of decrement using Scale MP-2017.

(Prior was projected to date of decrement using Scale MP-2015).

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
TEACHERS' RETIREMENT SYSTEM
LAST 10 YEARS OR SINCE INCEPTION OF GASB 75**

	2018
Town's proportion of the net OPEB liability	0.0%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	\$ 1,780,523
Total proportionate share of the collective net pension liability	\$ 1,780,523
Town's covered payroll	\$ 1,927,845
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

NOTES TO THE SCHEDULE:

Benefit changes: None

Changes in assumptions: The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index rate. Changes were also made to the assumed initial per capita healthcare costs, rates of healthcare inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. In addition, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Lastly, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the TRB.

Valuation Date:	June 30, 2016
Inflation	2.75%
Wage Inflation	3.25%
Salary increases	3.25-6.5%, including inflation
Long-term investment rate of return	2.75%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
CONNECTICUT TEACHERS' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	<u>\$ 6,917,597</u>	<u>\$ 7,298,118</u>	<u>\$ 5,540,211</u>	<u>\$ 5,120,815</u>
Total proportionate share of the collective net pension liability	<u>\$ 6,917,597</u>	<u>\$ 7,298,118</u>	<u>\$ 5,540,211</u>	<u>\$ 5,120,815</u>
Town's covered payroll	\$ 1,927,845	\$ 2,063,242	\$ 2,059,331	\$ 1,905,034
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

NOTES TO THE SCHEDULE:

The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2018 is based on a June 30, 2016 actuarial valuation and a June 30, 2017 measurement date).

Benefit changes: There were no changes in benefit terms that affected the measurement of the total pension liability.

Changes in assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.5%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**TOWN OF SPRAGUE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Nonmajor Special Revenue Funds	Permanent Fund - Lovett Cemetery Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 107,455	\$ 1,209	\$ 108,664
Due from other funds	28,822	-	28,822
Inventories	1,095	-	1,095
Prepaid expenditures	250	-	250
Total assets	<u>\$ 137,622</u>	<u>\$ 1,209</u>	<u>\$ 138,831</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	1,095	1,250	2,345
Restricted	2,850	-	2,850
Assigned	133,677	-	133,677
Unassigned	-	(41)	(41)
Total fund balances	<u>137,622</u>	<u>1,209</u>	<u>138,831</u>
Total liabilities and fund balances	<u>\$ 137,622</u>	<u>\$ 1,209</u>	<u>\$ 138,831</u>

See Independent Auditors' Report

**TOWN OF SPRAGUE, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Nonmajor Special Revenue Funds</u>	<u>Permanent Fund - Lovett Cemetery Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental revenues	\$ 113,297	\$ -	\$ 113,297
Local revenues	<u>151,579</u>	<u>1</u>	<u>151,580</u>
Total revenues	<u>264,876</u>	<u>1</u>	<u>264,877</u>
EXPENDITURES			
Current:			
General government	5,130	-	5,130
Public safety	115,635	-	115,635
Education	<u>154,470</u>	<u>-</u>	<u>154,470</u>
Total expenditures	<u>275,235</u>	<u>-</u>	<u>275,235</u>
Excess (deficiency) of revenues over expenditures	(10,359)	1	(10,358)
Fund balances, beginning of year	<u>147,981</u>	<u>1,208</u>	<u>149,189</u>
Fund balances, end of year	<u>\$ 137,622</u>	<u>\$ 1,209</u>	<u>\$ 138,831</u>

**TOWN OF SPRAGUE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	Library Fund	Dog Fund	Child Nutrition Fund	Recreation Fund	School Fund	Senior Smile Fund	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 2,262	\$ 49,489	\$ 52,326	\$ -	\$ 2,850	\$ 528	\$ 107,455
Due from other funds	-	-	21,345	7,477	-	-	28,822
Inventories	-	-	1,095	-	-	-	1,095
Prepaid Expenses	-	-	-	-	-	250	250
Total assets	<u>\$ 2,262</u>	<u>\$ 49,489</u>	<u>\$ 74,766</u>	<u>\$ 7,477</u>	<u>\$ 2,850</u>	<u>\$ 778</u>	<u>\$ 137,622</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	1,095	-	-	-	1,095
Restricted	-	-	-	-	2,850	-	2,850
Assigned	2,262	49,489	73,671	7,477	-	778	133,677
Total fund balances	<u>2,262</u>	<u>49,489</u>	<u>74,766</u>	<u>7,477</u>	<u>2,850</u>	<u>778</u>	<u>137,622</u>
Total liabilities and fund balances	<u>\$ 2,262</u>	<u>\$ 49,489</u>	<u>\$ 74,766</u>	<u>\$ 7,477</u>	<u>\$ 2,850</u>	<u>\$ 778</u>	<u>\$ 137,622</u>

See Independent Auditors' Report

TOWN OF SPRAGUE, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Library Fund	Dog Fund	Child Nutrition Fund	Recreation Fund	School Fund	Senior Smile Fund	Total Nonmajor Special Revenue Funds
REVENUES							
Intergovernmental revenues	\$ 113	\$ -	\$ 113,184	\$ -	\$ -	\$ -	\$ 113,297
Local revenues	-	114,489	30,155	2,470	2	4,463	151,579
Total revenues	<u>113</u>	<u>114,489</u>	<u>143,339</u>	<u>2,470</u>	<u>2</u>	<u>4,463</u>	<u>264,876</u>
EXPENDITURES							
Current:							
General government	765	-	-	-	-	4,365	5,130
Public safety	-	115,635	-	-	-	-	115,635
Education	-	-	154,275	-	195	-	154,470
Total expenditures	<u>765</u>	<u>115,635</u>	<u>154,275</u>	<u>-</u>	<u>195</u>	<u>4,365</u>	<u>275,235</u>
Excess (deficiency) of revenues over expenditures	(652)	(1,146)	(10,936)	2,470	(193)	98	(10,359)
Fund balances, beginning of year	<u>2,914</u>	<u>50,635</u>	<u>85,702</u>	<u>5,007</u>	<u>3,043</u>	<u>680</u>	<u>147,981</u>
Fund balances, end of year	<u>\$ 2,262</u>	<u>\$ 49,489</u>	<u>\$ 74,766</u>	<u>\$ 7,477</u>	<u>\$ 2,850</u>	<u>\$ 778</u>	<u>\$ 137,622</u>

See Independent Auditors' Report

TOWN OF SPRAGUE, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	Student Activity Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 22,152	\$ 33,653	\$ (33,462)	\$ 22,343
LIABILITIES				
Due to Students	\$ 22,152	\$ 33,653	\$ (33,462)	\$ 22,343

