

TOWN OF NORTH STONINGTON, CONNECTICUT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
with
SUPPLEMENTAL STATEMENTS AND SCHEDULES
and
INDEPENDENT AUDITOR'S REPORT

Sandra E. Welwood, LLC
Certified Public Accountants

TOWN OF NORTH STONINGTON, CONNECTICUT

TABLE OF CONTENTS

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

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds – Balance Sheet.....	12
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits).....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget and Actual	15
Statement of Fiduciary Net Position.....	16
Statement of Changes in Fiduciary Net Position.....	17
Notes to Financial Statements	18

SUPPLEMENTAL AND COMBINING INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES

GENERAL FUND

Schedule of Revenues - Budget and Actual	36
Schedule of Expenditures - Budget and Actual.....	38

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)	45

FIDUCIARY FUNDS

Pension Trust Funds:	
Combining Statement of Fiduciary Net Position.....	46
Combining Statement of Changes in Fiduciary Net Position.....	47
Agency Funds:	
Combining Statement of Changes in Fiduciary Assets and Liabilities	48

OTHER SCHEDULES

Capital Nonrecurring Fund – Schedule of Changes in Fund Balance	49
Capital Projects Fund – Schedule of Changes in Fund Balance.....	50
LOCIP Funds – Summary of Project Budgets – Cash Basis (Unaudited).....	51
Board of Education – Schedule of Expenditures – Budget and Actual.....	52
Statement of Debt Limitation	53
Report of the Tax Collector	54

Sandra E. Welwood, LLC

sewonlake@aol.com
Website: www.sewelwoodcpa.com
(203) 730-0509 / Fax: (203) 748-3584

Certified Public Accountants
46 Main Street
Danbury, CT 06810

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of North Stonington, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Danbury, Connecticut
October 27, 2014

TOWN OF NORTH STONINGTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2014

Our discussion and analysis of the Town of North Stonington, Connecticut's (the "Town") financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's financial statements, which begin on page 10.

The Town's discussion and analysis is designed to:

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

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$12,893,183 (net position). This is an increase of \$774,369 or 6.4% from the prior fiscal year.
- Government-wide revenues were \$20,923,888 (up 1.7%) and expenses were \$20,149,519 (up 6.9%). On a government-wide basis, revenues exceeded expenses by \$774,369.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$3,313,925, an increase of \$850,517 from the prior fiscal year. This represents the combined balances in the General Fund, Capital Nonrecurring Fund, Capital Projects Fund, Emergency Services Center Fund, and other smaller funds.
- In the General Fund, revenues and net transfers exceeded expenses by \$1,124,862. The total General Fund balance of \$1,916,995 as of June 30, 2014, compares to a balance of \$792,133 in the prior year.
- At the end of the current fiscal year, the Unassigned General Fund balance was \$1,536,513. This represents 8.1% of total General Fund expenditures (on a budgetary basis) in the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position increased by \$774,369 from a year ago. Our analysis below focuses on the net position and changes in net position of the Town.

	<u>2014</u>	<u>Change During Year</u>		<u>2013</u>
		<u>Dollars</u>	<u>Percent</u>	
<u>Assets</u>				
Current and other assets	\$ 5,183,807	\$ 1,388,424	36.6%	\$ 3,795,383
Capital assets	<u>11,319,057</u>	<u>411,932</u>	3.8%	<u>10,907,125</u>
Total assets	<u>16,502,864</u>	<u>1,800,356</u>	12.2%	<u>14,702,508</u>
<u>Liabilities</u>				
Long-term debt outstanding	2,112,548	482,677	29.6%	1,629,871
Other liabilities	<u>1,497,133</u>	<u>543,310</u>	57.0%	<u>953,823</u>
Total liabilities	<u>3,609,681</u>	<u>1,025,987</u>	39.7%	<u>2,583,694</u>
<u>Net Position</u>				
Net investment in capital assets	9,449,335	(845,790)	-8.2%	10,295,125
Restricted – expendable	423,599	175,860	71.0%	247,739
Unrestricted	<u>3,020,249</u>	<u>1,444,299</u>	91.6%	<u>1,575,950</u>
Total net position	<u>\$ 12,893,183</u>	<u>\$ 774,369</u>	6.4%	<u>\$ 12,118,814</u>

Capital Assets increased by \$411,932. Most of the increase was spent on various infrastructure improvements. The increase also includes \$456,755 reduction for current year depreciation expense.

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

The short-term notes (BANS) of \$533,000 were paid off and the final payment of \$540,000 general obligation bond was paid during the year. Short-term notes (BANS) of \$901,222 and general obligation serial notes of \$902,500 were issued to fund various authorized capital projects in the current year. See more details in Notes 7 and 8 to the financial statements.

