

Town of Sprague, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2014

Town of Sprague, Connecticut

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Year Ended June 30, 2014

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Independent Auditors' Report

**The Board of Finance
Town of Sprague, Connecticut**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sprague, Connecticut ("Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information and the Schedules of Funding Progress and Contributions for Other Post-Employment Benefits 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 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and supplementary schedules, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

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

O'Connor Davies, LLP

December 23, 2014

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

Our discussion and analysis of Town of Sprague, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- Net position (Exhibits 1 and 2) increased from fiscal year 2013 by \$1,992,058 which includes a \$721,933 increase in governmental activities and a \$1,270,125 increase in business-type activities. This is discussed further in the Town as a Whole.
- Fund balance in the governmental funds (Exhibits 3 and 4) increased from fiscal year 2013 by \$547,025. General Fund fund balance increased by \$265,479. This is the result of higher revenues and lower expenditures than expected in the budget. Capital and Nonrecurring fund balance increased by \$255,287 as a result of general obligation bond proceeds received in fiscal year 2014 but not fully spent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) 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 Exhibit 3. 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 government.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins with Exhibit 1. 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 it. 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 assets 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

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

Statement of Net Position and the Statement of Activities, the Town is divided into two kinds of activities:

- Governmental activities—Most of the Town's basic services are reported here, including the 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 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 with Exhibit 3 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*—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps 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 at the bottom of 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.

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

The Town as Trustee

The Town is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Town. The Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Exhibits 8. 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.

THE TOWN AS A WHOLE

The Town's combined net position increased by \$1,992,058 from a year ago. Last year net position increased by \$58,153. Our analysis below focuses on the net position (Table 1).

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,901,255	\$ 1,933,380	\$ 392,200	\$ 303,316	\$ 2,293,455	\$ 2,236,696
Capital assets	24,788,293	22,712,060	3,205,199	2,127,122	27,993,492	24,839,182
Total assets	26,689,548	24,645,440	3,597,399	2,430,438	30,286,947	27,075,878
Long-term debt outstanding	8,657,968	7,106,088	8,463	124,890	8,666,431	7,230,978
Other liabilities	677,169	906,875	21,802	8,538	698,971	915,413
Total liabilities	9,335,137	8,012,963	30,265	133,428	9,365,402	8,146,391
Net position:						
Net investment in capital assets	16,535,067	15,736,939	3,205,199	479,000	19,740,266	16,215,939
Restricted						
Expendable	400,609	247,427	-	-	400,609	247,427
Nonexpendable	1,250	1,250	-	-	1,250	1,250
Unrestricted	417,485	646,861	361,935	1,818,010	779,420	2,464,871
Total net position	\$ 17,354,411	\$ 16,632,477	\$ 3,567,134	\$ 2,297,010	\$ 20,921,545	\$ 18,929,487

Governmental net investment in capital assets increased by \$798,128 and business-type net investment in capital assets increased by \$2,726,199 as discussed below. Restricted expendable net position increased by \$153,182 mainly due to Capital and Nonrecurring restricted balances of \$149,209 for various grant funded projects.

Governmental capital assets increased by \$2,076,233 from last year mainly due to depreciation expense of \$549,747 and the purchase of assets, the largest purchases being \$805,712 for I/I Rehabilitation, \$680,305 for road work, \$542,617 for Elm and Maple Sidewalks, and \$317,848 for Hanover Pump Station #2. Business-type capital assets increase by \$1,078,077 from last year mainly due to the addition of Pump Station #1 for \$1,316,374 and depreciation expense of \$121,297.

Governmental long-term debt outstanding increased by \$1,551,880 mainly due to the addition of a \$5,290,000 bond that funded capital projects and paid off old debt of \$4,011,895.

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

Governmental other liabilities decreased by \$229,706 from last year, mainly due to a decrease in Capital and Nonrecurring accounts payable of \$349,750 from \$633,102 mainly for the Pump Station #1 and I/I Rehabilitation projects.

The changes in net position of the Town are summarized in Table 2 below. In total, the Town increased net position by \$1,992,058 this year compared to an increase of \$58,153 last year.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 398,946	\$ 613,843	\$ 524,542	\$ 520,710	\$ 923,488	\$ 1,134,553
Operating grants and contributions	4,886,000	4,174,182	-	-	4,886,000	4,174,182
Capital grants and contributions	858,310	321,421	1,166,374	-	2,024,684	321,421
General revenues:						
Property taxes	5,004,858	4,949,207	-	-	5,004,858	4,949,207
Interest and investment earnings	1,241	1,195	135	142	1,376	1,337
Gain (loss) on disposal of equipment	(7,558)	-	-	-	(7,558)	-
Other Revenue	219,926	-	-	-	219,926	-
Total revenues	11,361,723	10,059,848	1,691,051	520,852	13,052,774	10,580,700
Program expenses						
General government	1,898,056	1,732,986	-	-	1,898,056	1,732,986
Public Safety	431,462	426,899	-	-	431,462	426,899
Public Works	669,389	727,821	-	-	669,389	727,821
Education	7,261,704	6,982,793	-	-	7,261,704	6,982,793
Interest on long-term debt	305,876	176,570	-	-	305,876	176,570
Water and Sewer	-	-	494,229	475,478	494,229	475,478
Total expenses	10,566,487	10,047,069	494,229	475,478	11,060,716	10,522,547
Excess (deficiency) before transfers	795,236	12,779	1,196,822	45,374	1,992,058	58,153
Transfers	(73,303)	(16,356)	73,303	16,356	-	-
Increase (decrease) in net position	\$ 721,933	\$ (3,577)	\$ 1,270,125	\$ 61,730	\$ 1,992,058	\$ 58,153

General government expenditures increased by \$165,070 from last year. This was mainly due to an increase in bonding expenditures in the Capital and Nonrecurring Fund by \$78,121 for a total of \$113,125. Education expenditures increased by \$278,911 from last year. The General Fund expended \$305,933 more than in the prior year which included new grants and \$29,000 in shared services between the Town and school. Interest on long term debt increased by \$129,306 from the prior year. Interest expended in the Capital Nonrecurring Fund totaled \$145,088 which was \$101,509 more than the prior year. This was mainly due to the new \$5,290,000 general obligation bond. Interest paid on that bond totaled \$82,913.

Governmental charges for services decreased by \$214,897 from the prior year. In the prior year, the Capital Nonrecurring Fund received \$276,816 from the Connecticut Department of Energy and Environmental Protection. In the current year, the Capital and Nonrecurring Fund received \$75,000 as a settlement relating to the Sidewalk Phase II project.

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

Governmental operating grants and contributions increased by \$711,818 from last year. In the General Fund, \$242,364 more in education grants was received this year. This figure includes the new High Quality grant of \$56,956 and a health services grant of \$25,647. In the Small Cities Fund, \$467,918 of grant income was received for the Elm and Maple sidewalks project.

Governmental capital grants and contributions increased by \$536,889 from last year. In the General Fund, \$151,353 was received for the TAR grant which is \$75,668 more received than in the prior year. In the Capital and Nonrecurring Fund the following revenues were recorded this year: \$317,848 for the Pump Station #2 project, \$100,905 for the Grist Mill project and \$110,627 for the LaCroix Road Bridge project. Prior year Capital and Nonrecurring revenues included \$199,546 for Pump Station #1.

Other general revenue of \$219,926 is the premium on bond proceeds relating to the \$5,290,000 bond.

Business-type capital grants and contributions of \$1,166,374 is a contribution from the Capital and Nonrecurring fund to the Water and Sewer Fund for the pump station that is recorded as an asset on the Water and Sewer Fund's Statement of Position.

Governmental Activities

Table 3 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.

Table 3
Governmental Type Activities

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2014	2013		2014	2013	
Governmental Activities						
General Government	\$ 1,898,056	\$ 1,732,986	9.53%	\$ 400,889	\$ 725,493	-44.74%
Public Safety	431,462	426,899	1.07%	347,962	360,533	-3.49%
Public Works	669,389	727,821	-8.03%	27,733	285,744	-90.29%
Education	7,261,704	6,982,793	3.99%	3,340,771	3,389,283	-1.43%
Interest on long-term debt	305,876	176,570	73.23%	305,876	176,570	73.23%
Totals	\$ 10,566,487	\$ 10,047,069	5.17%	\$ 4,423,231	\$ 4,937,623	-10.42%

The 44.74% decrease in general government net cost of services is mainly due to the Small Cities Fund income for the Elm and Maple project; the related expenditures were capitalized. The 90.29% decrease in public works net cost of services is mainly due to the \$75,668 increase in the TAR grant revenues. The 73.23% increase in interest on long-term debt total and net cost of services is mainly due to the increase in interest expense in the Capital and Nonrecurring fund of \$101,509 as discussed above.

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

Business-type Activities

The only business-type activity in Sprague is the Water and Sewer Fund. Table 4 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).

Table 4
Business-Type Activities

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2014	2013		2014	2013	
Business-Type Activities						
Water and Sewer	494,229	475,478	3.94%	(1,196,687)	(45,232)	-2545.66%
Totals	\$ 494,229	\$ 475,478	3.94%	\$ (1,196,687)	\$ (45,232)	-2545.66%

The 2,545.66% decrease in net cost of services is due to the \$1,166,374 contributed capital discussed above.

THE TOWN'S FUNDS

While net position in governmental funds increased by \$721,933, fund balance in governmental funds only increased by \$547,025 as presented in Exhibits 3 and 4. The difference for this is primarily the treatment of long-term debt and capital assets. In the fund balance 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 a 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. Capital outlay exceeded depreciation expense by \$2,083,791 in the current year. Proceeds from general obligation bonds exceeded principal payments on debt by \$1,515,119. Certain revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This included revenues of \$231,018 in the Capital and Nonrecurring fund which were deferred in Exhibits 3 and 4 as they were not received within 60 days of year end.