	Parent - Teacher Organization Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 989	\$ 22,680	\$ (18,816)	\$ 4,853
LIABILITIES				
Due to Students	\$ 989	\$ 22,680	\$ (18,816)	\$ 4,853

	Total Agency Funds			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 23,141	\$ 56,333	\$ (52,278)	\$ 27,196
LIABILITIES				
Due to Students	\$ 23,141	\$ 56,333	\$ (52,278)	\$ 27,196

See Independent Auditors' Report

**TOWN OF SPRAGUE, CONNECTICUT
REPORT OF THE PROPERTY TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2018**

Grand List	Taxes Receivable July 01, 2017	Current Year Levy	Lawful Corrections		Transfer to Suspense	Net Taxes Collectable	Collections during the Year			Taxes Receivable June 30, 2018	
			Additions	Deductions			Taxes	Susp. Tax/ Overpmts	Interest & Liens		Total
2016	\$ -	\$ 5,637,762	\$ 7,099	\$ (475,404)	\$ -	\$ 5,169,457	\$ 5,051,670	\$ -	\$ 24,374	\$ 5,076,044	\$ 117,787
2015	441,149	-	152	(188,516)	(122,979)	129,806	82,953	-	18,265	101,218	46,853
2014	419,035	-	-	(181,734)	(207,768)	29,533	23,991	-	9,085	33,076	5,542
2013	214,351	-	733	(181,383)	-	33,701	3,776	-	1,957	5,733	29,925
2012	6	-	-	-	-	6	-	-	-	-	6
2011	95	-	-	-	-	95	-	-	-	-	95
2010	(103)	-	-	-	-	(103)	-	-	-	-	(103)
2009	(31)	-	-	(1)	-	(32)	-	-	-	-	(32)
2008	108	-	-	-	-	108	-	-	-	-	108
2007	108	-	-	-	-	108	-	-	-	-	108
2006	109	-	-	-	-	109	-	-	-	-	109
Prior	(127)	-	165	-	-	38	-	-	-	-	38
	<u>\$ 1,074,700</u>	<u>\$ 5,637,762</u>	<u>\$ 8,149</u>	<u>\$ (1,027,038)</u>	<u>\$ (330,747)</u>	<u>\$ 5,362,826</u>	<u>\$ 5,162,390</u>	<u>\$ -</u>	<u>\$ 53,681</u>	<u>\$ 5,216,071</u>	<u>\$ 200,436</u>

See Independent Auditors' Report

Town of Sprague, Connecticut
Schedule of Changes in Fund Balances - by Project
Capital Nonrecurring Fund
For the year ended June 30, 2018

	Beginning Ending Balance	Adjustments to Beg. Balance	Transfers In	Bond Proceeds	Other Revenues	Total Available	CY Expenditures	Internal Transfers	Ending Fund Balance	Elimination Deficit Balances	Reported Fund Balance
Restricted Fund Balance											
<i>General Government</i>											
Town Hall Boilers	\$ 16,467	\$ -	\$ -	\$ -	\$ -	\$ 16,467	\$ -	\$ (16,467)	\$ -	\$ -	\$ -
Senior Center Bus	(588)	-	-	-	-	(588)	-	-	(588)	588	-
Senior Center Van (FY 17)	141	-	-	-	-	141	-	(141)	-	-	-
Historic Document Preservation Func	2,786	-	-	-	783	3,569	-	-	3,569	-	3,569
Town Clerk - Mers Grantee	1,160	-	-	-	310	1,470	-	-	1,470	-	1,470
Agricultural Viability Grant	1,090	-	-	-	1,416	2,506	(1,416)	-	1,090	-	1,090
Solar Panels Project	2,867	-	-	-	-	2,867	-	(2,867)	-	-	-
LOCIP	(1,763)	-	-	-	-	(1,763)	-	-	(1,763)	1,763	-
Baltic Mills Brownfield:	(34,092)	-	-	-	576,855	542,763	(566,382)	-	(23,619)	23,619	-
<i>Public Works</i>											
CT Main Street/LOCIP/Tap Set Aside	-	(17,510)	-	50,000	975	33,465	(24,298)	-	9,167	-	9,167
Town Garage Refurbishing	(87,381)	-	-	-	11,730	(75,651)	-	21,950	(53,701)	53,701	-
Cold Storage Building FY17	(45,931)	-	-	80,000	333,703	367,772	(470,255)	-	(102,483)	102,483	-
<i>Public Safety</i>											
Generator System BFD (FY11)	31	-	-	-	-	31	-	(31)	-	-	-
Baltic Reservoir	(7,724)	-	-	-	7,724	-	-	-	-	-	-
Hanover Reservoir Dam	(5,833)	-	-	-	-	(5,833)	(12,163)	-	(17,996)	17,996	-
<i>Elimination Deficit Balances</i>	105,418	-	-	-	-	105,418	-	-	105,418	(105,418)	-
Total Restricted Fund Balance	(53,352)	(17,510)	-	130,000	933,496	992,634	(1,074,514)	2,444	(79,436)	94,732	15,296
Committed Fund Balance											
<i>General Government</i>											
Open Space	(21,497)	100	-	-	352,152	330,755	(27,476)	-	303,279	-	303,279
Open Space Purchase (Robinson Prop)	100	(100)	-	-	-	-	-	-	-	-	-
Library Technology	739	-	3,000	-	-	3,739	(100)	-	3,639	-	3,639
Elections Technology	1,461	-	-	-	-	1,461	(1,123)	-	338	-	338
Senior Center Technology (FY18)	-	-	-	-	-	-	(4,887)	(113)	(5,000)	5,000	-
Plan of Conserv. & Dev.	44,000	-	4,000	-	-	48,000	(26,778)	-	21,222	-	21,222
Salary 2/7th Pay Period	12,000	-	2,000	-	-	14,000	-	-	14,000	-	14,000
Security Cameras	1,073	-	-	-	-	1,073	(1,073)	-	-	-	-
Town Facilities Technology	(400)	-	3,000	-	-	2,600	(1,650)	132	1,082	-	1,082
BFD Technology	-	-	1,500	-	-	1,500	(184)	(756)	560	-	560
Misc Technical Items	632	-	-	-	-	632	(65)	-	567	-	567
Robinson Property Survey	(27,200)	-	-	-	-	(27,200)	-	-	(27,200)	27,200	-
Senior Center DW & Grs trp	466	-	-	-	-	466	-	(466)	-	-	-
Revaluation	25,479	-	5,000	-	-	30,479	(12,854)	-	17,625	-	17,625
Town Hall File Cabinets FY13	(1,243)	-	-	-	-	(1,243)	-	1,243	-	-	-
Demo 134/136 High Street	920	-	-	-	-	920	-	(920)	-	-	-
Demo 31 West Main	(29,058)	-	-	-	28,138	(920)	-	920	-	-	-
150th Anniversary	11,650	-	-	-	-	11,650	-	(11,650)	-	-	-
Shetucket Village Upgrades	3,859	-	-	-	-	3,859	-	(3,859)	-	-	-
<i>Public Works</i>											
Miscellaneous Tools & Equipment FY14	2,705	-	-	-	-	2,705	(2,705)	-	-	-	-
Miscellaneous Tools & Equipment FY17	2,000	-	-	-	-	2,000	(2,000)	-	-	-	-
Miscellaneous Tools & Equipment FY18	-	-	2,000	-	-	2,000	(1,786)	-	214	-	214
Sidewalk Phase VII (River St)	13,791	-	-	-	-	13,791	(9,113)	(4,678)	-	-	-
Sidewalk Phase VIII (River St Phase II)	-	-	-	60,000	825	60,825	(44,940)	4,678	20,563	-	20,563
Public Works Equip. (11/12)	6,500	-	-	-	-	6,500	(6,500)	-	-	-	-
Public Works Equip. (13/14)	2,142	-	-	-	-	2,142	(2,142)	-	-	-	-
<i>Public Works Dept Equipment Acquisitions</i>											
PW Mower FY 17	1,195	-	-	-	-	1,195	-	-	1,195	-	1,195
PW Dump Truck FY 17	9,424	-	-	-	-	9,424	(8,004)	-	1,420	-	1,420
PW Mason Dump Body Replacement FY18	-	-	-	105,000	-	105,000	(49,153)	-	55,847	-	55,847
River Park Dry Hydrants FY 17	(18,736)	-	-	20,000	-	1,264	-	-	1,264	-	1,264
Water Supply Plan	23,500	-	-	-	-	23,500	-	-	23,500	-	23,500
Water & Sewer Capital Upgrades FY18	-	-	-	25,000	-	25,000	-	-	25,000	-	25,000
Security Equipment Acquisition & Installation FY 17	666	-	-	-	-	666	(247)	-	419	-	419