	2014	Change During Year		2013
		Dollars	Percent	
<u>Revenues</u>				
Program revenues:				
Charges for services	\$ 487,288	\$ 52,058	12.0%	\$ 435,230
Operating grants and contributions	5,445,829	375,948	7.4%	5,069,881
Capital grants and contributions	321,976	(899,072)	-73.6%	1,221,048
General revenues:				
Property taxes	13,509,249	886,717	7.0%	12,622,532
Grants and contributions	1,064,070	(614)	-0.1%	1,064,684
Interest and investment earnings	12,643	(4,311)	-25.4%	16,954
Other	82,833	(65,570)	-44.2%	148,403
Total revenues	<u>20,923,888</u>	<u>345,156</u>	1.7%	<u>20,578,732</u>
<u>Expenses</u>				
General government	1,992,808	44,361	2.3%	1,948,447
Public safety	1,159,950	182,668	18.7%	977,282
Public works	1,983,250	220,393	12.5%	1,762,857
Education	14,985,573	924,808	6.6%	14,060,765
Interest on long-term debt	27,938	(70,726)	-71.7%	98,664
Total expenses	<u>20,149,519</u>	<u>1,301,504</u>	6.9%	<u>18,848,015</u>
Change in net position	<u>\$ 774,369</u>	<u>\$ (956,348)</u>	-55.3%	<u>\$ 1,730,717</u>

The following are the significant changes from the prior year:

- Operating grants revenue increased \$375,948 (7.4%) because of an increase of \$225,044 in the teachers' retirement on behalf payments from \$1,206,293 to \$1,431,337.
- Capital grants revenue decreased \$899,072 (73.6%) because the prior year included nonrecurring FEMA reimbursement grants.
- Education expenses increased \$924,808 (6.6%) primarily from an increase in the current year budget compared to the prior year.

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

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

Governmental Funds The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$3,313,925, an increase of \$850,517 from the prior year.

<u>Ending Fund Balance as of:</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
General Fund	\$ 1,916,995	\$ 792,133	\$ 1,124,862
Capital Nonrecurring Fund	125,787	1,496,167	(1,370,380)
Capital Projects Fund	1,227,717	-	1,227,717
Emergency Services Center	(59,256)	-	(59,256)
Other Funds	<u>102,682</u>	<u>175,108</u>	<u>(72,426)</u>
Total	<u>\$ 3,313,925</u>	<u>\$ 2,463,408</u>	<u>\$ 850,517</u>

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the Unassigned General Fund balance was \$1,536,513. As a measure of the General Fund's liquidity, it is useful to compare Unassigned fund balance to total fund revenues. Unassigned General Fund balance represents 8.1% of total General Fund expenditures (on a budgetary basis) in the current fiscal year. In the prior year, the Unassigned Fund Balance was 2.5% of the total General Fund expenditures (on a budgetary basis).

The Town's total General Fund balance increased by \$1,124,862 or (142.0%) during the current fiscal year primarily for the following reasons:

- \$902,500 reimbursement of prior years' capital expenditures from the transfer of funds from the Capital Projects Fund.
- FEMA reimbursement grant revenue of \$210,000, which was unbudgeted.
- Debt service expenditures were \$335,057 less than the budgeted amount.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Better (Worse) Than Budget</u>
Revenues:			
Property taxes	\$ 13,337,515	\$ 13,514,652	\$ 177,137
Use of Town money	2,200	12,643	10,443
Intergovernmental	4,657,695	4,986,706	329,011
Licenses, fees, fines and charges	152,001	164,623	12,622
Other	<u>367,292</u>	<u>1,323,609</u>	<u>956,317</u>
Total revenues	<u>18,516,703</u>	<u>20,002,233</u>	<u>1,485,530</u>
Expenditures:			
General government	4,549,911	4,479,746	70,165
Debt service	902,995	567,938	335,057
Capital outlay	1,264,921	1,295,349	(30,428)
Education	<u>12,739,602</u>	<u>12,665,837</u>	<u>73,765</u>
Total expenditures	<u>19,457,429</u>	<u>19,008,870</u>	<u>448,559</u>
Decrease in fund balance – budgetary basis	<u>\$ (940,726)</u>	<u>\$ 993,363</u>	<u>\$ 1,934,089</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$11,319,057 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$411,932 from last year. This is primarily due to various infrastructure projects. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the Town had \$902,500 in general obligation notes outstanding. This is an increase of \$362,500 from the \$540,000 general obligation bonds that were outstanding last year. The Town is currently not rated by the rating agencies because all general obligation bonds outstanding have been paid in full. More detailed information about the Town's long-term liabilities is presented in Notes 7 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town had a good fiscal year in 2013-14. The Town's Grand List increased only slightly at 1% but the new budget reflected a 6% decrease in spending and a slight .25 mil increase to add to the Town's unassigned fund balance.

The Town did secure one year and three year short term notes for \$901,222 and \$902,500, respectfully, to pay off the last of our short-term debt and to begin the construction of the new Emergency Services Center that will house the North Stonington Volunteer Fire Company and the North Stonington Ambulance Association. The project was approved in July 2013, for \$6.3 million and at completion will be mortgaged with the USDA for 20 years at a preapproved interest rate of 3.35%.

Moving forward into fiscal year 2014-15, the Town will be hiring a new Economic Development Coordinator to promote economic growth. The Town will also be looking at a school renovation project, keeping spending down, and pressuring the State of Connecticut for additional aid and grants.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of North Stonington, 40 Main Street, North Stonington, CT 06359.