The \$547,025 change in fund balance includes a \$265,479 increase to General Fund fund balance discussed below and a \$255,287 increase to Capital and Nonrecurring fund balance mainly due to bond proceeds from an issuance of long-term debt and collection of grant receivables.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Town budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by 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

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

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:

Table 5
General Fund - Budget Summary

Revenues	Final Budget	Actual	Variance
Property Taxes	\$ 5,013,473	\$ 5,026,737	\$ 13,264
State Grants - School	2,638,380	2,699,496	61,116
State Grants - Local	460,246	598,923	138,677
Local Revenue	261,775	289,921	28,146
Total Revenues	8,373,874	8,615,077	241,203
Expenditures			
General Government	1,981,085	1,973,321	7,764
Capital Budget	458,441	442,596	15,845
Board of Education	5,976,565	5,932,027	44,538
Total Expenditures	8,416,091	8,347,944	68,147
Increase (Decrease) in Fund Balance	\$ (42,217)	\$ 267,133	\$ 309,350

Significant variances are summarized as follows:

- State Grants – School revenues were \$61,116 higher than budgeted. A \$51,672 public school transportation grant was received that was not budgeted for.
- State Grants – Local revenues were \$138,677 higher than budgeted. The municipal revenue sharing grant was higher than expected. \$364,346 was received which was \$149,738 higher than the budgeted \$214,608.
- Local Revenues were \$28,146 higher than budgeted, partially due to a \$111,517 transportation subsidy from SCRRA which was \$16,464 higher than budgeted.
- Capital budget expenditures were \$7,764 lower than budgeted, mainly due to lower interest payments than expected. \$120,437 was expended on interest payments; \$13,363 less than the \$133,800 budget.
- Board of education budget expenditures were \$44,538 less than budget mainly due to the receipt of credits that offset some expenditures.

Town of Sprague, Connecticut

Management's Discussion and Analysis
June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$24,788,293 invested in governmental capital assets and \$3,205,199 invested in business-type capital assets. These amounts represent a net increase (including additions and deductions) of \$3,154,310 from last year as previously discussed. Further information about the Town's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Town had \$7,500,000 in bonds outstanding. This is an increase of \$1,278,105 from last year which was a \$5,290,000 new general obligation bond that was used for new capital expenditures and payment of old bonds. The Clean Water loan also increased by \$237,014 from last year to a balance of \$753,226.

The Town's general obligation bond rating continues to carry an A2 rating from Moody's Investors Service, Inc. More detailed information about the Town's long-term liabilities is presented in Note 3E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget and tax rates including the state and local economy, anticipated tax collections and any uncertainty regarding the levels of state funding to be received.

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 the Town of Sprague, Connecticut, 1 Main Street, P.O. Box 677, Baltic, CT 06330.

Town of Sprague, Connecticut

Basic Financial Statements
June 30, 2014

Town of Sprague, Connecticut

Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 788,165	\$ 265,846	\$ 1,054,011
Receivables			
Taxes, net	293,286	-	293,286
Accounts	190,865	-	190,865
Usage	-	121,168	121,168
Loans	234,916	-	234,916
Intergovernmental	376,632	-	376,632
Prepaid expenses	11,912	2,841	14,753
Inventory	5,479	2,345	7,824
Capital assets			
Nondepreciable	8,417,065	-	8,417,065
Depreciable, net of accumulated depreciation	16,371,228	3,205,199	19,576,427
Total Assets	<u>26,689,548</u>	<u>3,597,399</u>	<u>30,286,947</u>
LIABILITIES			
Accounts payable	464,587	18,479	483,066
Accrued payroll and related	21,390	3,323	24,713
Accrued interest payable	94,195	-	94,195
Due to component unit	23,738	-	23,738
Unearned revenues	73,259	-	73,259
Non-current liabilities			
Due within one year	648,705	-	648,705
Due in more than one year	8,009,263	8,463	8,017,726
Total Liabilities	<u>9,335,137</u>	<u>30,265</u>	<u>9,365,402</u>
NET POSITION			
Net investment in capital assets	16,535,067	3,205,199	19,740,266
Restricted			
Expendable	400,609	-	400,609
Nonexpendable	1,250	-	1,250
Unrestricted	417,485	361,935	779,420
Total Net Position	<u>\$ 17,354,411</u>	<u>\$ 3,567,134</u>	<u>\$ 20,921,545</u>

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

Town of Sprague, Connecticut

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ (1,784,931)	\$ 223,024	\$ 970,144	\$ 303,999	\$ (287,764)		\$ (287,764)
Public safety	(431,462)	74,181	9,319	-	(347,962)		(347,962)
Public works	(669,389)	53,160	111,517	476,979	(27,733)		(27,733)
Education	(7,261,704)	48,581	3,795,020	77,332	(3,340,771)		(3,340,771)
Interest on long-term debt	(305,876)	-	-	-	(305,876)		(305,876)
Total Governmental Activities	<u>(10,453,362)</u>	<u>398,946</u>	<u>4,886,000</u>	<u>858,310</u>	<u>(4,310,106)</u>		<u>(4,310,106)</u>
Business-type activities							
Water and Sewer Enterprise Fund	<u>(494,229)</u>	<u>524,542</u>	<u>-</u>	<u>1,166,374</u>		<u>1,196,687</u>	<u>1,196,687</u>
Total Primary Government	<u>\$ (10,947,591)</u>	<u>\$ 923,488</u>	<u>\$ 4,886,000</u>	<u>\$ 2,024,684</u>		<u>1,196,687</u>	<u>(3,113,419)</u>
General Revenues							
Property taxes, payments in lieu of taxes, interest and li					5,004,858	-	5,004,858
Unrestricted interest and investment earnings					1,241	135	1,376
Gain (loss) on disposal of equipment					(7,558)	-	(7,558)
Transfers in (transfers out)					(73,303)	73,303	-
Other General Revenues					106,801	-	106,801
Total General Revenues					<u>5,032,039</u>	<u>73,438</u>	<u>5,105,477</u>
Change in Net Position					721,933	1,270,125	1,992,058
Net Position - Beginning of Year, Restated					16,632,478	2,297,009	18,929,487
Net Position - End of Year					<u>\$ 17,354,411</u>	<u>\$ 3,567,134</u>	<u>\$ 20,921,545</u>

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

Town of Sprague, Connecticut

Balance Sheet
 Governmental Funds
 June 30, 2014

	General	Capital Non-recurring Fund	Small Cities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 579,583	\$ 56,318	\$ 2,789	\$ 149,475	\$ 788,165
Taxes receivable, net of allowance for uncollectible amounts	293,286	-	-	-	293,286
Other receivables					
Accounts	172,926	-	-	17,939	190,865
Loans	-	-	234,916	-	234,916
Intergovernmental	-	251,959	124,673	-	376,632
Due from other funds	65,552	-	-	66,028	131,580
Prepaid expenditures	11,912	-	-	-	11,912
Inventories	3,080	-	-	2,399	5,479
Total Assets	<u>\$1,126,339</u>	<u>\$ 308,277</u>	<u>\$362,378</u>	<u>\$ 235,841</u>	<u>\$ 2,032,835</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 51,319	\$ 283,352	\$ 126,671	\$ 3,245	\$ 464,587
Accrued payroll and related	21,390	-	-	-	21,390
Due to other funds	60,875	37,002	-	33,703	131,580
Due to others	23,738	-	-	-	23,738
Unearned revenues	-	-	-	73,259	73,259
Total Liabilities	<u>157,322</u>	<u>320,354</u>	<u>126,671</u>	<u>110,207</u>	<u>714,554</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	<u>265,221</u>	<u>167,052</u>	<u>-</u>	<u>-</u>	<u>432,273</u>
Fund balances (deficits)					
Nonspendable	14,992	-	-	3,649	18,641
Restricted	-	149,209	235,707	15,693	400,609
Committed	-	209,409	-	-	209,409
Assigned	37,886	130,041	-	106,336	274,263
Unassigned	650,918	(667,788)	-	(44)	(16,914)
Total Fund Balances (Deficits)	<u>703,796</u>	<u>(179,129)</u>	<u>235,707</u>	<u>125,634</u>	<u>886,008</u>
Total Liabilities, Deferred inflows c					
Resources and Fund Balances (Deficits)	<u>\$1,126,339</u>	<u>\$ 308,277</u>	<u>\$362,378</u>	<u>\$ 235,841</u>	<u>\$ 2,032,835</u>

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

Town of Sprague, Connecticut
 Reconciliation of Governmental Funds Balance Sheet
 to the Government Wide Statement of Net Position - Governmental Activities
 June 30, 2014

Fund Balances - Total Governmental Funds	\$ 886,008
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>24,788,293</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>432,273</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(7,500,000)
Loans payable	(753,226)
Compensated absences	(60,633)
Post-closure landfill costs	(12,000)
Other post employment benefit obligations	(332,109)
Accrued interest	(94,195)
	<u>(8,752,163)</u>
Net Position of Governmental Activities	<u>\$ 17,354,411</u>