CONTINUED

See Independent Auditors' Report

Town of Sprague, Connecticut
Schedule of Changes in Fund Balances - by Project
Capital Nonrecurring Fund
For the year ended June 30, 2018

	Beginning Ending Balance	Adjustments to Beg. Balance	Transfers In	Bond Proceeds	Other Revenues	Total Available	CY Expenditures	Internal Transfers	Ending Fund Balance	Elimination Deficit Balances	Reported Fund Balance
<i>Roads</i>											
Roads 2016-2017	(67,369)	67,369	-	-	-	-	-	-	-	-	-
Roads 2017-2018	-	(67,369)	-	490,000	320	422,951	(434,120)	-	(11,169)	11,169	-
CT Main Street / LOTCIP (FY18 Bonding)	(17,510)	17,510	-	-	-	-	-	-	-	-	-
Signage	11	-	-	-	-	11	(11)	-	-	-	-
Snow Blower Replacement	20	-	-	-	-	20	-	-	20	-	20
<i>Public Safety</i>											
Security Equipment - Cameras at Town Sites FY18	-	-	-	15,000	-	15,000	(12,757)	-	2,243	-	2,243
BFD Building Impr. FY17	1,354	-	-	-	-	1,354	(1,354)	-	-	-	-
BFD Pump	2,000	-	-	-	-	2,000	(2,000)	-	-	-	-
BFD Building Impr. FY18	-	-	-	40,000	-	40,000	(9,389)	31	30,642	-	30,642
BRD Portable Radios FY18	-	-	-	5,500	-	5,500	(6,256)	756	-	-	-
FY10 1986 Seagrave 100' Ladder Truck Repair	727	-	-	-	-	727	-	-	727	-	727
FY10 Four Defibrillators	115	-	-	-	-	115	-	-	115	-	115
FY09 1988 Ford E-One Pumper ET-324	5,474	-	-	-	-	5,474	-	-	5,474	-	5,474
FY09 Preliminary Architectural Costs	18,875	-	-	-	-	18,875	-	(18,875)	-	-	-
<i>Education</i>											
Sayles School Improvements FY17	83,014	-	-	-	289	83,303	(68,512)	-	14,791	-	14,791
Sayles School Improvements FY18	-	-	-	86,700	-	86,700	-	-	86,700	-	86,700
FY03 Generator at Sayles School	(1,839)	-	-	-	1,839	-	-	-	-	-	-
<i>Committed</i>	(102,216)	-	-	-	-	(102,216)	-	-	(102,216)	102,216	-
Total Committed Fund Balance	(11,176)	17,510	20,500	847,200	383,563	1,257,597	(737,179)	(33,557)	486,861	145,585	632,446
Assigned Fund Balance											
Bond Proceeds	(28,014)	153,759	-	2,705,660	-	2,831,405	(2,756,500)	-	74,905	-	74,905
Skateboard Park & Upgrades	1,566	-	-	-	-	1,566	-	-	1,566	-	1,566
Sprague Land Preserve	371	-	-	-	-	371	-	-	371	-	371
Christmas Families	-	-	-	-	473	473	(2,037)	1,564	-	-	-
Food Bank	13,202	-	-	-	1,220	14,422	(1,157)	(1,564)	11,701	-	11,701
Rental Property	11,393	-	-	-	17,696	29,089	(24,819)	-	4,270	-	4,270
Summer Concerts	(1,525)	-	-	-	4,000	2,475	(4,550)	11,650	9,575	-	9,575
Miscellaneous Expense	(2,700)	(543)	-	-	-	(3,243)	-	-	(3,243)	3,243	-
<i>Assigned</i>	19,181	(153,759)	-	-	-	(134,578)	-	18,875	(115,703)	115,703	-
Total Assigned Fund Balance	13,474	(543)	-	2,705,660	23,389	2,741,980	(2,789,063)	30,525	(16,558)	118,946	102,388
Unassigned Fund Balance	-	-	-	-	-	-	-	-	-	(358,530)	(358,530)
TOTAL FUND BALANCE	\$ (51,054)	\$ (543)	\$ 20,500	\$ 3,682,860	\$ 1,340,448	\$ 4,992,211	\$ (4,600,756)	\$ (588)	\$ 390,867	\$ 733	\$ 391,600