TOWN OF NORTH STONINGTON, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2014**

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 3,901,587
Receivables:	
Taxes and interest, net of allowance of \$225,248	456,139
Intergovernmental	611,273
Other	51,236
Prepaid expenses	49,153
Due from fiduciary funds	111,095
Inventory	3,324
Noncurrent assets:	
Capital assets:	
Not being depreciated	953,240
Being depreciated, net of accumulated depreciation	10,365,817
	<hr/>
Total assets	\$ 16,502,864
	<hr/>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 467,036
Accrued expenses	59,703
Amounts held for others	69,172
Bond anticipation note	901,222
Noncurrent liabilities:	
Due within one year	396,693
Due in more than one year	1,715,855
	<hr/>
Total liabilities	3,609,681
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	9,449,335
Restricted:	
Expendable	423,599
Unrestricted	3,020,249
	<hr/>
Total net position	12,893,183
	<hr/>
Total liabilities and net position	\$ 16,502,864
	<hr/>

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

TOWN OF NORTH STONINGTON, CONNECTICUT

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

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
			Operating	Capital	
		Charges For	Grants and	Grants and	
		Services	Contributions	Contributions	Governmental
	Expenses				Activities
Governmental Activities:					
General government	\$ (1,992,808)	\$ 297,102	\$ 4,000	\$ -	\$ (1,691,706)
Public safety	(1,159,950)	-	70,410	-	(1,089,540)
Public works	(1,983,250)	-	239,543	321,976	(1,421,731)
Education	(14,985,573)	190,186	5,131,876	-	(9,663,511)
Interest on long-term debt	(27,938)	-	-	-	(27,938)
Total governmental activities	<u>\$ (20,149,519)</u>	<u>\$ 487,288</u>	<u>\$ 5,445,829</u>	<u>\$ 321,976</u>	<u>(13,894,426)</u>
General Revenues:					
Property taxes, interest, and lien fees					13,509,249
Grants and contributions not restricted to specific programs					1,064,070
Interest and investment earnings					12,643
Other					82,833
Total general revenues					<u>14,668,795</u>
Change in net position					774,369
Net position, beginning of year					<u>12,118,814</u>
Net position, end of year					<u>\$ 12,893,183</u>

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

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	General Fund	Capital Nonrecurring Fund	Capital Projects Fund	Emergency Services Center	Other Funds	Total Governmental Funds
<u>Assets</u>						
Cash and cash equivalents	\$ 3,129,638	\$ 88,632	\$ -	\$ 652,199	\$ 31,118	\$ 3,901,587
Receivables:						
Taxes and interest, net of allowance of \$225,248	456,139	-	-	-	-	456,139
Intergovernmental	544,861	-	-	-	66,412	611,273
Other	51,236	-	-	-	-	51,236
Prepaid expenses	49,153	-	-	-	-	49,153
Due from agency funds	70,617	37,155	1,396,162	-	48,143	1,552,077
Due from fiduciary funds	65,471	-	-	-	45,624	111,095
Inventory	-	-	-	-	3,324	3,324
Total assets	\$ 4,367,115	\$ 125,787	\$ 1,396,162	\$ 652,199	\$ 194,621	\$ 6,735,884
<u>Liabilities</u>						
Accounts payable	\$ 467,036	\$ -	\$ -	\$ -	\$ -	\$ 467,036
Accrued expenses	59,703	-	-	-	-	59,703
Amounts held for others	69,172	-	-	-	-	69,172
Bond anticipation notes	-	-	168,445	700,000	32,777	901,222
Due to other funds	1,481,460	-	-	11,455	59,162	1,552,077
Total liabilities	2,077,371	-	168,445	711,455	91,939	3,049,210
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - taxes	372,749	-	-	-	-	372,749
<u>Fund Balances</u>						
Nonspendable	49,153	-	-	-	3,324	52,477
Restricted	-	30,079	346,904	-	46,616	423,599
Committed	-	95,708	880,813	-	29,428	1,005,949
Assigned	331,329	-	-	-	29,249	360,578
Unassigned	1,536,513	-	-	(59,256)	(5,935)	1,471,322
Total fund balances	1,916,995	125,787	1,227,717	(59,256)	102,682	3,313,925
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,367,115	\$ 125,787	\$ 1,396,162	\$ 652,199	\$ 194,621	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,319,057
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	372,749
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation serial note	(902,500)
Compensated absences and pension benefits	(1,144,048)
Landfill costs	(66,000)
Net position	\$ 12,893,183

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

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	General Fund	Capital Nonrecurring Fund	Capital Projects Fund	Emergency Services Center	Other Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 13,514,652	\$ -	\$ -	\$ -	\$ -	\$ 13,514,652
Intergovernmental	6,418,043	-	-	-	432,538	6,850,581
Local	425,735	-	-	-	138,323	564,058
Total revenues	<u>20,358,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,861</u>	<u>20,929,291</u>
Expenditures:						
Current:						
General government	1,730,557	-	-	-	48,110	1,778,667
Public safety	906,416	-	-	59,256	-	965,672
Public works	1,695,586	-	-	-	-	1,695,586
Education	14,097,174	-	-	-	596,502	14,693,676
Capital outlay	8,918	122,187	1,148,630	-	-	1,279,735
Debt service	567,938	-	-	-	-	567,938
Total expenditures	<u>19,006,589</u>	<u>122,187</u>	<u>1,148,630</u>	<u>59,256</u>	<u>644,612</u>	<u>20,981,274</u>
Excess of revenues over (under) expenditures	<u>1,351,841</u>	<u>(122,187)</u>	<u>(1,148,630)</u>	<u>(59,256)</u>	<u>(73,751)</u>	<u>(51,983)</u>
Other Financing Sources (Uses):						
Proceeds from issuance of note	-	-	902,500	-	-	902,500
Transfers in	1,075,140	145,573	2,548,987	-	1,325	3,771,025
Transfers out	(1,302,119)	(1,393,766)	(1,075,140)	-	-	(3,771,025)
Total other financing sources (uses)	<u>(226,979)</u>	<u>(1,248,193)</u>	<u>2,376,347</u>	<u>-</u>	<u>1,325</u>	<u>902,500</u>
Net change in fund balances	<u>1,124,862</u>	<u>(1,370,380)</u>	<u>1,227,717</u>	<u>(59,256)</u>	<u>(72,426)</u>	<u>850,517</u>
Fund balances (deficits), beginning of year	<u>792,133</u>	<u>1,496,167</u>	<u>-</u>	<u>-</u>	<u>175,108</u>	<u>2,463,408</u>
Fund balances (deficits), end of year	<u>\$ 1,916,995</u>	<u>\$ 125,787</u>	<u>\$ 1,227,717</u>	<u>\$ (59,256)</u>	<u>\$ 102,682</u>	<u>\$ 3,313,925</u>