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

Town of Sprague, Connecticut

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

	General	Capital Non-recurring Fund	Small Cities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax, interest and lien fees	\$ 5,025,077	\$ -	\$ -	\$ -	\$ 5,025,077
Intergovernmental revenues	4,106,057	937,975	467,918	456,387	5,968,337
Local revenues	142,677	133,474	-	132,253	408,404
Total Revenues	<u>9,273,811</u>	<u>1,071,449</u>	<u>467,918</u>	<u>588,640</u>	<u>11,401,818</u>
EXPENDITURES					
Current expenditures					
General government	1,030,639	5,850	475,840	8,152	1,520,481
Public service	299,537	-	-	62,119	361,656
Public works	600,164	-	-	-	600,164
Education	6,657,148	-	-	484,188	7,141,336
Debt service					
Principal	192,024	(20,159)	-	-	171,865
Interest	114,003	82,922	-	-	196,925
Capital outlay	13,975	2,500,273	-	-	2,514,248
Total Expenditures	<u>8,907,490</u>	<u>2,568,886</u>	<u>475,840</u>	<u>554,459</u>	<u>12,506,675</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>366,321</u>	<u>(1,497,437)</u>	<u>(7,922)</u>	<u>34,181</u>	<u>(1,104,857)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	684,151	32,780	-	-	716,931
Transfers out	(135,424)	(654,810)	-	-	(790,234)
Issuance of long term debt	-	237,014	-	-	237,014
Refunding bonds issued	-	5,290,000	-	-	5,290,000
Premium on financing	-	106,801	-	-	106,801
Payment to refunded bond escrow agent	(649,569)	(3,259,061)	-	-	(3,908,630)
Total Other Financing Sources (Uses)	<u>(100,842)</u>	<u>1,752,724</u>	<u>-</u>	<u>-</u>	<u>1,651,882</u>
Net Change in Fund Balances	265,479	255,287	(7,922)	34,181	547,025
Fund Balances - Beginning of Year, Restated	<u>438,317</u>	<u>(434,416)</u>	<u>243,629</u>	<u>91,453</u>	<u>338,983</u>
Fund Balances - End of Year	<u>\$ 703,796</u>	<u>\$ (179,129)</u>	<u>\$ 235,707</u>	<u>\$ 125,634</u>	<u>\$ 886,008</u>

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

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

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 547,025</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>	
Capital outlay expenditures	2,633,538
Depreciation expense	(549,747)
Undepreciated basis of assets disposed of or sold	<u>(7,558)</u>
	<u>2,076,233</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes and other revenues in the General Fund	(21,942)
Revenues in the Capital Nonrecurring Fund	<u>(231,018)</u>
	<u>(252,960)</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Proceeds from long-term debt - general obligation bonds	(5,527,014)
Principal payments on long-term debt	4,011,895
Amortization of loss on refunding bonds, issuance premium and issuance costs	<u>(38,644)</u>
	<u>(1,553,763)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	(40,351)
Change in compensated absences	(12,899)
Pollution remediation obligation - landfill	1,200
Change in pension and other post employment benefits asset/liability	<u>(42,552)</u>
	<u>(94,602)</u>
Change in Net Position of Governmental Activities	<u>\$ 721,933</u>

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

Town of Sprague, Connecticut

Statement of Net Position
 Proprietary Funds
 June 30, 2014

	Business-type Activities- Enterprise Funds <u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and equivalents	\$ 265,846
Receivables	
Usage	121,168
Prepaid expenses	2,841
Inventory and other assets	<u>2,345</u>
Total Current Assets	<u>392,200</u>
Noncurrent Assets	
Capital assets	
Machinery and equipment	5,389,902
Less - Accumulated depreciation	<u>(2,184,703)</u>
Total Capital Assets, net of accumulated depreciation	<u>3,205,199</u>
Total Assets	<u>3,597,399</u>
LIABILITIES	
Current Liabilities	
Accounts payable	18,479
Accrued payroll and related	<u>3,323</u>
Total Current Liabilities	21,802
Noncurrent Liabilities	
Compensated absences	<u>8,463</u>
Total Liabilities	<u>30,265</u>
NET POSITION	
Net investment in capital assets	3,205,199
Unrestricted	<u>361,935</u>
Total Net Position	<u>\$ 3,567,134</u>

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

Town of Sprague, Connecticut

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities- Enterprise Funds
	<u>Water and Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 524,172
Miscellaneous	<u>370</u>
Total Operating Revenues	<u>524,542</u>
Operating Expenses	
Employee expenses	171,638
Contractual services	13,148
Utilities	84,193
Repairs and maintenance	14,031
Other supplies and expenses	81,856
Depreciation	<u>121,297</u>
Total Operating Expenses	<u>486,163</u>
Income from Operations	<u>38,379</u>
Non-Operating Revenues (Expenses)	
Interest income	135
Interest expense	(2,590)
Bond issue costs	(5,476)
Capital contributions	<u>1,166,374</u>
Total Non-Operating Revenues (Expenses)	<u>1,158,443</u>
Income Before Transfers	1,196,822
Transfers in	162,789
Transfers out	<u>(89,486)</u>
Change in Net Position	1,270,125
Net Position - Beginning of Year	<u>2,297,009</u>
Net Position - End of Year	<u>\$ 3,567,134</u>

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

Town of Sprague, Connecticut

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2014

	Business-type Activities- Enterprise Funds <u>Water and Sewer</u>
Cash Flows From Operating Activities	
Cash received from customers and users	\$ 520,742
Cash payments to employees	(165,742)
Cash payments to suppliers	(182,874)
Net Cash From Operating Activities	<u>172,126</u>
Cash Flows From Capital and Related Financing Activities	
Bond issue costs	(5,476)
Principal paid on debt	(120,352)
Acquisition and construction of capital assets	(1,199,374)
Capital contributions	1,166,374
Interest paid on debt	(3,072)
Net Cash From Capital and Related Financing Related Financing Activities	<u>(161,900)</u>
Cash Flows From Non-Capital Financing Activities	
Transfers in	162,789
Transfers out	(89,486)
Net Cash From Non-Capital Financing Activities	<u>73,303</u>
Cash Flows From Investing Activities	
Interest income	135
Net Increase in Cash and Equivalents	83,664
Cash and Equivalents - Beginning of Year	182,182
Cash and Equivalents - End of Year	<u>\$ 265,846</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities	
Income from operations	38,379
Adjustments to reconcile income from operations to net cash provided by operating activities	
Depreciation	121,297
Changes in operating assets and liabilities	
Accounts receivable	(3,800)
Prepaid expenses	(1,841)
Inventory and other assets	420
Accounts payable	11,775
Accrued liabilities	1,971
Compensated absences	3,925
Net Cash Provided by (Used in) Operating Activities	<u>\$ 172,126</u>

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

Town of Sprague, Connecticut

Statement of Net Position
Fiduciary Funds
June 30, 2014

Agency Funds

ASSETS

Cash

\$ 16,386

LIABILITIES

Due to students

\$ 16,386

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

Town of Sprague, Connecticut

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

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 accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town’s more significant accounting policies:

A. Financial Reporting Entity

The financial 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 misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial 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.

B. Government-Wide Financial 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 Town 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.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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.

C. 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, fund balances, revenues and 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 non-major 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 and the Internal Service funds are charges to customers for services. Operating expenses for the enterprise fund 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:

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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 - The General 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 and Nonrecurring Fund - The Capital and 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.

Small Cities Fund - 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 Elm and Maple project.

The Town also reports the following non-major governmental funds:

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 non-major Special Revenue Funds of the Town are:

Library Fund – The Library Fund is used to account for the financial transactions of the Sprague Public Library.

Dog Fund – The Dog Fund is used to accumulate monies from dog licenses and to expend for related costs.

Child Nutrition Fund – The Child Nutrition Fund is used to account for the cafeteria program at the elementary school.

Education Grants Fund – The Education Grants Fund is used to account for State, Federal, and private grants to be used for educational purposes.

Recreation Fund – The Recreation Fund is used to account for the financial transactions of the Parks and Recreation Committee.

Scholarship Fund – The Scholarship Fund is used to account for donations for and expenditures of fund for Sprague student scholarships.

Senior Smile Fund – The Senior Smile Fund is used to account for financial transactions related to the Senior Center.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

The following is the Town's 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.

- b. Proprietary Funds - Proprietary funds include enterprise and internal service 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. Internal Service funds are used to account for those operations that provide services to the Town. The following are the Town's major proprietary funds:

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 Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Agency funds. The Agency Fund is primarily utilized to account for monies held as custodian for outside student groups.

D. Measurement Focus, Basis of Accounting 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 are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. 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.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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.

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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits and Risk Disclosure

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.

1. Summary of Significant Accounting Policies (Continued)

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, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. 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.

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 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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.

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.

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 relieve 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. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

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, 2014, 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.

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, is nonfinancial in nature and it's useful life extends 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.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (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. Property, plant, and equipment of the Town is depreciated or amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ 50,000
Construction in progress	N/A	\$ 5,000
Buildings	50	\$ 30,000
Building improvements	50	\$ 15,000
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. In the government-wide financial statements, 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.

Also, deferred revenues 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.

As of June 30, 2014, \$432,273 was reported as deferred inflows of resources.

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.

1. Summary of Significant Accounting Policies (Continued)

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 resignation 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.

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).
- 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 the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- 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.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

- 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 other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.
- 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.

F. 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 reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. 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.

H. 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 23, 2014.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

2. Stewardship, Compliance and Accountability

A. 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 by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Excess Cost and Certain Other Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. 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.
- **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** - 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.

B. 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.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (Continued)

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.

C. 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.

D. Expenditures in Excess of Budget

During the year \$12,797 of additional appropriations were made.

E. Application of Accounting Standards

For the year ended June 30, 2014, the Town implemented:

- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance.
- GASB Statement 67 – *Financial Reporting for Pension Plans* – This statement amends GASB Statement 25.
- GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

F. Prior Period Adjustment

During the 2014 fiscal year, the Town determined that several funds needed prior period adjustments to correct their balances as detailed below:

- Small Cities – Fund balance has been increased by \$242,838 to reclassify loan receivable balances that were incorrectly recorded as deferred revenues in the prior year.
- Senior Smile Fund – Fund balance has been increased by \$2,516 to add the Senior Smile Fund which was not included in the financial statements in the prior year.
- Fixed Assets – Government Wide net position has been decreased by \$1,007,921 due to corrections of fixed asset balances.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (Continued)

- Long Term Debt – Government Wide net position has been decreased by \$35,878 for 2013 annual required contribution relating to other post-employment benefits that was not recorded in the prior year.

G. Fund Deficit

The CNR Fund and Lovett Cemetery Fund have unassigned deficits of \$677,788 and \$44 at June 30, 2014. The Town plans to address these deficits in the subsequent year.