See Independent Auditors' Report

Town of Sprague, Connecticut
 Schedule of Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund - Board of Education Expenditures
 For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
1000-Regular Instruction					
1000.51110. Wages Paid to Teachers	\$ 1,145,792	\$ 42,175	\$ 1,187,967	\$ 1,237,620	\$ (49,653)
1000.51120. Wages Paid to Instructional Aides	-	-	-	-	-
1000.51130. Wages Paid to Substitute Teachers	49,000	(49,000)	-	-	-
1000.51930. Stipends Paid	-	-	-	-	-
1000.52100. Group Life Insurance- Regular	1,710	(557)	1,153	872	281
1000.52200. FICA/Medicare Employer	18,716	(1,491)	17,225	17,026	199
1000.52500. Tuition Reimbursement	13,171	-	13,171	12,683	488
1000.52800. Health Insurance- Regular	294,382	-	294,382	283,578	10,804
1000.53200. Substitutes- Regular Education	-	9,000	9,000	14,321	(5,321)
1000.53230. Purchased Pupil Services	3,000	(2,000)	1,000	675	325
1000.54300. Equipment Repairs & Maint	1,450	(1,200)	250	-	250
1000.54420. Equipment Leasing	16,600	-	16,600	22,926	(6,326)
1000.56100. General Supplies- Regular Education	9,400	(5,000)	4,400	12	4,388
1000.56110. Instructional Supplies - Regular Education	12,971	(10,500)	2,471	-	2,471
1000.56400. Workbooks/Disposables	20,000	(5,000)	15,000	13,984	1,016
1000.56410. Textbooks	10,000	(9,000)	1,000	673	327
1000.56501. Ink and Toner	5,000	(1,500)	3,500	4,796	(1,296)
1000.57300. Equipment- Non Instructional	880	(880)	-	-	-
1000.57330. Furniture & Fixtures	500	(500)	-	-	-
1000.57345. Equipment- Instructional	1,649	(1,549)	100	-	100
1000.57350. Software- Instructional	-	-	-	-	-
1000.57351. Software - Non-Instructional	-	-	-	-	-
1000.58100. Dues & Fees	4,365	-	4,365	8,940	(4,575)
	<u>1,608,586</u>	<u>(37,002)</u>	<u>1,571,584</u>	<u>1,618,106</u>	<u>(46,522)</u>
1200-Special Education					
1200.51110. Wages Paid to Teachers	250,937	(35,624)	215,313	227,108	(11,795)
1200.51120. Wages Paid to Instructional Aides	117,327	124,854	242,181	266,426	(24,245)
1200.51900. Wages Paid - Other Certified Staff	112	(112)	-	-	-
1200.51901. Wages Paid - Other Non Certified Staff	75,528	3,360	78,888	71,481	7,407
1200.52100. Group Life Insurance- SPED	1,642	(526)	1,116	691	425
1200.52200. FICA/Medicare Employer	30,189	3,265	33,454	28,479	4,975
1200.52300. Pension Contributions	7,583	(5,000)	2,583	1,255	1,328
1200.52800. Health Insurance	137,979	36,641	174,620	187,528	(12,908)
1200.53020. Legal Services - SPED	-	-	-	3,930	(3,930)
1200.53200. Substitutes- SPED	47,000	(15,000)	32,000	10,971	21,029
1200.53210. Tutors	-	-	-	-	-
1200.53230. Purchased Pupil Services	1	161,119	161,120	237,639	(76,519)
1200.53300. Other Prof/Tech Services	-	-	-	1,760	(1,760)
1200.54420. Equipment Leasing	4,083	(3,500)	583	-	583
1200.55301. Postage	500	(500)	-	-	-
1200.55800. Travel Reimbursement	2,000	(1,750)	250	506	(256)
1200.56100. General Supplies- Special Education	3,291	(3,488)	(197)	83	(280)
1200.56110. Instructional Supplies	255	(200)	55	72	(17)
1200.56400. Workbooks/Disposables	3,700	(3,400)	300	19	281
1200.56410. Textbooks	1,500	(1,400)	100	-	100
1200.58100. Dues & Fees	1,478	(400)	1,078	760	318
	<u>685,105</u>	<u>258,339</u>	<u>943,444</u>	<u>1,038,708</u>	<u>(95,264)</u>
1300-Adult Education- Cooperative					
1300.55690. Tuition -Adult Cooperative	15,328	(53)	15,275	14,667	608
	<u>15,328</u>	<u>(53)</u>	<u>15,275</u>	<u>14,667</u>	<u>608</u>
1500-Stipends- Extra Curricular					
1500.51930. Extra Curricular Stipends Paid	18,516	(11,400)	7,116	20,739	(13,623)
1500.52200. FICA/Medicare Employer	-	-	-	-	-
	<u>18,516</u>	<u>(11,400)</u>	<u>7,116</u>	<u>20,739</u>	<u>(13,623)</u>
1600-Summer School					
1600.51110. Wages Paid to Teachers - Summer School	415	4,385	4,800	7,170	(2,370)
1600.51120. Wages Paid to Inst Aides - Summer School	-	-	-	3,068	(3,068)
1600.51901. Wages Paid - Other Non-Cert - Summer School	-	-	-	1,901	(1,901)
1600.52200. FICA/Medicare Employer - Summer School	70	-	70	484	(414)
CONTINUED	<u>485</u>	<u>4,385</u>	<u>4,870</u>	<u>12,623</u>	<u>(7,753)</u>