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

TOWN OF NORTH STONINGTON, CONNECTICUT

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

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

Net change in fund balances - total governmental funds	\$ 850,517
---	-------------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays treated as expenditures	868,687
Depreciation expense not considered in the fund statements	(456,755)
	411,932

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

Debt issued or incurred:	
Issuance of general obligation serial note	(902,500)
Principal repayments or refinanced:	
General obligation bonds	540,000
Post-closure landfill costs	6,000
	(356,500)

Revenues from taxes and assessments are reported as income in the year revenues provide current financial resources to governmental funds:

Revenues:	
Taxes, interest and liens	(5,403)
Expenses:	
Compensated absences and other post-employment benefits payable	(126,177)
	(131,580)

Change in net position	\$ 774,369
-------------------------------	-------------------

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

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes, interest and lien fees	\$ 13,337,515	\$ 13,337,515	\$ 13,514,652	\$ 177,137
Use of Town money	2,200	2,200	12,643	10,443
Intergovernmental	4,657,695	4,657,695	4,986,706	329,011
Licenses, fees, fines and charges	152,001	152,001	164,623	12,622
Other	194,653	367,292	1,323,609	956,317
Total revenues	<u>18,344,064</u>	<u>18,516,703</u>	<u>20,002,233</u>	<u>1,485,530</u>
Expenditures:				
Current:				
General government	163,441	171,013	168,364	2,649
Probate Court	1,794	1,794	1,794	-
Board of Finance	15,500	16,153	16,153	-
Assessor's Office	117,860	119,163	119,164	(1)
Board of Tax Review / Assessment Appeals	1,500	1,254	985	269
Tax Collector	53,641	52,891	52,574	317
Town Treasurer	6,432	6,561	6,559	2
Town Attorney	50,000	64,000	63,482	518
Annexation related	14,000	43,100	43,058	42
Town Clerk	69,478	57,593	61,420	(3,827)
Planning and Zoning Commission	118,301	119,194	111,051	8,143
Building Department	30,350	30,912	29,784	1,128
Zoning Board of Appeals	1,500	1,500	1,317	183
School Building and Planning Committee	200	200	47	153
Economic Development Commission	6,272	6,272	3,460	2,812
Recreation Commission	100,674	101,107	95,023	6,084
Inland Wetlands Commission	7,572	7,704	7,152	552
Conservation Commission	800	800	119	681
Water Pollution Control Authority	3	3	-	3
Fixed charges	768,148	718,005	718,005	-
Elections and Town Meetings	31,446	31,640	29,318	2,322
Town Hall	75,000	70,000	66,680	3,320
Social Services / Welfare	40,400	39,086	36,777	2,309
Selectmen's Engineering Service	5,001	5,001	2,123	2,878
Information Technology	61,618	61,984	59,522	2,462
Public safety	824,874	909,296	906,385	2,911
Public works	1,800,372	1,789,014	1,765,214	23,800
Conservation of Health	32,506	32,917	26,903	6,014
Senior Citizens	57,268	57,889	53,448	4,441
Miscellaneous	32,551	33,865	33,865	-
Education	12,696,002	12,739,602	12,665,837	73,765
Capital outlay	1,228,875	1,264,921	1,295,349	(30,428)
Debt service	902,995	902,995	567,938	335,057
Total expenditures	<u>19,316,374</u>	<u>19,457,429</u>	<u>19,008,870</u>	<u>448,559</u>
Net change in fund balance	<u>\$ (972,310)</u>	<u>\$ (940,726)</u>	993,363	<u>\$ 1,934,089</u>
Fund balance, beginning of year			<u>592,303</u>	
Fund balance, end of year			<u>\$ 1,585,666</u>	

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

TOWN OF NORTH STONINGTON, CONNECTICUT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	Pension Trust Funds	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ -	\$ 199,873
Investments	2,908,119	70,049
Other receivables	85,300	-
	<hr/>	<hr/>
Total assets	2,993,419	269,922
	<hr/>	<hr/>
<u>Liabilities</u>		
Due to students and developers	-	158,827
Due to governmental funds	-	111,095
	<hr/>	<hr/>
Total liabilities	-	269,922
	<hr/>	<hr/>
Net position held in trust for pension benefits	<u>\$ 2,993,419</u>	<u>\$ -</u>

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

TOWN OF NORTH STONINGTON, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2014

	Pension Trust Funds
Additions:	
Employer contributions	\$ 247,885
Investment earnings	<u>155,565</u>
Total additions	<u>403,450</u>
Deductions:	
Distributions	<u>66,371</u>
Total deductions	<u>66,371</u>
Change in net position	337,079
Net position, beginning of year	<u>2,656,340</u>
Net position, end of year	<u><u>\$ 2,993,419</u></u>

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

TOWN OF NORTH STONINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include: 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criterion provided by the Government Accounting Standards Board has been considered, and there are no agencies or entities which should be presented with the government.