3. Detailed Notes on All Funds

A. Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2014:

Statement of Net Position	
Cash and equivalents	\$ 1,054,011
Fiduciary Funds	
Cash and equivalents	16,386
Total Cash and Investments	<u>\$ 1,070,397</u>

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

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 1,026,328
Plus external investment pools	44,069
	<u>\$ 1,070,397</u>

The bank balance of the deposits was \$1,431,072 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 682,218
Collateralized by securities held in trust	
Uninsured and uncollateralized	748,854
	<u>\$ 1,431,072</u>

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

B. Receivables, Deferred Revenue and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end

	General Fund	Capital Non-Recurring
Property taxes	\$ 265,221	\$ -
Intergovernmental revenue	-	167,052
	<u>\$ 265,221</u>	<u>\$ 167,052</u>

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, 2014

	Other Governmental Funds
Advances on grants	<u>\$ 73,259</u>

C. 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, 2014 these were summarized as follows

Receivable fund	Payable Fund	Amount
General Fund	Capital Non-Recurring	\$ 31,849
General Fund	Other Funds	33,703
Other Funds	General Fund	60,875
Other Funds	Capital Non-Recurring	5,153
		<u>\$ 131,580</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2014 were as follows

	Transfers into:			
	General Fund	Capital Non-Recurring	Water and Sewer Fund	Total
Transfers out of:				
General Fund	\$ -	\$ 12,000	\$ 123,424	\$ 135,424
Capital Non-Recurring	615,445	-	39,365	654,810
Water and Sewer Fund	68,706	20,780	-	89,486
	<u>\$ 684,151</u>	<u>\$ 32,780</u>	<u>\$ 162,789</u>	<u>\$ 879,720</u>

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	7,067,287	\$ 47,000	\$ -	\$ 7,114,287
Construction in progress	287,717	1,015,061	-	1,302,778
	<u>7,355,004</u>	<u>1,062,061</u>	<u>-</u>	<u>8,417,065</u>
Capital assets being depreciated				
Buildings and systems	9,368,614	421,117	-	9,789,731
Machinery and equipment	3,457,148	133,431	(74,950)	3,515,629
Infrastructure	11,108,232	1,016,929	-	12,125,161
	<u>23,933,994</u>	<u>1,571,477</u>	<u>(74,950)</u>	<u>25,430,521</u>
Less accumulated depreciation	<u>(8,576,938)</u>	<u>(549,747)</u>	<u>67,392</u>	<u>(9,059,293)</u>
	<u>\$ 22,712,060</u>	<u>\$ 2,083,791</u>	<u>\$ (7,558)</u>	<u>\$ 24,788,293</u>

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

	Depreciation Expense
General Government	381,697
Public Works	30,831
Public Safety	69,403
Education	67,816
	<u>\$ 549,747</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Construction in progress	150,000	-	(150,000)	-
	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
Capital assets being depreciated				
Buildings and systems	3,320,365	1,349,374	-	4,669,739
Machinery and equipment	720,163	-	-	720,163
Total	<u>4,040,528</u>	<u>1,349,374</u>	<u>-</u>	<u>5,389,902</u>
Less Accumulated Depreciation	<u>(2,063,406)</u>	<u>(121,297)</u>	<u>-</u>	<u>(2,184,703)</u>
	<u>\$ 2,127,122</u>	<u>\$ 2,577,451</u>	<u>\$ (150,000)</u>	<u>\$ 8,595,101</u>

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

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

	Depreciation Expense
Water and sewer	<u>\$ 121,297</u>

E. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 6,221,895	\$ 5,290,000	\$ (4,011,895)	\$ 7,500,000	\$ 600,000
Notes and loans	516,212	237,014	-	753,226	41,442
Compensated absences	47,734	12,899	-	60,633	6,063
Post closure landfill costs	13,200	-	(1,200)	12,000	1,200
OPEB obligations	289,557	56,859	(14,307)	332,109	-
Bond issue premium	17,490	-	(17,490)	-	-
	<u>\$ 7,106,088</u>	<u>\$ 5,596,772</u>	<u>\$ (4,044,892)</u>	<u>\$ 8,657,968</u>	<u>\$ 648,705</u>

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.

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, 2014 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
General	2006	\$ 1,600,000	4/1/2025	2.50 - 4.00%	\$ 920,000
General	2009	\$ 1,810,000	12/1/2020	2.50 - 4.00%	\$ 1,290,000
General	2013	\$ 5,290,000	6/30/2034	3.50 - 4.375%	\$ 5,290,000
					<u>\$ 7,500,000</u>

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Payments to maturity on the general obligation bonds are as follows

Year End	Governmental Activities General Obligation Bonds		Year End	Governmental Activities General Obligation Bonds	
	Principal	Interest		Principal	Interest
2015	\$ 600,000	\$ 325,983	2025	595,000	105,118
2016	590,000	302,013	2026	250,000	80,527
2017	500,000	277,833	2027	250,000	69,657
2018	475,000	257,437	2028	250,000	58,397
2019	730,000	237,141	2029	250,000	46,736
2020	475,000	203,696	2030	150,000	37,440
2021	460,000	183,133	2031	150,000	9,445
2022	615,000	165,279	2032	150,000	21,206
2023	355,000	136,409	2033	150,000	12,796
2024	355,000	120,384	2034	150,000	4,265
				<u>\$ 7,500,000</u>	<u>\$ 2,654,895</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2014 totaled \$305,876.

Loans and Notes Payable

The Town has an interim loan from the Clean Water Fund with a current amount of \$753,226. 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 End	Principal	Interest	Year End	Principal	Interest
2015	\$ 41,442	\$ 14,155	2025	38,616	8,032
2016	32,258	14,390	2026	39,394	7,254
2017	32,910	13,738	2027	40,190	6,458
2018	33,575	13,073	2028	41,001	5,647
2019	34,252	12,396	2029	41,828	4,820
2020	34,943	11,705	2030	42,673	3,975
2021	35,649	10,999	2031	43,534	3,114
2022	36,368	10,280	2032	44,413	2,235
2023	37,102	9,546	2033	45,310	1,338
2024	37,851	8,797	2034	19,917	2,283
				<u>\$ 753,226</u>	<u>\$ 164,235</u>

No interest was incurred and expensed on loans and notes payable for the year ended June 30, 2014.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. Additionally, certain vacation and sick leave expenses will be paid out of the pension funds upon retirement. The value of all compensated absences has been reflected in the government-wide financial statements.

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. Total estimated costs based on the current actual costs are included in the long-term debt. 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 \$698.

Advance Refunding

During the 2014 fiscal year, the Town issued serial bonds with interest rates ranging from 3.5% to 4.375%, depending on maturity. The proceeds were used to advance refund \$3,196,895 of outstanding 2012 general obligation bonds bearing interest at 1.95%, \$525,000 of outstanding 2000 general obligation bonds bearing interest at rates ranging from 5.0% to 5.375%, depending on maturity, \$93,750 of outstanding 1996 general obligation bonds, bearing interest at 4.875%, \$24,385 of outstanding 1994 general obligation bonds, bearing interest at 5.0%. The net proceeds of \$3,908,507 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the prior bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The Town advance refunded the to obtain a net present value economic gain of \$17,788 but the total cash payments increased by \$881,745 as a result. As of June 30, 2014, \$643,135 of the bonds are considered defeased.

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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance
Notes and loans	\$ 120,352	\$ -	\$ (120,352)	\$ -
Compensated absences	4,538	3,925	-	8,463
	<u>\$ 124,890</u>	<u>\$ 3,925</u>	<u>\$ (120,352)</u>	<u>\$ 8,463</u>

Interest incurred and expensed on notes and loans in the enterprise fund for the year ended June 30, 2014 totaled \$2,590.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

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 - primary government					5,026,737
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)					8,171
Debt limitation base					<u>\$ 5,034,908</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 11,328,543	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	22,657,086	-	-	-
3 3/4 times base	-	-	18,880,905	-	-
3 1/4 times base	-	-	-	16,363,451	-
3 times base	-	-	-	-	15,104,724
Total debt limitation	<u>\$ 11,328,543</u>	<u>\$ 22,657,086</u>	<u>\$ 18,880,905</u>	<u>\$ 16,363,451</u>	<u>\$ 15,104,724</u>
Indebtedness					
Bonds payable	<u>\$ 6,322,155</u>	<u>\$ 137,410</u>	<u>\$ 1,040,435</u>	<u>\$ -</u>	<u>\$ -</u>
Total indebtedness	<u>\$ 6,322,155</u>	<u>\$ 137,410</u>	<u>\$ 1,040,435</u>	<u>\$ -</u>	<u>\$ -</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 5,006,388</u>	<u>\$ 22,519,676</u>	<u>\$ 17,840,470</u>	<u>\$ 16,363,451</u>	<u>\$ 15,104,724</u>
In no case shall total indebtedness exceed seven times the annual receipts from taxation					<u>\$ 35,244,356</u>

F. 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.

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:

Trust principal	<u>\$ 1,250</u>
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Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (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	\$ 235,707
Education	15,693
Capital Projects	149,209
	<u>\$ 400,609</u>

Unrestricted - all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

G. 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	Small Cities Fund	Other Governmental Funds
Nonspendable				
Not in spendable form				
Prepaid expenditures	\$ 11,912	\$ -	\$ -	\$ -
Inventories	3,080	-	-	2,399
Required to be maintained				
Trust principal	-	-	-	1,250
	<u>\$ 14,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,649</u>
Restricted				
General government	\$ -	\$ -	\$ 235,707	\$ -
Education	-	-	-	15,693
Capital projects	-	149,209.00	-	-
	<u>\$ -</u>	<u>\$ 149,209</u>	<u>\$ 235,707</u>	<u>\$ 15,693</u>
Committed				
Capital projects	\$ -	209,409	\$ -	\$ -
	<u>\$ -</u>	<u>\$ 209,409</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned				
General government	\$ -	\$ -	\$ -	\$ 27,881
Education	-	-	-	78,455
Capital projects	-	130,041	-	-
To balance next year's budget	37,886	-	-	-
	<u>\$ 37,886</u>	<u>\$ 130,041</u>	<u>\$ -</u>	<u>\$ 106,336</u>

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

H. Employee Retirement Systems and Pension Plans

Teachers' Retirement System

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a.