Town of Sprague, Connecticut
Schedule of Expenditures
Budget and Actual (Budgetary Basis)
General Fund - Board of Education Expenditures
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
1700-Tutoring					
1700.000100.51110. Wages Paid to Teachers- Reg Ed	2,925	-	2,925	300	2,625
1700.000100.51120. Wages Paid to Instructional Aides- Reg Ed	-	-	-	-	-
1700.000100.52200. FICA/Medicare Employer - Reg Ed	1,228	-	1,228	-	1,228
1700.000100.53230. Purchased Pupil Services- Reg Ed	-	-	-	1,163	(1,163)
1700.000200.51110. Wages Paid to Teachers - Spec Ed	2,145	3,385	5,530	-	5,530
1700.000200.51120. Wages Paid to Instructional Aides- Spec Ed	5,080	634	5,714	4,313	1,401
1700.000200.52200. FICA/Medicare Employer - Spec Ed	-	-	-	35	(35)
1700.000200.53230. Purchased Pupil Services- Spec Ed	1,476	5,524	7,000	8,610	(1,610)
	<u>12,854</u>	<u>9,543</u>	<u>22,397</u>	<u>14,421</u>	<u>7,976</u>
1800-Stipends - Sports Teams					
1800.51930. Sports Teams Stipends Paid	15,570	(8,000)	7,570	13,327	(5,757)
1800.52200. FICA/Medicare Employer	226	-	226	198	28
1800.53540. Sports Officials	3,160	-	3,160	3,299	(139)
	<u>18,956</u>	<u>(8,000)</u>	<u>10,956</u>	<u>16,824</u>	<u>(5,868)</u>
2110-Social Work Services					
2110.51900. Wages Paid - Social Worker	58,748	2,500	61,248	71,102	(9,854)
2110.52100. Group Life Insurance- Social Worker	68	(25)	43	38	5
2110.52200. FICA/Medicare Employer	1,069	-	1,069	1,090	(21)
2110.52800. Health Insurance - Social Worker	-	1,410	1,410	1,410	-
2110.56110. Instructional Supplies	169	-	169	-	169
	<u>60,054</u>	<u>3,885</u>	<u>63,939</u>	<u>73,640</u>	<u>(9,701)</u>
2130-Health Office					
2130.51901. Wages Paid - School Nurse	79,306	(16,567)	62,739	61,595	1,144
2130.51910. Wages Paid- Nurse Substitutes	4,000	(1,000)	3,000	1,733	1,267
2130.51930. Nursing Stipends Paid	1,915	-	1,915	1,915	-
2130.52100. Group Life Insurance- Health Office	137	(50)	87	76	11
2130.52200. FICA/Medicare Employer	8,031	(719)	7,312	7,143	169
2130.52800. Health Insurance- Health Office	36,403	-	36,403	38,080	(1,677)
2130.53230. Purchased Pupil Services	720	-	720	650	70
2130.53300. Other Prof/Tech Services	450	(300)	150	-	150
2130.54300. Repairs & Maint Equipment	320	(250)	70	95	(25)
2130.55800. Conference/Travel- Health Office	700	(600)	100	-	100
2130.56100. Supplies	2,000	(1,000)	1,000	786	214
2130.56430. Professional Periodicals	100	(99)	1	69	(68)
2130.58100. Dues & Fees	400	-	400	300	100
	<u>134,482</u>	<u>(20,585)</u>	<u>113,897</u>	<u>112,442</u>	<u>1,455</u>
2140-Psychological Services					
2140.51900. Wages Paid- School Psychologist	35,013	2,500	37,513	45,562	(8,049)
2140.52100. Group Life Insurance- Psychologist	68	(29)	39	38	1
2140.52200. FICA/Medicare Employer	725	-	725	725	0
2140.53230. Purchased Pupil Services	2,000	(2,000)	-	-	-
2140.56100. Assessment Supplies	4,200	(1,700)	2,500	3,381	(881)
2140.56110. Instructional Supplies	169	-	169	-	169
	<u>42,175</u>	<u>(1,229)</u>	<u>40,946</u>	<u>49,706</u>	<u>(8,760)</u>
2150-Speech & Audiology Services					
2150.53230. Purchased Pupil Services	-	(44,386)	(44,386)	28,343	(72,729)
2150.54300. Equipment Repairs/Maintenance	-	-	-	-	-
2150.56100. Supplies	24	500	524	773	(249)
	<u>24</u>	<u>(43,886)</u>	<u>(43,862)</u>	<u>29,116</u>	<u>(72,978)</u>
2160-PT/OT Services					
2160.53230. Purchased Pupil Services	10,199	-	10,199	53,758	(43,559)
	<u>10,199</u>	<u>-</u>	<u>10,199</u>	<u>53,758</u>	<u>(43,559)</u>
2210-Improvement of Instruction					
2210.53220. In Service	13,647	(14,593)	(946)	-	(946)
2210.55800. Conference/Travel- Professional Development	8,225	(3,000)	5,225	3,751	1,474
2210.56100. Supplies	500	(850)	(350)	-	(350)
	<u>22,372</u>	<u>(18,443)</u>	<u>3,929</u>	<u>3,751</u>	<u>178</u>

CONTINUED

Town of Sprague, Connecticut
Schedule of Expenditures
Budget and Actual (Budgetary Basis)
General Fund - Board of Education Expenditures
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
2220-Library/Media Services					
2220.51120. Wages Paid to Instructional Aides	18,286	(18,286)	-	-	-
2220.52100. Group Life Insurance- Library	-	-	-	-	-
2220.52200. FICA/Medicare Employer	1,362	(1,362)	-	-	-
2220.56100. Library Supplies	500	(500)	-	-	-
2220.56420. Library Books	1,000	(1,000)	-	-	-
2220.56430. Periodicals	500	(500)	-	-	-
	<u>21,648</u>	<u>(21,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>
2230-Technology					
2230.51901. Wages Paid -Technology Staff	10,738	-	10,738	11,267	(529)
2230.52100. Group Life Insurance- Technology	14	(4)	10	8	2
2230.52200. FICA/Medicare Employer	821	-	821	875	(54)
2230.52300. Pension Contributions -Technology	500	-	500	430	70
2230.52800. Health Insurance -Technology	1,962	-	1,962	2,050	(88)
2230.53520. Other Technical Services	57,430	-	57,430	87,954	(30,524)
2230.56100. Supplies	-	-	-	138	(138)
2230.56500. Technology Supplies	2,000	(1,500)	500	37	463
2230.57300. Equipment- Non Instructional	-	-	-	-	-
2230.57340. Technology Hardware - Instructional	39,407	(22,000)	17,407	2,394	15,013
2230.57341. Technology Hardware - Non-Instructional	12,000	(8,500)	3,500	(237)	3,737
2230.57345. Equipment - Instructional	-	-	-	63	(63)
2230.57350. Software - Instructional	16,200	(2,500)	13,700	16,390	(2,690)
2230.57351. Software - Non-Instructional	19,000	(3,000)	16,000	21,263	(5,263)
	<u>160,072</u>	<u>(37,504)</u>	<u>122,568</u>	<u>142,632</u>	<u>(20,064)</u>
2310-Board of Education					
2310.51900. Wages Paid- Other Certified Staff	-	-	-	-	-
2310.51901. Wages Paid- Non-Certified Staff	10,251	-	10,251	10,503	(252)
2310.52100. Group Life Insurance- BOE Office	59	(40)	19	8	11
2310.52200. FICA/Medicare Employer- BOE Office	784	-	784	761	23
2310.52300. Pension Contributions- BOE Office	2,408	(1,000)	1,408	1,020	388
2310.52600. Unemployment Compensation- BOE Office	3,000	-	3,000	13,770	(10,770)
2310.52700. Workers' Compensation- BOE Office	27,250	(3,000)	24,250	24,089	161
2310.52800. Health Insurance- BOE Office	5,000	-	5,000	4,487	513
2310.53020. Legal Services- BOE Office	35,000	-	35,000	98,698	(63,698)
2310.53300. Other Prof/Tech Services- BOE Office	-	-	-	186	(186)
2310.54420. Equipment Leasing- BOE Office	5,668	(2,000)	3,668	-	3,668
2310.55200. Property/Liability Insurance- BOE Office	21,250	(3,500)	17,750	17,796	(46)
2310.55301. Postage - BOE Office	200	(200)	-	-	-
2310.55400. Advertising- BOE Office	2,000	(1,250)	750	653	97
2310.55800. Conference/Travel- BOE Office	600	(350)	250	260	(10)
2310.56100. Supplies- BOE Office	1,000	(750)	250	1,395	(1,145)
2310.58100. Dues & Fees- BOE Office	2,000	-	2,000	2,458	(458)
2310.58900. Graduation Costs- BOE Office	500	-	500	500	-
	<u>116,970</u>	<u>(12,090)</u>	<u>104,880</u>	<u>176,584</u>	<u>(71,704)</u>
2320-Superintendents Office					
2320.51900. Wages Paid - Superintendent	90,990	(58,470)	32,520	62,622	(30,102)
2320.51901. Wages Paid - Non-Certified Staff	10,251	-	10,251	10,502	(251)
2320.52100. Group Life Insurance- Superintendent Office	287	(250)	37	219	(182)
2320.52200. FICA/Medicare Employer	2,104	(848)	1,256	1,636	(380)
2320.52300. Pension Contributions- Superintendent's Office	2,408	(1,500)	908	418	490
2320.52800. Health Insurance - Superintendent's Office	5,000	-	5,000	4,487	513
2320.55800. Conference/Travel - Superintendent's Office	2,400	(2,000)	400	61	339
2320.56100. Supplies - Superintendent's Office	200	(100)	100	311	(211)
2320.58100. Dues & Fees- Superintendent's Office	2,995	-	2,995	3,117	(122)
	<u>116,635</u>	<u>(63,168)</u>	<u>53,467</u>	<u>83,373</u>	<u>(29,906)</u>