Government-Wide and Fund Financial Statements

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

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

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

Governmental Funds

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

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

Capital Project Funds - account for financial resources used for the acquisition or construction of capital facilities for capital projects anticipated to last more than one year.

Fiduciary Funds

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

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

The **Capital Projects Fund** is used to account for proceeds of bond anticipation notes and general obligation notes used for authorized projects such as acquisition and construction of capital facilities or major repair activities.

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

The **Emergency Services Center Fund** is used to account for proceeds of bond anticipation notes used for the authorized Emergency Services Center major project.

Additionally, the Town reports the following funds:

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

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

Cash, Cash Equivalents, and Investments

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

Custodial credit risk 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. In general for most of the funds, this includes deposits in allowable banks, obligations of the United States of America, and obligations of any State or political subdivision, which is tax exempt. Certain fiduciary funds are allowed more flexibility in investing.

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

Interest rate risk 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.

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.

Receivables

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

Under Connecticut State Statutes, 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 15 years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due. The Town establishes allowances for uncollectible taxes and interest based on historical collection experience and other factors. As of June 30, 2014, the Town has established an allowance for uncollectible taxes and interest of \$225,248.

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Interfund Transactions

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

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

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of three 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

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

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

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Building and improvements	75	\$ 10,000
Trucks	20	10,000
Equipment and furniture	20	2,000
Electronic equipment	4	2,000
Infrastructure:		
Bridges	75	50,000
Sidewalks	50	10,000
Stone bridge/culverts	50	25,000

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the town has a policy to pay any amounts when employees separate from service with the Town. All vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and/or retirements.

Long-Term Obligations

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

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

Encumbrances

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

Fund Equity and Net Position

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

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

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

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

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

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

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

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

Assigned – Amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the General Fund. Assigned fund balances should not be reported in the General Fund if doing so causes the government to report a negative unassigned General Fund balance.

Unassigned – This is the residual classification for the General Fund (i.e., everything that is not in another classification or in another fund). The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Estimates

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

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Note 2 – Budgets and Budgetary Accounting

Budgetary Basis

A formal, legally approved, annual budget is adopted for the General Fund. 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 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.

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

	<u>Fund Balance</u> <u>Beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Uses</u>	<u>Fund Balance</u> <u>Ending</u>
GAAP basis	\$ 792,133	\$ 20,358,430	\$ (19,006,589)	\$ (226,979)	\$ 1,916,995
Encumbrances:					
June 30, 2013	(199,830)	-	199,830	-	-
June 30, 2014	-	-	(331,329)	-	(331,329)
Reclassifications	-	1,075,140	(1,302,119)	226,979	-
Teachers' retirement system on behalf payments	<u>-</u>	<u>(1,431,337)</u>	<u>1,431,337</u>	<u>-</u>	<u>-</u>
Budgetary basis	<u>\$ 592,303</u>	<u>\$ 20,002,233</u>	<u>\$ (19,008,870)</u>	<u>\$ -</u>	<u>\$ 1,585,666</u>

Budget Calendar

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

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

Town of North Stonington, Connecticut
Notes to Financial Statements (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.

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 for education expenditures, which are, by Connecticut State Statutes, appropriated as one department.

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

Note 3 – Deposits and Investments

Cash and Cash Equivalents

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

Governmental funds	\$ 3,901,587
Agency funds	<u>199,873</u>
Total cash and cash equivalents	<u>\$ 4,101,460</u>

Custodial Credit Risk on Deposits

The bank balance of the deposits was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 736,350
Uninsured and collateralized	3,909,358
Uninsured and uncollateralized	<u>181,234</u>
Total Deposits	<u>\$ 4,826,942</u>

Investments

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

	Agency Funds
Equity mutual funds	\$ 2,908,119
Certificates of deposit	<u>70,049</u>
	<u>\$ 2,978,168</u>

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

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

<u>Types of Investment</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Investment Maturity Less Than 1 Year</u>
Equity mutual funds	\$ 2,908,119	\$ 2,908,119	\$ -
Certificates of deposit	<u>70,049</u>	<u>-</u>	<u>70,049</u>
	<u>\$ 2,978,168</u>	<u>\$ 2,908,119</u>	<u>\$ 70,049</u>

Note 4 - Operating Lease

The Town is the lessor in a non-concealable operating lease of a restaurant building. The original cost of the asset was \$118,500 and as of June 30, 2014, accumulated depreciation was \$9,085. The lease term started on May 1, 2011, and ends on June 30, 2020, with the option to renew for three additional ten-year terms. Minimum future rental payments to be received are as follows:

<u>Year Ending</u>	<u>Future Rental Payments</u>
2015	\$ 19,800
2016	19,800
2017	22,800
2018	22,800
2019-2020	<u>49,788</u>
Total	<u>\$ 134,988</u>

Note 5 - Capital Assets

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

General government	\$ 49,611
Public works	119,237
Public safety	79,844
Education	<u>208,063</u>
Total depreciation expense	<u>\$ 456,755</u>

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Capital asset activity for the year was as follows:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014
Capital assets not being depreciated:				
Land	\$ 953,240	\$ -	\$ -	\$ 953,240
	<u>953,240</u>	<u>-</u>	<u>-</u>	<u>953,240</u>
Capital assets being depreciated:				
Buildings and improvement	12,689,785	331,484	-	13,021,269
Furniture and equipment	5,829,810	282,118	125,389	5,986,539
Infrastructure	<u>2,235,202</u>	<u>258,118</u>	<u>-</u>	<u>2,493,320</u>
	<u>20,754,797</u>	<u>871,720</u>	<u>125,389</u>	<u>21,501,128</u>
Accumulated depreciation	<u>(10,800,912)</u>	<u>(456,755)</u>	<u>(122,356)</u>	<u>(11,135,311)</u>
Capital assets, net	<u>\$ 10,907,125</u>	<u>\$ 414,965</u>	<u>\$ 3,033</u>	<u>\$ 11,319,057</u>

Note 6 – Interfund Transfers

Interfund transfers are generally used to transfer monies raised in taxes to other funds. During the year, transfers from the General Fund to the Capital Nonrecurring Fund and Capital Projects Fund were made to finance several projects. In addition, excess fund balance in the Capital Nonrecurring Fund was transferred to the General Fund.