The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers' Retirement Board.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2014, the State contributed \$472,373 into the pension plan on behalf of the Town of Sprague, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2014 was \$3,666,689 of which \$1,905,034 was covered under this pension plan.

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 non-contributory 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 \$14,904.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

I. Other Post-Employment Benefits

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.

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.

Annual OPEB Cost ("AOC") and Net OPEB Obligation ("NOO")

Amortization Component	
Actuarial Accrued Liability as of June 30, 2014	\$ 659,399
Assets at Market Value	-
	<u>659,399</u>
Unfunded Actuarial Accrued Liability	<u>\$ 659,399</u>
Funded Ratio	0.00%
Covered Payroll (Active plan members)	<u>\$ 1,945,663</u>
UAAL as a Percentage of Covered Payroll	<u>33.89%</u>
Annual Required Contribution	\$ 60,842
Interest on Net OPEB Obligation	13,030
Adjustment to Annual Required Contribution	<u>(17,013)</u>
Annual OPEB Cost	56,859
Contributions made	<u>(14,307)</u>
Increase in net OPEB Obligation	42,552
Net OPEB Obligation - Beginning of the year	<u>289,557</u>
	<u>\$ 332,109</u>

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 56,859	\$ 14,307	25.2%	\$ 332,109
June 30, 2013	56,439	20,561	36.4%	289,557
June 30, 2012	135,806	39,179	28.8%	253,679

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Actuarial Methods and Significant Assumptions - The Town's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities is using a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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, 2012
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.50%
Payroll Growth Rate	N/A
Medical Inflation	9% for 2012, decreasing 0.5% per year, to an ultimate rate of 5% for 2020 and later.
Amortization Method	30 years, level dollar, open
Asset Valuation Method	N/A
Mortality	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale AA (changed from CT State TRS 2010 OPEB Valuation Mortality).
Retirement	As used in the Connecticut State Teachers' Retirement System 2010 OPEB 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

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Schedule of Funding Progress

As of the last valuation date, July 1, 2012, the actuarial valuation of the plan assets was \$0. The actuarial accrued liability was \$659,399. The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded.

4. Other Information

A. 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.

B. 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, will owe a portion of the State funding back to the State.

For projects with a cost of over two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

C. 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.

Town of Sprague, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

4. Other Information (continued)

D. GASB Pronouncements Issued, But Not Yet Effective

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

- GASB Statement 68 - *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 15, 2014.
- GASB Statement 69 – *Government Combinations and Disposals of Government Operations* - This statement establishes accounting and financial reporting standards related to a variety of transactions such as mergers, acquisitions, and transfers of operations. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.
- GASB Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – This statement is an amendment of GASB Statement 68 and should be applied simultaneously with the provisions of Statement 68.

Town of Sprague, Connecticut

Required Supplementary Information
June 30, 2014

Town of Sprague, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Property Taxes					
Current Year Taxes	\$ 4,813,473	\$ -	\$ 4,813,473	\$ 4,847,048	\$ 33,575
Prior Year Taxes	145,000	-	145,000	109,209	(35,791)
Interest and Lien Fees	55,000	-	55,000	70,480	15,480
	<u>5,013,473</u>	<u>-</u>	<u>5,013,473</u>	<u>5,026,737</u>	<u>13,264</u>
State Grants - School					
Education Cost Sharing (ECS)	2,637,313	-	2,637,313	2,641,889	4,576
Pupil Transportation (public)	-	-	-	51,672	51,672
Pupil Transportation (nonpublic)	1,067	-	1,067	5,935	4,868
	<u>2,638,380</u>	<u>-</u>	<u>2,638,380</u>	<u>2,699,496</u>	<u>61,116</u>
State Grants - Local					
Municipal Revenue Sharing	214,608	-	214,608	364,346	149,738
Town Aid Roads (TAR)	151,369	-	151,369	151,353	(16)
Mashantucket Pequot Grant	24,816	-	24,816	30,899	6,083
Telecommunication Property Grant	13,639	-	13,639	8,715	(4,924)
State Police Overtime Reimbursement	20,000	-	20,000	9,319	(10,681)
Elderly Property Exemption/Freeze	8,800	-	8,800	8,543	(257)
PILOT, State Property	10,024	-	10,024	11,431	1,407
Elderly and Disabled Transportation Grant	9,900	-	9,900	8,171	(1,729)
Veterans Tax Relief	3,600	-	3,600	2,683	(917)
SLA - Emergency Management Agency	3,000	-	3,000	2,868	(132)
Judicial 10th Circuit	100	-	100	225	125
Disability Exemption Reimbursement	390	-	390	370	(20)
	<u>460,246</u>	<u>-</u>	<u>460,246</u>	<u>598,923</u>	<u>138,677</u>
Local Revenues					
Waste Management	52,000	-	52,000	53,160	1,160
Transportation Subsidy SCRRRA	95,053	-	95,053	111,517	16,464
Interest Income	1,000	-	1,000	1,227	227
Conveyance Tax	17,000	-	17,000	9,629	(7,371)
Building Permit Fees	20,000	-	20,000	21,282	1,282
Land Records, Maps, Etc.	10,000	-	10,000	13,431	3,431
Landfill Receipts	25,000	-	25,000	24,138	(862)
Copies and Fax Machine	4,500	-	4,500	4,661	161
Newsletter	2,000	-	2,000	2,940	940
Farmland Preservation	1,400	-	1,400	1,239	(161)
License and Permit Fees	5,000	-	5,000	2,831	(2,169)
Sundry Receipts	150	-	150	214	64
Sportsmans Licenses	150	-	150	131	(19)
Marriage Licenses	125	-	125	110	(15)
Miscellaneous Local Revenue	-	-	-	5,978	5,978
Dog License Fees	3,750	-	3,750	1,706	(2,044)
Intergovernmental Transfers	24,647	-	24,647	35,727	11,080
	<u>261,775</u>	<u>-</u>	<u>261,775</u>	<u>289,921</u>	<u>28,146</u>
Total Revenues	<u>8,373,874</u>	<u>-</u>	<u>8,373,874</u>	<u>8,615,077</u>	<u>241,203</u>

(Continued)

Town of Sprague, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
EXPENDITURES					
General Government Operating Budget					
Board of Selectmen	\$ 86,301	\$ 320	\$ 86,621	\$ 86,621	\$ -
Elections	15,701	(4,315)	11,386	11,386	-
Board of Finance	1,150	-	1,150	1,133	17
Auditing	16,400	-	16,400	16,400	-
Board of Assessors	23,959	(1,669)	22,290	22,290	-
Tax Collector	29,199	-	29,199	29,199	-
Town Treasurer	2,400	-	2,400	2,400	-
Town Counsel	31,750	(5,950)	25,800	25,800	-
Town Clerk	49,956	-	49,956	49,397	559
Telephone Services	10,501	1,315	11,816	11,816	-
Pool Secretaries	48,865	(1,532)	47,333	47,213	120
Town Office Building	35,740	2,697	38,437	38,437	-
Planning and Zoning Commission	23,058	(4,110)	18,948	18,948	-
Land Use Miscellaneous	800	-	800	698	102
Economic Development Commission	1,500	-	1,500	1,281	219
Conservation Commission	900	-	900	900	-
Conservation/Wetlands Enforcement	6,969	396	7,365	7,365	-
Highways	373,176	(22,405)	350,771	350,771	-
Tree Maintenance	10,550	-	10,550	10,545	5
Street Lighting	23,500	1,738	25,238	25,238	-
Social Security	57,102	(4,072)	53,030	53,030	-
Deferred Compensation	15,753	-	15,753	14,904	849
Regional Planning Agencies	40,661	-	40,661	40,284	377
Insurance	201,985	10,586	212,571	212,571	-
Police Department	130,923	7,015	137,938	137,938	-
Fire Department	127,800	(2,701)	125,099	125,099	-
Emergency Management	4,030	-	4,030	3,957	73
Fire Marshal	10,223	173	10,396	10,396	-
Enforcement Officer, Building Code	19,422	-	19,422	18,629	793
Sanitation and Waste Removal	36,500	15,771	52,271	50,709	1,562
Waste Management	162,864	38	162,902	162,902	-
Commission on Aging	71,060	-	71,060	70,529	531
Capital Projects	14,000	-	14,000	13,975	25
Parks and Playground	2,000	-	2,000	1,327	673
Summer Maintenance	8,481	-	8,481	8,078	403
Recreation Facilities	2,000	-	2,000	1,918	82
Recreation Events	8,833	1,298	10,131	10,131	-
Other Recreation Programs	1,250	-	1,250	1,250	-
Grist Mill	10,177	4,736	14,913	14,913	-
Library	64,778	1,113	65,891	65,891	-
Miscellaneous	20,410	4,011	24,421	24,419	2
Sprague Water and Sewer	6,526	517	7,043	7,043	-
Computer Service and Supplies	42,892	-	42,892	42,003	889
Bookkeeper	24,674	(3,731)	20,943	20,943	-
Grant Writer	40,584	-	40,584	40,209	375
Blight Enforcement Officer	3,596	-	3,596	3,516	80
Historical Musuem	200	-	200	172	28
Shared Services with School	29,000	-	29,000	29,000	-
Unemployment Compensation	-	29,747	29,747	29,747	-
	<u>1,950,099</u>	<u>30,986</u>	<u>1,981,085</u>	<u>1,973,321</u>	<u>7,764</u>

(Continued)