CONTINUED

Town of Sprague, Connecticut
Schedule of Expenditures
Budget and Actual (Budgetary Basis)
General Fund - Board of Education Expenditures
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
2400-School Administration Office					
2400.51900. Wages Paid- Principal	120,000	-	120,000	115,386	4,614
2400.51901. Wages Paid- Non-Certified Staff	80,881	(70)	80,811	82,799	(1,988)
2400.52100. Group Life Insurance- School Administration Office	362	(86)	276	530	(254)
2400.52200. FICA/Medicare Employer	7,791	131	7,922	7,840	82
2400.52300. Pension Contributions - School Admin Office	1,855	-	1,855	3,299	(1,444)
2400.52800. Health Insurance - School Administration Office	21,789	-	21,789	25,435	(3,646)
2400.53300. Other Professional Services	7,820	(7,820)	-	-	-
2400.55301. Postage	2,645	-	2,645	3,471	(826)
2400.55800. Conference/Travel - School Administration Office	500	(200)	300	620	(320)
2400.56100. Supplies	3,000	(950)	2,050	1,979	71
2400.56430. Professional Periodicals	300	(300)	-	-	-
2400.58100. Dues & Fees	300	-	300	1,011	(711)
	<u>247,243</u>	<u>(9,295)</u>	<u>237,948</u>	<u>242,370</u>	<u>(4,422)</u>
2510-Business Office					
2510.51901. Wages Paid- Non Certified Staff	112,952	-	112,952	121,842	(8,890)
2510.52100. Group Life Insurance- Business Office	123	-	123	356	(233)
2510.52200. FICA/Medicare Employer	8,641	-	8,641	9,274	(633)
2510.52300. Pension Contributions- Business Office	5,503	-	5,503	4,616	887
2510.52800. Health Insurance- Business Office	7,849	-	7,849	8,199	(350)
2510.53300. Other Professional Services - Business Office	12,398	(3,398)	9,000	5,231	3,769
2510.53410. Audit/Accounting Services- Business Office	44,000	(11,000)	33,000	23,324	9,676
2510.55800. Conference/Travel- Business Office	-	-	-	102	(102)
2510.56100. Supplies - Business Office	500	(250)	250	274	(24)
	<u>191,966</u>	<u>(14,648)</u>	<u>177,318</u>	<u>173,218</u>	<u>4,100</u>
2600-Building & Grounds					
2600.51901. Wages Paid- Custodial Staff	113,172	(4,421)	108,751	113,508	(4,757)
2600.52100. Group Life Insurance- Maintenance Department	68	8	76	113	(37)
2600.52200. FICA/Medicare Employer	8,658	(338)	8,320	8,490	(170)
2600.52300. Pension Contributions - Maintenance Office	1,553	-	1,553	1,592	(39)
2600.52800. Health Insurance - Maintenance	19,624	-	19,624	20,499	(875)
2600.54010. Purchased Property Services	79,811	(45,000)	34,811	21,912	12,899
2600.54101. Rubbish Removal	5,822	(300)	5,522	5,436	86
2600.54300. Equipment Repairs & Maint	500	-	500	18,670	(18,170)
2600.54301. Building Repairs & Maint	2,000	-	2,000	1,666	334
2600.54411. Water	2,600	-	2,600	2,551	49
2600.54412. Sewer	1,600	-	1,600	1,749	(149)
2600.55300. Communications - Telephone & Internet	9,180	(300)	8,880	29,419	(20,539)
2600.55800. Conference/Travel - Building Maintenance	200	(100)	100	70	30
2600.56100. General Supplies- Maintenance Department	24,000	(5,000)	19,000	14,185	4,815
2600.56220. Electricity	53,234	(5,000)	48,234	56,776	(8,542)
2600.56230. Liquid Propane	12,023	(5,000)	7,023	8,892	(1,869)
2600.56240. Heating Oil	23,292	(6,792)	16,500	16,626	(126)
2600.56260. Gasoline	442	(100)	342	396	(54)
2600.57300. Equipment- Non Instructional	500	(400)	100	-	100
2600.57330. Furniture & Fixtures	1,000	(750)	250	-	250
	<u>359,279</u>	<u>(73,493)</u>	<u>285,786</u>	<u>322,550</u>	<u>(36,764)</u>
2700-Student Transportation					
2700.55100. Contracted Pupil Transp Reg	332,296	7,037	339,333	404,966	(65,633)
2700.55108. Contracted Pupil Transp Spec Ed HS	19,651	77,000	96,651	71,812	24,839
2700.55109. Contracted Pupil Transp Spec Ed Elem	9	10,657	10,666	11,688	(1,022)
2700.55150. Contracted Pupil Transp Athletics/Ext Curr	5,561	(1,000)	4,561	5,263	(702)
2700.55151. Contracted Pupil Transp Field Trips	6,357	(3,410)	2,947	931	2,016
2700.56260. Gasoline	41,976	(10,000)	31,976	44,660	(12,684)
	<u>405,850</u>	<u>80,284</u>	<u>486,134</u>	<u>539,320</u>	<u>(53,186)</u>