	Transfers in:				
	General Fund	Capital Nonrecurring Fund	Capital Projects Fund	Other Funds	Total
Transfer out:					
General Fund	\$ -	\$ 145,573	\$ 1,155,221	\$ 1,325	\$ 1,302,119
Capital Nonrecurring Fund	-	-	1,393,766	-	1,393,766
Capital Projects Fund	<u>1,075,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075,140</u>
	<u>\$ 1,075,140</u>	<u>\$ 145,573</u>	<u>\$ 2,548,987</u>	<u>\$ 1,325</u>	<u>\$ 3,771,025</u>

Note 7 – Bond Anticipations Notes

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

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

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital Projects	\$ 533,000	\$ 901,222	\$ 533,000	\$ 901,222

At June 30, 2014, there was a bond anticipation note of \$901,222 outstanding with a maturity date of January 20, 2015, bearing an interest rate of 1.350%.

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Note 8 - Long-Term Obligations

Changes In Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds:					
School construction	\$ 540,000	\$ -	\$ 540,000	\$ -	\$ -
General obligation serial note	-	902,500	-	902,500	302,500
Compensated absences	151,759	-	24,297	127,462	-
Post closure landfill costs	72,000	-	6,000	66,000	6,000
Net OPEB obligation	<u>866,112</u>	<u>238,667</u>	<u>88,193</u>	<u>1,016,586</u>	<u>88,193</u>
	<u>\$ 1,629,871</u>	<u>\$ 1,141,167</u>	<u>\$ 658,490</u>	<u>\$ 2,112,548</u>	<u>\$ 396,693</u>

General Obligation Serial Note

The general obligation serial note currently outstanding is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Matures in Year Ending</u>	<u>Interest Rate</u>	<u>June 30, 2014 Amount</u>
Transportation/Public Safety/Sewage	\$ 902,500	2017	1.49%	\$ 901,500

Annual debt service requirements to maturity is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 302,500	\$ 13,447
2016	300,000	8,940
2017	<u>300,000</u>	<u>4,470</u>
	<u>\$ 902,500</u>	<u>\$ 26,857</u>

Statutory Debt Limitation

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

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Post Closure Landfill Costs

The Town has a closed landfill. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for 30 years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in long-term obligations. The actual costs may vary based on actual events, inflation, changes in technology, and applicable laws and regulations. During the year, there were no actual costs incurred.

Note 9 – Net Position and Fund Balances

Restricted Net Position

Restrictions on net position at year end are summarized as follows:

	<u>Expendable</u>
Sewer study (STEAP grant)	\$ 163,000
Water study (STEAP grant)	183,904
Town Clerk document restoration	11,329
LOCIP capital improvements	18,750
Scholarships	<u>46,616</u>
	<u>\$ 423,599</u>

Fund Balances

Nonspendable Fund Balance is summarized as follows:

	<u>General Fund</u>	<u>Other Funds</u>
Prepaid expenses	\$ 49,153	\$ -
Inventory	<u>-</u>	<u>3,324</u>
	<u>\$ 49,153</u>	<u>\$ 3,324</u>

Restricted Fund Balance is summarized as follows:

	<u>Capital Nonrecurring Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>
Sewer study (STEAP grant)	\$ -	\$ 163,000	\$ -
Water study (STEAP grant)	-	183,904	-
Town Clerk document restoration	11,329	-	-
LOCIP capital improvements	18,750	-	-
Scholarships	<u>-</u>	<u>-</u>	<u>46,616</u>
	<u>\$ 30,079</u>	<u>\$ 346,904</u>	<u>\$ 46,616</u>

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Committed Fund Balance is summarized as follows:

	Capital Nonrecurring Fund	Capital Projects Fund
Future capital projects	\$ -	\$ 880,813
Special projects	<u>95,708</u>	<u>-</u>
	<u>\$ 95,708</u>	<u>\$ 880,813</u>

Assigned Fund Balance is summarized as follows:

	General Fund	Other Funds
Educational purposes	\$ -	\$ 29,249
General government purposes	<u>331,329</u>	<u>-</u>
	<u>\$ 331,329</u>	<u>\$ 29,249</u>

Note 10 – Employee Retirement Plans

The Town maintains three defined contribution plans. The plans are required to be reported as pension trust funds in the financial statements. The pension funds can be changed based on a change in Town policy and the agreement of the collective bargaining units.

Board of Education Pension Plans

Plan #2119

Eligibility in the plan is limited to secretaries, custodians, and the cafeteria administrator all of whom must have completed one-half year of service and have attained the age of twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes an amount equal to 10% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2014, the Town contributed \$25,425 to the plan. The plan is administered by National Retirement Services, Inc.