Town of Sprague, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Capital Budget					
Redemption of Debt - Principal	\$ 343,627	\$ (30,986)	\$ 312,641	\$ 310,159	\$ 2,482
Interest Payment - Bonds	133,800	-	133,800	120,437	13,363
Capital and Non Recurring	12,000	-	12,000	12,000	-
	<u>489,427</u>	<u>(30,986)</u>	<u>458,441</u>	<u>442,596</u>	<u>15,845</u>
Total General Government	<u>2,439,526</u>	<u>-</u>	<u>2,439,526</u>	<u>2,415,917</u>	<u>23,609</u>
Board of Education Expenditures	<u>5,963,768</u>	<u>12,797</u>	<u>5,976,565</u>	<u>5,932,027</u>	<u>44,538</u>
TOTAL EXPENDITURES	<u>8,403,294</u>	<u>12,797</u>	<u>8,416,091</u>	<u>8,347,944</u>	<u>68,147</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>(29,420)</u>	<u>(12,797)</u>	<u>(42,217)</u>	267,133	<u>309,350</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
On Behalf Revenues from Teacher's Retirement Netted in Budget				472,373	
On Behalf Expenditures from Teacher's Retirement Netted in Budget				(472,373)	
Transfers Netted in Budget				648,424	
Transfers Netted in Budget				(648,424)	
Revenues from Education Grants Netted in Budget				223,748	
Expenditures from Education Grants Netted in Budget				(223,748)	
Revenues from Refunding Bonds Netted in Budget				5,290,000	
Expenditures from Refunding Bonds Netted in Budget				(5,290,000)	
Tax Refunds Not Netted in Budget				(1,600)	
Tax Refunds Not Netted in Budget				1,600	
Change in Accrued Payroll				(1,654)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis (Exhibit 4)				<u>265,479</u>	

Notes to Required Supplementary Information: 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: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. The Town recognizes encumbrances payable as an expenditure in the year they were committed; 3. The budget for the General Fund's Board of Education expenditures are net with the "excess cost grant" received from the State of Connecticut as per Connecticut General Statutes 10-7g the expenses are further net with the Adult Education, Services for the Blind Grant, and out of town tuition; 4. General government payroll is recorded on a cash basis.

Town of Sprague, Connecticut

Required Supplementary Information
 Schedule of Funding Progress
 Other Post Employment Benefits
 Since Inception

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess (Unfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	Excess AAL/ UAAL as a % of Covered Payroll
7/1/2012	\$ -	\$ 659,399	\$ (659,399)	0.00%	\$ 1,945,663	-33.89%
7/1/2009	\$ -	\$ 1,222,687	\$ (1,222,687)	0.00%	\$ 1,852,797	-65.99%

Town of Sprague, Connecticut

Required Supplementary Information
Schedule of Employer Contributions
Other Post Employment Benefits
Since Inception

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2014	\$ 60,842	\$ 14,307	23.52%
6/30/2013	\$ 59,928	\$ 20,561	34.31%
6/30/2012	\$ 137,966	\$ 39,179	28.40%
6/30/2011	\$ 135,188	\$ 56,581	41.85%
6/30/2010	\$ 132,529	\$ 52,990	39.98%

Town of Sprague, Connecticut

Combining and Individual Fund Financial Statements
June 30, 2014

Town of Sprague, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2014

	Special Revenue Funds	Permanent Fund - Lovett Cemetery	Total Other Governmental Funds
ASSETS			
Cash and equivalents	\$ 148,269	\$ 1,206	\$ 149,475
Other receivables			
Accounts	17,939	-	17,939
Due from other funds	66,028	-	66,028
Inventories	2,399	-	2,399
Total Assets	<u>\$ 234,635</u>	<u>\$ 1,206</u>	<u>\$ 235,841</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,245	-	\$ 3,245
Due to other funds	33,703	-	33,703
Unearned revenues	73,259	-	73,259
Total Liabilities	<u>110,207</u>	<u>-</u>	<u>110,207</u>
Fund balances (deficits)			
Nonspendable	2,399	1,250	3,649
Restricted	15,693	-	15,693
Assigned	106,336	-	106,336
Unassigned	-	(44)	(44)
Total Fund Balances	<u>124,428</u>	<u>1,206</u>	<u>125,634</u>
Total Liabilities and Fund Balances	<u>\$ 234,635</u>	<u>\$ 1,206</u>	<u>\$ 235,841</u>

Town of Sprague, Connecticut

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

	Special Revenue Funds	Permanent Fund - Lovett Cemetery	Total Other Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 456,387	\$ -	\$ 456,387
Local revenues	<u>132,252</u>	<u>1</u>	<u>132,253</u>
Total Revenues	<u>588,639</u>	<u>1</u>	<u>588,640</u>
EXPENDITURES			
Current expenditures			
General government	8,152	-	8,152
Public safety	62,119	-	62,119
Education	<u>484,188</u>	<u>-</u>	<u>484,188</u>
Total Expenditures	<u>554,459</u>	<u>-</u>	<u>554,459</u>
Excess of Revenues Over Expenditures	34,180	1	34,181
Fund Balances - Beginning of Year, Restated	<u>90,248</u>	<u>1,205</u>	<u>91,453</u>
Fund Balances - End of Year	<u>\$ 124,428</u>	<u>\$ 1,206</u>	<u>\$ 125,634</u>

Town of Sprague, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2014

	Library Fund	Dog Fund	Child Nutrition Fund	Education Grants	Recreation Fund	Scholarship Fund	Senior Smile Fund	Total Special Revenue Funds
ASSETS								
Cash and equivalents	\$ 1,871	\$ 21,134	\$ 54,778	\$ 65,409	\$ -	\$ 3,615	\$ 1,462	\$ 148,269
Other receivables								
Accounts	-	95	-	17,844	-	-	-	17,939
Due from other funds	-	-	23,677	37,198	5,153	-	-	66,028
Inventories	-	-	2,399	-	-	-	-	2,399
Total Assets	<u>\$ 1,871</u>	<u>\$ 21,229</u>	<u>\$ 80,854</u>	<u>\$ 120,451</u>	<u>\$ 5,153</u>	<u>\$ 3,615</u>	<u>\$ 1,462</u>	<u>\$ 234,635</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 1,834	\$ -	\$ 1,411	\$ -	\$ -	\$ -	\$ 3,245
Due to other funds	-	-	-	33,703	-	-	-	33,703
Unearned revenues	-	-	-	73,259	-	-	-	73,259
Total Liabilities	<u>-</u>	<u>1,834</u>	<u>-</u>	<u>108,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,207</u>
Fund balances								
Nonspendable	-	-	2,399	-	-	-	-	2,399
Restricted	-	-	-	12,078	-	3,615	-	15,693
Assigned	1,871	19,395	78,455	-	5,153	-	1,462	106,336
Total Fund Balances	<u>1,871</u>	<u>19,395</u>	<u>80,854</u>	<u>12,078</u>	<u>5,153</u>	<u>3,615</u>	<u>1,462</u>	<u>124,428</u>
Total Liabilities and Fund Balance:	<u>\$ 1,871</u>	<u>\$ 21,229</u>	<u>\$ 80,854</u>	<u>\$ 120,451</u>	<u>\$ 5,153</u>	<u>\$ 3,615</u>	<u>\$ 1,462</u>	<u>\$ 234,635</u>

Town of Sprague, Connecticut

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

	Library Fund	Dog Fund	Child Nutrition Fund	Education Grants Fund	Recreation Fund	Scholarship Fund	Senior Smile Fund	Total Special Revenue Funds
REVENUES								
Intergovernmental revenues	\$ -	\$ -	\$ 110,489	\$ 345,898	\$ -	\$ -	\$ -	\$ 456,387
Local revenues	1,795	75,279	49,269	-	1,759	12	4,138	132,252
Total Revenues	<u>1,795</u>	<u>75,279</u>	<u>159,758</u>	<u>345,898</u>	<u>1,759</u>	<u>12</u>	<u>4,138</u>	<u>588,639</u>
EXPENDITURES								
Current expenditures								
General government	1,028	-	-	-	1,932	-	5,192	8,152
Public safety	-	62,119	-	-	-	-	-	62,119
Education	-	-	150,173	333,820	-	195	-	484,188
Total Expenditures	<u>1,028</u>	<u>62,119</u>	<u>150,173</u>	<u>333,820</u>	<u>1,932</u>	<u>195</u>	<u>5,192</u>	<u>554,459</u>
Excess (Deficiency) of Revenues Over Expenditures	767	13,160	9,585	12,078	(173)	(183)	(1,054)	34,180
Fund Balances - Beginning of Year, Restated	<u>1,104</u>	<u>6,235</u>	<u>71,269</u>	<u>-</u>	<u>5,326</u>	<u>3,798</u>	<u>2,516</u>	<u>90,248</u>
Fund Balances - End of Year	<u>\$ 1,871</u>	<u>\$ 19,395</u>	<u>\$ 80,854</u>	<u>\$ 12,078</u>	<u>\$ 5,153</u>	<u>\$ 3,615</u>	<u>\$ 1,462</u>	<u>\$ 124,428</u>

Town of Sprague, Connecticut

Combining Statement of Net Position
 Agency Funds
 Year Ended June 30, 2014

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Student Activity Fund				
ASSETS				
Cash	<u>\$ 18,533</u>	<u>\$ 36,347</u>	<u>\$ (38,494)</u>	<u>\$ 16,386</u>
LIABILITIES				
Due to students	<u>\$ 18,533</u>	<u>\$ 36,347</u>	<u>\$ (38,494)</u>	<u>\$ 16,386</u>