CONTINUED

Town of Sprague, Connecticut
Schedule of Expenditures
Budget and Actual (Budgetary Basis)
General Fund - Board of Education Expenditures
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
6000-HS Tuition					
6000.000100.55610. Tuition- HS Regular Ed- public schools	1,441,170	5,808	1,446,978	1,542,580	(95,602)
6000.000200.55610. Tuition- HS Special Ed- public schools	412,547	-	412,547	443,668	(31,121)
6000.000200.55630. Tuition- HS Special Ed- private schools	-	-	-	112,755	(112,755)
	<u>1,853,717</u>	<u>5,808</u>	<u>1,859,525</u>	<u>2,099,003</u>	<u>(239,478)</u>
6100-Elementary Tuition					
6100.55631. Tuition - Elem Special Ed - private schools	40,901	5,000	45,901	33,671	12,230
6100.55660. Tuition- Elem Magnet Schools	29,320	5,200	34,520	136,958	(102,438)
	<u>70,221</u>	<u>10,200</u>	<u>80,421</u>	<u>170,629</u>	<u>(90,208)</u>
Total Expenditures	<u>\$ 6,172,737</u>	<u>\$ -</u>	<u>\$ 6,172,737</u>	<u>\$ 7,008,180</u>	<u>\$ (835,443)</u>

See Independent Auditors' Report

STATE SINGLE AUDIT REPORTS

**STATE INTERNAL CONTROL AND
COMPLIANCE REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Finance of
Town of Sprague, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sprague, Connecticut (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 27, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of state of findings and questioned costs that we consider to be material weaknesses as items MW-2018-001, MW-2017-002, MW-2015-003, MW-2015-004, and MW-2013-001.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

TOWN'S RESPONSE TO FINDINGS

The Town's response to the findings identified in our audit is described in the accompanying schedule of state findings and questioned costs. We did not audit the Town's response, and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoyt, Filippetti & Malachuk, LLC

Groton, Connecticut

December 27, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

To the Board of Finance of
Town of Sprague, Connecticut

REPORT COMPLIANCE FOR EACH MAJOR STATE PROGRAM

We have audited Town of Sprague, Connecticut's (the Town) compliance with the types of compliance requirements described in the *Office of Policy and Management's Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2018. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its state programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

OPINION ON EACH MAJOR STATE PROGRAM

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated December 27, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

December 27, 2018

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE**

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

State Grantor; Pass-through Grantor; Program Title	State Grant Program Core-CT Number	Expenditures
NONEXEMPT PROGRAMS		
CONNECTICUT STATE LIBRARY		
Connecticard Payments	11000-CSL66051-17010	\$ 55
DEPARTMENT OF TRANSPORTATION		
Bus Operations	12001-DOT57931-12175	10,679
Town Aid Road Grants Transportation Program	12052-DOT57131-43455	151,219
Fees and Permits	12062-DOT57124-22108	25
Total Department of Transportation		<u>161,923</u>
DEPARTMENT OF JUSTICE		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>1,305</u>
OFFICE OF POLICY AND MANAGEMENT		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	366
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	416
Property Tax Relief for Veterans	11000-OPM20600-17024	3,072
Local Capital Improvement	12050-OPM20600-40254	47,592
Municipal Purposes and Projects	12052-OPM20600-43587	386,528
Total Office of Policy and Management		<u>437,974</u>
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION		
Protected Open Space and Watershed Land Acquisition	12052-DEP43153-43144	<u>27,476</u>
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
Small Town Economic Assistance Program	12052-ECD46260-42411	420,000
Baltic Mill Remediation Grant	20171330021090001A	566,382
		<u>986,382</u>
OFFICE OF EARLY CHILDHOOD		
School Readiness	11000-OEC64845-16274	141,750
School Readiness Quality Enhancement	11000-OEC64845-16158	3,881
Total Office of Early Childhood		<u>145,631</u>
DEPARTMENT OF EDUCATION		
Child Nutrition State Match	11000-SDE64370-16211	1,671
Health Foods Initiative	11000-SDE64370-16212	3,178
Adult Education	11000-SDE64370-17030	16,444
Health and Welfare - Private School Pupil	11000-SDE64370-17034	32,838
School Breakfast Program	11000-SDE64370-17046	2,894
Magnet Schools	11000-SDE64370-17057	8,500
Total Department of Education		<u>65,525</u>
Total State Financial Assistance before Exempt Programs		<u>1,826,271</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Education Cost Sharing	11000-SDE64370-17041	2,271,873
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	107,844
Total Department of Education		<u>2,379,717</u>
OFFICE OF POLICY AND MANAGEMENT		
Municipal Stabilization	11000-OPM20600-17104	79,761
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	25,323
Total Office of Policy and Management		<u>105,084</u>
Total Exempt Programs		<u>2,484,801</u>
Total State Financial Assistance		<u>\$ 4,311,072</u>

The accompanying notes are an integral part of this schedule

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Sprague, Connecticut (the Town) under programs of the State of Connecticut for the fiscal year ended June 30, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full accrual basis of accounting.

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
JUNE 30, 2018**

NOTE 2 – LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of loan program activity for the year ended June 30, 2018:

Department of Energy and Environmental Protection: Clean Water Funds (21015-DEP43720-42318)

<u>Project</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2017</u>	<u>Loan Proceeds</u>	<u>Loan Repayments</u>	<u>Balance June 30, 2018</u>
564-CSL	7/31/2014	2%	\$ 775,645	\$ 669,035	\$ -	\$ (33,575)	\$ 635,460

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ Yes No
- Significant deficiency(ies) identified? Yes ✓ None Reported

Noncompliance material to financial statements noted? Yes ✓ No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes ✓ No
- Significant deficiency(ies) identified? Yes ✓ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes ✓ No

The following schedule reflects the major programs included in the audit:

<u>State Grantor/Program</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Economic and Community Development		
Small Town Economic Assistance Program	12052-ECD46260-42411	\$ 420,000
Baltic Mill Remediation Grant	20171330021090001A	566,382
Office of Policy and Management		
Local Capital Improvement	12050-OPM20600-40254	47,592

Dollar threshold used to distinguish between Type A and Type B programs: \$200,000

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING
STANDARDS***

- We issued a report dated December 27, 2018 on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed the following material weaknesses:

MW-2018-001 – INTERNAL CONTROL WEAKNESS – CHILD NUTRITION FUND

There is currently a lack of segregation of duties with regard to the Child Nutrition Fund; One individual has been tasked with both the custody of assets and recordkeeping functions with regard to the funds finances.