Plan #30027

Eligibility in the Board of Education CNBU Money Purchase plan is limited to those employees of the Board of Education who are not participants in the Board of Education Pension Plan above. All participants must have completed six months of service and must have attained age twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes 14% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2014, the Town contributed \$59,677 to the plan. The plan is administered by National Retirement Services, Inc.

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

General Government Pension Plan

Eligibility in the plan is limited to the Town Clerk, Tax Collector, members of the United Steelworkers of America (USWA), Municipal Employees Union Independent (MEUI), and Salaried Employees of North America (a division of the USWA) who have completed one year of service. Participants may voluntarily contribute to the plan. The Town's funding policy is as follows:

Municipal Employee Union Independent	7.5% of annual compensation
United Steelworkers of America	8.75% of annual compensation
All other participants employed before 12/01/96	10% of annual compensation
All other participants employed on or after 12/01/96	4% of annual compensation

For the year ended June 30, 2014, the Town contributed \$162,783 to the plan all of which is allocated to the participants' individual retirement. The plan is administered by the Town.

Teachers' Retirement System

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

Covered Employees

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

Vesting Requirements

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

Pension Contribution Requirements/Amounts by State

The pension contributions made by the State to the plan are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z. For the fiscal year ended June 30, 2014, approximately \$1,431,337 was expended by the State on behalf of the Town to meet the State's funding requirements. The results of the State's actuarial valuation did not contain information, which would show the development of the State's actuarial cost by local districts. The State's appropriation represented 24.79% of the total estimated payroll.

Participants are required to contribute 7.25% of their annual salary rate to the system as required by CGS Section 10-183b (7). For the 2013/2014 school year, \$418,604 mandatory contributions were deducted from the salaries of teachers who were participants of the plan during that school year. The estimated covered payroll for the Town is \$5,773,848.

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Note 11 – 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 four prior years.

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

Note 12 – Contingent Liabilities and Commitments

Grants

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

Various Lawsuits

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

Note 13 – Other Post Employment Benefits (OPEB)

Plan Description

The North Stonington Public Schools Other Post Employment Benefit Program is a single-employer defined benefit plan administered by the Town of North Stonington, Connecticut, in accordance with various collective bargaining agreements. The plan does not issue separate financial statements.

Eligibility	Teachers and Administrators – A teacher or administrator retiring under the Connecticut State Teachers' Retirement System shall be eligible to receive health benefits for self and spouse. Normal retirement for teachers and administrators is the earlier of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earlier of age 60 with 10 years of service, any age with 25 years of service.
	All Others – A member retiring at age 55 years or older shall be eligible to continue health insurance coverage for self and spouse. Coverage is pre-65 only.

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Medical and Dental Benefits:	Teachers and Administrators – Employees and their spouses are eligible to continue medical and dental coverage upon retirement by paying the full cost of the applicable premium. Teachers and administrators eligible to participate in Medicare are allowed to continue coverage until age 65. Teachers and administrators hired prior to April 1, 1986, who are not eligible to participate in Medicare are allowed to continue coverage for their life and the life of their spouse.
Life Insurance:	Administrators receive \$50,000 from retirement until age 65 paid for by the Town.

Actuarial Assumptions and Methods

Latest Actuarial Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.00%
Payroll Growth Rate	4.50%
Medical Inflation	Initial rate of 8.5% grading down to an ultimate inflation rate of 5% over a 10 year period.
Amortization Method	Open, level percentage of projected payroll over 30 years.
Mortality Table	RP-2000 Health Mortality Table projected generationally with Scale AA.
Disability Rates	None assumed.
Turnover	Teachers and Administrators – rates based on gender and length of service for the first 10 years and gender and age thereafter. All others – rates based on age.
Retirement	Teachers and Administrators – rates based on age, eligibility for pension benefits, and gender. All others – 5% at age 55 with 10 years of service as a base and increasing thereafter.
Future Retiree Coverage	Teachers and Administrators – 9% are assumed to elect coverage at retirement.
Future Dependent Coverage	All others – 10% are assumed to elect coverage at retirement. Male 50%; Female 30% with female spouses assumed to be 3 years younger than males.

Schedule of Funding Progress

There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust.

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Schedule of Employer Contributions

The schedule of employer contributions is as follows:

Schedule of Employer Contributions			
Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 232,007	\$ 88,193	38.01%
2013	232,007	69,425	29.92%
2012	149,030	189,390	127.08%
2011	421,030	155,575	36.95%
2010	385,000	189,000	49.09%
2009	273,000	137,000	50.18%

Annual Required Contribution (ARC)

The Annual Required Contribution (ARC) for the OPEB plan consists of two pieces:

Past Service Cost (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting on July 1, 2007. The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution.

Normal Cost is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year).