Town of Sprague, Connecticut

Supplementary Schedules
June 30, 2014

Town of Sprague, Connecticut

Report of the Property Tax Collector
For the Year Ended June 30, 2014

Grand List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Transfer to Suspense	Net Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens	Total		
2012	\$ -	\$ 4,963,606	\$ 1,151	\$ (18,108)	\$ 4,946,649	\$ 4,824,024	\$ 23,550	\$ 456	\$ 4,848,031	\$ -	\$ 122,625
2011	159,963	-	-	(3,319)	156,643	93,499	17,526	792	111,817	-	63,144
2010	76,063	-	-	(1,293)	74,770	28,320	12,082	360	40,762	15,818	30,632
2009	41,094	-	-	(1,069)	40,025	22,088	10,905	336	33,329	-	17,938
2008	12,504	-	-	(1,069)	11,435	7,977	4,801	168	12,946	-	3,458
2007	4,464	-	-	(1,069)	3,395	1,232	760	48	2,040	-	2,163
2006	4,007	-	-	(1,079)	2,928	744	839	24	1,606	-	2,184
2005	2,842	-	-	(996)	1,846	(170)	-	24	(146)	-	2,016
2004	2,949	-	-	(975)	1,974	-	-	-	-	-	1,974
2003	1,717	-	-	(68)	1,649	-	-	-	-	-	1,649
2002	1,470	-	-	(64)	1,406	-	-	-	-	-	1,406
2001	1,347	-	-	(59)	1,287	-	276	24	300	-	1,287
2000	82	-	-	(56)	26	-	-	-	-	-	26
1999	88	-	-	(61)	27	-	-	-	-	-	27
1998	83	-	-	(58)	25	-	-	-	-	-	25
	<u>\$ 308,672</u>	<u>\$ 4,963,606</u>	<u>\$ 1,151</u>	<u>\$ (29,342)</u>	<u>\$ 5,244,086</u>	<u>\$ 4,977,714</u>	<u>\$ 70,739</u>	<u>\$ 2,232</u>	<u>\$ 5,050,685</u>	<u>\$ 15,818</u>	<u>\$ 250,554</u>

Town of Sprague, Connecticut

Internal Control and Compliance Reports
June 30, 2014

**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***

**The Board of Finance
Town of Sprague, Connecticut**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sprague, Connecticut ("Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 23, 2014.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items (identified as MW-2014-1, MW-2013-1, and MW-2013-3) to be material weaknesses.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

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 result 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 purposes.

O'Connor Davies, LLP

December 23, 2014

Town of Sprague, Connecticut

State Single Audit
June 30, 2014

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

Independent Auditors' Report

**The Board of Finance
Town of Sprague, Connecticut**

Report on Compliance for Each Major State Program

We have audited the Town of Sprague, Connecticut's ("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, 2014. The Town's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2014.

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 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 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. 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.

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.

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, the business type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated December 23, 2014, 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 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 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 taken as a whole.

O'Connor Davies, LLP

December 23, 2014

Town of Sprague, Connecticut

Schedule of Expenditures of State Financial Assistance
 Year Ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,203
Connecticard Payments	11000-CSL66051-17010	137
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
Department of Energy and Environmental Protection		
Clean Water Fund	21015-DEP43720-42318	237,014
Small Town Economic Assistance Program (DEP)	12052-DEP43720-40531	317,848
Department of Transportation		
Transit District Grants and Loans Transportation Fund - Bus Operations	12001-DOT57000-12175	8,543
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	151,353
Department of Emergency Services and Public Protection		
School Security Infrastructure	11000-DPS32183-43546	64,330
Fire School Training and Education - Extension	12060-DPS32251-35180	100
Department of Economic and Community Development		
Historic Preservation Grant and Activities	12060-ECD46840-90455	93,800
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	150
Office of Policy and Management		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	11,431
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	370
Distressed Municipalities	11000-OPM20600-17016	817
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	8,171
Property Tax Relief for Veterans	11000-OPM20600-17024	2,683
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	25,271
Municipal Grants in Aid	12052-OPM20600-43587	363,529
Office of State Treasurer		
Nitrogen Credit Exchange Program	21016-OTT14230-42407	293
Office of Early Childhood		
School Readiness and Child Care	11000-OEC64840-12113	107,000
Child Care Services	11000-OEC64840-12520	4,331
Department of Education		
High Quality Schools Start Up	12052-SDE64370-43538	56,956
Child Nutrition State Match	11000-SDE64370-16211	2,098
Health Foods Initiative	11000-SDE64370-16212	4,293
Adult Education	11000-SDE64370-17030	14,891
Health and Welfare - Private School Pupil	11000-SDE64370-17034	25,647
School Breakfast Program	11000-SDE64370-17046	3,451
Magnet Schools	11000-SDE64370-17057	<u>11,700</u>
 Total State Financial Assistance before Exempt Programs		 <u>1,521,410</u> <i>(continued)</i>

The accompanying notes are an integral part of this schedule

Town of Sprague, Connecticut

Schedule of Expenditures of State Financial Assistance
 Year Ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64000-17041	\$ 2,641,889
Public School Transportation	11000-SDE64000-17027	51,672
Nonpublic School Transportation	11000-SDE64000-17049	5,935
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	114,554
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	104,019
Mashantucket Pequot and Mohegan Fund Grant	12060-OPM20600-17005	<u>30,899</u>
 Total exempt programs		 <u>2,948,968</u>
 Total State Financial Assistance		 <u>\$ 4,470,378</u>

The accompanying notes are an integral part of this schedule

Town of Sprague, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

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 ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2014. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

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,

- 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant 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
Year Ended June 30, 2014

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 the various loan program activity for the year ended June 30, 2014:

Department of Environmental Protection:

Clean Water Funds 21014-OTT14230-4001:

<u>Project Number</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Ending Balance</u>
564-CSL	3/21/2013	2%	<u>\$ 833,765</u>	<u>\$516,212</u>	<u>\$237,014</u>	<u>\$753,226</u>

Town of Sprague, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

MW-2013-1: Internal Control Weakness in the Water and Sewer Authority

Condition: Presently, 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; reconciles the bank statements and is also a check signer on the account.

Current Status: Repeated as finding number MW-2013-1.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

MW-2013-2: Reserve Fund for Capital and Nonrecurring Expenditures

Condition: The Reserve Fund for Capital and Nonrecurring Expenditures has numerous capital projects which have not had adequate "Fund Balance" amounts by project since approximately 2007. The tracking of budgeted expenditures, annual appropriations, and actual expenditures has not been something that the Town has kept track of over the past few years.

Current Status: The finding has been corrected.

MW-2013-3: Education Grant Funds

Condition: The Board of Education receives numerous grants for various educational activities. Many of the grants are awarded over multiple fiscal years. Unexpended grant funds (unearned revenues) as of June 30, 2010 (per the audit) have not been able to be reconciled to amounts expended during fiscal years ended June 30, 2011 and 2012 and 2013. Grant receivables and unearned grant revenues are not monitored or recorded by the Board of Education, accordingly such amounts, including the related revenues, cannot be relied upon as being accurate.

Current Status: Repeated as finding number MW-2013-3.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

Town of Sprague, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted yes X no

State Financial Assistance

Internal control over major programs

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of 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 X no

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

State Grantor and Program	State Core-CT Number	Expenditures
Office of Policy and Management Municipal Grants in Aid	12052-OPM20600-43587	\$363,529
Department of Energy and Environmental Protection Clean Water Fund	21015-DEP43720-42318	\$237,014
Small Town Economic Assistance Program (DEP)	12052-DEP43720-40531	\$317,848

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

Town of Sprague, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II - Financial Statement Findings

MW-2013-1: Internal Control Weakness in the Water and Sewer Authority

Criteria – An adequate system of internal controls relies on an adequate segregation of duties. There should be no one person who can control all aspects of a given transaction cycle.

Condition – Presently, 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; reconciles the bank statements and is also a check signer on the account.

Context – Given the size of the water and sewer authority operation and the fact that the bookkeeper is a part-time position, an adequate segregation of duties may not be practical. However, additional internal control procedures should be established to achieve a suitable internal control structure given the size of the water and sewer authority.

Effect – Material errors or irregularities could occur which would not be detected and/or corrected by management in a timely manner.

Recommendation – We recommend that the Town consider implementing additional controls such as having another Town employee reconcile the bank statements; having another Town employee physically make deposits and agreeing the deposit slip to deposit detail as entered into the accounting system. Additional internal control procedures should be considered and/or established to achieve a suitable internal control structure given the size of the Town. It must be noted that there were no errors and/or irregularities noted during our audit and the accounting records for the water and sewer authority were in good condition.

Views of Responsible Officials and Planned Corrective Actions – The Town will take the recommendations under consideration and will discuss possible internal control procedures with the water and sewer authority.

MW-2013-3: Education Grants Fund

Condition - The Board of Education receives numerous grants for various educational activities. Many of the grants are awarded over multiple fiscal years. Unexpended grant funds (unearned revenues) as of June 30, 2010 (per the audit) have not been able to be reconciled to amounts expended during fiscal years ended June 30, 2011 and 2012 and 2013. Grant receivables and unearned grant revenues are not monitored or recorded by the Board of Education, accordingly such amounts, cannot be relied upon as being accurate.

Context – It appears that in previous years, a contracted accountant and/or the auditor had made year-end deferrals which were not recorded on the accounting system. These adjustments were not posted to the books and records of the Town.

Effect – The recording of grant revenue during the fiscal years ended June 30, 2011, 2012 and 2013 may have been in error.

Town of Sprague, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Cause – It appears that in previous years, adequate recordkeeping for grants was not kept.

Recommendation – We recommended that the Business Manager for the Board of Education, in conjunction with the Town's bookkeeper, establish procedures for recording grant revenue which effectively matches grant revenue with the related expenses.

Views of Responsible Officials and Planned Corrective Actions – The Board of Education has hired a new Business Manager who is in the process of cleaning up the fund. Revenues and expenditures for the fiscal year ended June 30, 2014 appear to be correct. It is expected that balance sheet accounts will be corrected by fiscal year end June 30, 2015.

MW-2014-1: Board of Education General Fund

Criteria – The Town has a responsibility to prepare complete, accurate and balanced financial records.

Condition – The Board of Education's accounting records were incomplete, inaccurate and did not balance appropriately.