Recommendation: Management should reallocate duties to more than one individual, so that no individual has both custody and recordkeeping responsibilities with regard to the fund.

Management's response: The district agrees that there is an internal control weakness pertaining to our child nutrition fund. We have enacted a procedure to review all child nutrition fund statements on a monthly basis. With regard to the cash handling procedure, I met with the Food Service Director to go over and implement a new procedure where I periodically review the cash handling process. Two people have been assigned to count and record cash separately. Without additional personnel, the deposit of cash in the bank is performed by one of the two aforementioned staff members. The new procedure states that the Business Manager will verify the cash count on a randomly chosen periodic day, ensuring that the count agrees with the records and deposit slips. Since the average daily cash revenue is minimal, we feel that this process should be sufficient to provide adequate oversight of the child nutrition fund.

MW-2017-002 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS (*Repeat Finding*)

For the year ended June 30, 2018, the following funds of the Town of Sprague were not being maintained in a general ledger system, as such, there were no readily available integrated reports available to report the financial activities of the funds during the fiscal year or the ending balances at fiscal year-end:

- 1) Child Nutrition Fund (Special Revenue Fund)
- 2) School Fund (Special Revenue Fund)
- 3) Student Activity Fund (Agency Fund)
- 4) Parent Teachers Organization Fund (Agency Fund)

Recommendation: All funds within the Town of Sprague should be managed in general ledger system for ease of timely reporting and account reconciliation.

Management response: The prior business manager stated that this finding has been completed, however We have a major problem with keeping the Parent Teachers Organization fund In Town records. The PTO fund should not be part of any Board of Education or Town general ledger. The PTO organization needs to maintain their own bank accounts. If they wish to receive donations, then they would need to apply for separate non-profit status (under the auspices of the National PTO) with the IRS and receive a separate Tax Identification Number (TIN). This is consistent with all Boards of Education. We will notify the PTO of this Issue.

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING
STANDARDS (Continued)***

**MW-2015-003 – INFORMATION AND COMMUNICATION – POLICY AND
PROCEDURE MANUAL (*Repeat Finding*)**

Complete, written policies and procedures manuals have not been documented of all the internal control processes in the Town.

Recommendation: All individuals involved in Town management and governance should understand their fiduciary responsibilities for Information and Communication under the integrated framework. A joint effort to meet these responsibilities should be commenced. Once risk is assessed and control activities are established, relevant and quality information should be documented to support the other components of internal control. A policies and procedures manual would facilitate this as an accessible resource. This manual would address and serve as a source of documentation for all policies and procedures including those internal control weaknesses previously mentioned.

Management response The Town continues to work on a manual documenting all policies and procedures that are in place for each position. This project is a significant undertaking for the Town Offices which have bare-bone staffing. Once completed, all policies and procedures will be reviewed and signed off by employees and management. The Town anticipates the manual to be completed by fiscal year end 2020..

**MW-2015-004 – MONITORING ACTIVITIES
(*Repeat Finding*)**

Monitoring Activities consist of the ongoing evaluations, separate evaluations, or some combination of the two, which are used to ascertain whether each of the five components of internal control, is present and functioning. The Town has not established any monitoring activities over the controls that are currently in place. As an example, unbeknownst to the management, Board of Education expenditures for the year ended June 30, 2018 were in excess of budget by approximately \$835,000 because there were no Monitoring Activities established to ensure the Town and Board of Education could project and react to the significant expenditure overruns.

Recommendation: All individuals involved in Town management should understand their fiduciary responsibilities for Monitoring Activities. A joint effort to meet these responsibilities should be commenced.

Management response: The Town of Sprague agrees with this finding with exception. Town management attempted to address the significant expenditure overrun with Board of Education (BOE) management and the BOE Business Manager beginning in January 2018 through April 2018. However, the BOE Business Manager insisted to the BOE members, Board of Finance and Town Management during this time that expenditures were on target and there would be no overrun. During the months of May and June 2018, it became evident to the BOE their budget would be significantly overspent, however the final number was not affirmed until October 2018. It was at this point the BOE members and the BOE Superintendent decided to work with Town management to address the overrun. The previous Board of Education Business Manager resigned in June 2018 and the Board of Education hired a new part-time Business Manager in December 2018. Additionally, Town management, with approval from the townspeople passed a Fiscal Responsibility Ordinance in December 2018. During fiscal year 2019 and in the future, Town Management, the Board of Education and the Board of Finance plan to work together to continuously monitor the policies and procedures in place to ensure the lowest amount of risk.

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING
STANDARDS (Continued)***

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY (*Repeat Finding*)

The administrative operations of the water and sewer authority lack an appropriate segregation of duties. The Administrative Assistant prepares and sends all customer billings; handles all collection efforts; receives funds and prepares and makes all deposits; posts all transactions in the accounting system; prepares payroll transactions, and is also a check signer on the account.

Recommendation: Duties within the water and sewer authority should be segregated such that no one individual has both custody and record keeping responsibilities.

Management response: The Water & Sewer Authority continues to have an ongoing program with a local bank to accept and deposit payments on the Authority's behalf. The Authority also contracts with a local attorney to handle collection efforts related to delinquent accounts and foreclosures. Monthly review of bank reconciliations, cash disbursements, delinquent accounts and collection efforts are performed by the Authority's Board Members, in conjunction with the Board of Finance, and are documented in the monthly meeting minutes. The Land Use Secretary, a Town employee outside of the Authority, performs monthly bank reconciliations and processes and mails delinquent statements. The Authority continues to use an outside payroll processing company to process payroll transactions for all employees. The Town and Water and Sewer Authority believe all necessary precautions have been put in place to accommodate the lack of segregation of duties for the Authority's one person office.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

- There were no findings or questioned costs reported.

SECTION IV – SUMMARY SCHEDULE OF THE STATUS OF PRIOR YEAR AUDIT FINDINGS

The following prior year audit findings have been repeated this year:

MW-2017-002 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS

MW-2015-003 – INFORMATION AND COMMUNICATION – POLICY AND PROCEDURE MANUAL

MW-2015-004 – MONITORING ACTIVITIES

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY

The following prior year audit findings have been resolved:

MW-2017-003 – INCOMPLETE FINANCIAL REPORTING

MW-2017-004 – FINANCIAL STATEMENT ADJUSTMENTS