Effect – The prior year audit had a scope limitation indicating that certain Board of Education funds could not be audited. This could jeopardize the funding or require additional auditing in the future. In addition, the current year Board of Education reports that were filed with the State of Connecticut, were filed with the best information available for the due date and will then need to be amended going forward. These reports are used to calculate approximately three million dollars in funding to the Town.

Cause – Individuals involved in the process did not have appropriate training and experience. Resources were not provided to correct the situation.

Recommendation – We recommend that the Town (including the Board of Education) prepare appropriate job descriptions for the financial positions, provide appropriate oversight, and commit external resources to resolving any issues that cannot be corrected internally.

Views of Responsible Officials and Planned Corrective Actions - The Board of Education has hired a new Business Manager who is in the process of reconciling the 2013-14 financial records and reporting.

Section III - State Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to State financial assistance programs.

Town of Sprague, Connecticut

Federal Single Audit
June 30, 2014

**Report on Compliance For Each Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required
by OMB Circular A-133**

Independent Auditors' Report

**To the Board of Finance
Town of Sprague, Connecticut**

Report on Compliance for Each Major Federal Program

We have audited the Town of Sprague, Connecticut's ("Town") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget's ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Town's compliance for each of the Town's major federal 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal 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 federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of 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 federal 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 federal 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 federal 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2014, and have issued our report thereon dated December 23, 2014, which contained unmodified opinions on these 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 Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 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 financial statement or to the 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 Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

O'Connor Davies, LLP

December 23, 2014

Town of Sprague, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Program
U.S. Department of Agriculture			
Direct Programs			
Community Facilities Loans and Grants	10.770	Not Applicable	\$ 26,902
Pass-Through programs from			
Connecticut State Department of Energy and Environmental Protection			
Cooperative Forestry Assistance	10.580	12060-DEP44165-22052	8,000
Pass-Through programs from:			
Connecticut State Department of Education			
Child Nutrition Cluster			
National School Lunch	10.555	12060-SDE64370-20560	76,190
School Breakfast Program	10.553	12060-SDE64370-20508	21,711
Supplemental Nutrition Assistance Program	10.580	12060-SDE64351-26130	792
Total U.S. Department of Agriculture			133,595
U.S. Department of Transportation			
Pass-Through programs from			
Connecticut Department of Environmental Protection			
Recreational Trails Program	20.219	12060-DEP44321-20296	4,187
Pass-Through programs from:			
Connecticut Department of Transportation			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	12062-DOT57343-22086	2,750
Enhanced Mobility of Seniors and Individuals with Disabilities	20.610	12062-DOT57931-21361	40,000
Highway Planning and Construction	20.205	12062-DOT57191-22108	15,139
Total U.S. Department of Transportation			62,076

(continued)

Town of Sprague, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Program
U.S. Department of Education			
Direct Programs			
Rural Education Achievement Program (REAP)	84.358	Not Applicable	<u>16,328</u>
Pass-Through programs from:			
Connecticut State Department of Education			
Special Education Cluster (IDEA)			
IDEA, Part B, Section 611, Handicapped - Current	84.027	12060-SDE64370-20977	9,910
IDEA, Part B, Section 611, Handicapped - Carryover	84.027	12060-SDE64370-20977	76,466
IDEA, Part B, Section 619, Preschool - Current	84.173	12060-SDE64370-20983	6,092
IDEA, Part B, Section 619, Preschool - Carryover	84.173	12060-SDE64370-20983	<u>720</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>93,188</u>
Title I - Current	84.010	12060-SDE64370-20679	73,932
Title I - Carryover	84.010	12060-SDE64370-20679	30,926
Title II - Part A, Improving Teacher Quality - Carryover	84.367	12060-SDE64370-20858	5,020
Title II - Part A, Improving Teacher Quality (Nonpublic) - Current	84.367	12060-SDE64370-20858	2,545
Title II - Part A, Improving Teacher Quality (Nonpublic) - Carryover	84.367	12060-SDE64370-20858	<u>3,723</u>
Total U.S. Department of Education			<u>225,662</u>
U.S. Department of Homeland Security			
Pass-Through programs from			
Connecticut Department of Public Safety			
Emergency Management Performance Grant	97.042	12060-DPS32160-21881	2,868
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	12060-DPS32990-22520	<u>14,066</u>
Total U.S. Department of Homeland Security			<u>16,934</u>
U.S. Department of Housing and Urban Development			
Pass-Through programs from			
Connecticut Department of Housing			
Community Development Block Grant/State's Program and Non-Entitlement Grants	14.228	12060-DOH46930-20730	<u>467,918</u>
Total Federal Financial Assistance			<u>\$ 906,185</u>

The accompanying notes are an integral part of this schedule

Town of Sprague, Connecticut

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

1. Summary Of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of Federal Awards presents activity of all federal award programs for the year ended June 30, 2014. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

Basis of Accounting

The financial statements for the governmental fund types contained in Town of Sprague, Connecticut's ("Town") 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,

- 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Town of Sprague, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of report issued on compliance for major programs: unmodified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

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

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant/State's Program and Non-Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low risk auditee? yes X no

Section II - Financial Statement Findings:

MW-2013-1: Internal Control Weakness in the Water and Sewer Authority

Criteria – An adequate system of internal controls relies on an adequate segregation of duties. There should be no one person who can control all aspects of a given transaction cycle.

Condition – Presently, 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' reconciles the bank statements and is also a check signer on the account.

Town of Sprague, Connecticut

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Context – Given the size of the water and sewer authority operation and the fact that the bookkeeper is a part-time position, an adequate segregation of duties may not be practical. However, additional internal control procedures should be established to achieve a suitable internal control structure given the size of the water and sewer authority.

Effect – Material errors or irregularities could occur which would not be detected and/or corrected by management in a timely manner.

Recommendation – We recommend that the Town consider implementing additional controls such as having another Town employee reconcile the bank statements; having another Town employee physically make deposits and agreeing the deposit slip to deposit detail as entered into the accounting system. Additional internal control procedures should be considered and/or established to achieve a suitable internal control structure given the size of the Town. It must be noted that there were no errors and/or irregularities noted during our audit and the accounting records for the water and sewer authority were in good condition.

Views of Responsible Officials and Planned Corrective Actions – The Town will take the recommendations under consideration and will discuss possible internal control procedures with the water and sewer authority.

MW-2013-3: Education Grants Fund

Condition - The Board of Education receives numerous grants for various educational activities. Many of the grants are awarded over multiple fiscal years. Unexpended grant funds (unearned revenues) as of June 30, 2010 (per the audit) have not been able to be reconciled to amounts expended during fiscal years ended June 30, 2011 and 2012 and 2013. Grant receivables and unearned grant revenues are not monitored or recorded by the Board of Education, accordingly such amounts, cannot be relied upon as being accurate.

Context – It appears that in previous years a contracted accountant and/or the auditor had made year-end deferrals which were not recorded on the accounting system. These adjustments were not posted to the books and records of the Town.

Effect – The recording of grant revenue during the fiscal years ended June 30, 2011, 2012 and 2013 may have been in error.

Cause – It appears that in previous years, adequate recordkeeping for grants was not kept.

Recommendation – We recommended that the Business Manager for the Board of Education, in conjunction with the Town's bookkeeper, establish procedures for recording grant revenue which effectively matches grant revenue with the related expenses.

Views of Responsible Officials and Planned Corrective Actions – The Board of Education has hired a new Business Manager who is in the process of cleaning up the fund. Revenues and expenditures for the fiscal year ended June 30, 2014 appear to be correct. It is expected that balance sheet accounts will be corrected by fiscal year end June 30, 2015.

Town of Sprague, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

MW-2014-1: Board of Education General Fund

Criteria – The Town has a responsibility to prepare complete, accurate and balanced financial records.

Condition – The Board of Education’s accounting records were incomplete, inaccurate and did not balance appropriately.

Effect – The prior year audit had a scope limitation indicating that certain Board of Education funds could not be audited. This could jeopardize the funding or require additional auditing in the future. In addition, the current year Board of Education reports that were filed with the State of Connecticut were filed with the best information available for the due date and will then need to be amended going forward. These reports are used to calculate approximately three million dollars in funding to the Town.

Cause – Individuals involved in the process did not have appropriate training and experience. Resources were not provided to correct the situation.

Recommendation – We recommend that the Town (including the Board of Education) prepare appropriate job descriptions for the financial positions, provide appropriate oversight, and commit external resources to resolving any issues that cannot be corrected internally.

Views of Responsible Officials and Planned Corrective Actions - The Board of Education has hired a new Business Manager who is in the process of reconciling the 2013-14 financial records and reporting.

Section III - Federal Financial Assistance Findings And Questioned Costs

No findings or questioned cost are reported relating to Federal financial assistance programs.

I. Summary Schedule of Prior Audit Findings

MW-2013-1: Internal Control Weakness in the Water and Sewer Authority

Condition: Presently, 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; reconciles the bank statements and is also a check signer on the account.

Current Status: Repeated as finding number MW-2013-1.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

Town of Sprague, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

MW-2013-2: Reserve Fund for Capital and Nonrecurring Expenditures

Condition: The Reserve Fund for Capital and Nonrecurring Expenditures has numerous capital projects which have not had adequate "Fund Balance" amounts by project since approximately 2007. The tracking of budgeted expenditures, annual appropriations, and actual expenditures has not been something that the Town has kept track of over the past few years.

Current Status: The finding has been corrected.

MW-2013-3: Education Grant Funds

Condition: The Board of Education receives numerous grants for various educational activities. Many of the grants are awarded over multiple fiscal years. Unexpended grant funds (unearned revenues) as of June 30, 2010 (per the audit) have not been able to be reconciled to amounts expended during fiscal years ended June 30, 2011 and 2012 and 2013. Grant receivables and unearned grant revenues are not monitored or recorded by the Board of Education, accordingly such amounts, including the related revenues, cannot be relied upon as being accurate.

Current Status: Repeated as finding number MW-2013-3.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.