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The annual calculation of Annual Required Cost (ARC) is as follows:

Past Service Cost	\$ 147,206
Normal Cost	75,878
Interest	<u>8,923</u>
Annual Required Contribution (ARC)	<u>\$ 232,007</u>

Town of North Stonington, Connecticut
Notes to Financial Statements (continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 232,007
Interest on net OPEB obligation	34,644
Adjustment to annual required contribution	<u>(27,984)</u>
Annual OPEB cost (AOC)	238,667
Contributions made	<u>(88,193)</u>
Increase in net OPEB obligation	150,474
Net OPEB obligation, beginning of year	<u>866,112</u>
Net OPEB obligation, end of year	<u>\$ 1,016,586</u>

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 238,667	\$ 88,193	37.0%	\$1,016,586
6/30/13	237,375	69,425	29.0%	866,112
6/30/12	152,590	189,390	124.0%	698,162
6/30/11	422,537	155,575	37.0%	734,962

Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Note 14 – Recently Issued Accounting Standards

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures, and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014, and early adoption is permitted. Management is currently evaluating the effect implementation of this standard will have on its financial statements.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Revenues:					
Property taxes, interest and lien fees:					
General property taxes - current	\$ 13,017,515	\$ -	\$ 13,017,515	\$ 13,188,940	\$ 171,425
General property taxes - past	150,000	-	150,000	209,537	59,537
Supplemental motor vehicles	85,000	-	85,000	-	(85,000)
Interest and lien fees	85,000	-	85,000	116,175	31,175
	13,337,515	-	13,337,515	13,514,652	177,137
Use of Town money	2,200	-	2,200	12,643	10,443
Intergovernmental:					
Education cost sharing	2,929,194	-	2,929,194	2,906,538	(22,656)
Casino revenue	864,294	-	864,294	885,206	20,912
School bond - principal reimbursement	317,643	-	317,643	317,893	250
State aid for town road	239,869	-	239,869	239,543	(326)
Local and vocational transportation	1	-	1	43,657	43,656
Excess special education	2	-	2	9,233	9,231
Local capital improvement program	48,664	-	48,664	-	(48,664)
Police reimbursement	45,000	-	45,000	70,410	25,410
School bond - interest reimbursement	11,931	-	11,931	11,931	-
Telecommunications revenue share	14,000	-	14,000	49,043	35,043
PILOT program reimbursement	-	-	-	20,445	20,445
Elderly exemption reimbursement	30,000	-	30,000	38,720	8,720
Magnet school transportation	1	-	1	18,200	18,199
Regional adult education	6,169	-	6,169	6,316	147
Veterans exemption reimbursement	5,800	-	5,800	7,832	2,032
Records preservation	4,000	-	4,000	4,000	-
Non-public nurse reimbursement	-	-	-	3,816	3,816
Disabled exemption reimbursement	425	-	425	474	49
Tuition reimbursement	28,700	-	28,700	31,473	2,773
STEAP	1	-	1	-	(1)
FEMA storm reimbursement	-	-	-	210,000	210,000
Boombridge road	112,000	-	112,000	111,976	(24)
Other	1	-	1	-	(1)
	4,657,695	-	4,657,695	4,986,706	329,011
Licenses, fees, fines and charges:					
Licenses, permits, conveyance taxes	76,000	-	76,000	81,170	5,170
Recreation Commission	48,000	-	48,000	48,076	76
Building official	25,000	-	25,000	31,027	6,027
Town Clerk LOCIP	1	-	1	2,634	2,633
Town Clerk restoration fees	2,500	-	2,500	946	(1,554)
Sanitation	500	-	500	770	270
	152,001	-	152,001	164,623	12,622

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Other:					
Contractor's tipping fees	\$ 104,400	\$ -	\$ 104,400	\$ 100,253	\$ (4,147)
Transfer stickers	1	-	1	-	(1)
Rent Hewitt Property	41,292	-	41,292	41,216	(76)
Sale of town vehicles	1	-	1	6,500	6,499
Bulk waste fees	1	-	1	-	(1)
Sanitary landfill - sale of recyclables	18,000	-	18,000	23,898	5,898
SCRRRA subsidy	10,750	-	10,750	9,390	(1,360)
Miscellaneous	15,000	-	15,000	32,331	17,331
Zoning Enforcement Officer	2,200	-	2,200	3,038	838
Town engineering - road inspection	1	-	1	-	(1)
Planning and Zoning	1,500	-	1,500	2,696	1,196
Inland Wetlands	750	-	750	926	176
Assessor's Office	650	-	650	14,264	13,614
GIS services	50	-	50	-	(50)
Conservation Commission	1	-	1	-	(1)
Canine account	50	-	50	2,455	2,405
Fire Marshall	1	-	1	-	(1)
Cemetery reimbursement	1	-	1	-	(1)
Sale of fixed assets	1	-	1	2,000	1,999
Transfer in deobligated capital projects	-	172,639	172,639	172,640	1
Insurance reimbursement	1	-	1	1,598	1,597
CIRMA credits	1	-	1	7,904	7,903
Special revenue grants	1	-	1	-	(1)
Reimbursment of capital expenses	-	-	-	902,500	902,500
	194,653	172,639	367,292	1,323,609	956,317
Total revenues	\$ 18,344,064	\$ 172,639	\$ 18,516,703	\$ 20,002,233	\$ 1,485,530

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
General Government:					
Salaries:					
First Selectman	\$ 54,497	\$ -	\$ 54,497	\$ 54,707	\$ (210)
Second Selectman	2,497	-	2,497	2,497	-
Third Selectman	2,497	-	2,497	2,497	-
Secretary	49,356	2,987	52,343	51,635	708
Bookkeeper	44,356	444	44,800	45,093	(293)
Boards of Commissions clerical	250	-	250	-	250
Selectmen's expenditures	2,500	4,141	6,641	5,643	998
Office expenditures	2,000	-	2,000	1,032	968
Council of Small Towns	825	-	825	825	-
Certifications/seminars	250	-	250	125	125
SE CT Council of Governments	2,913	-	2,913	2,913	-
Auditing and accounting/consulting	1,500	-	1,500	1,397	103
	<u>163,441</u>	<u>7,572</u>	<u>171,013</u>	<u>168,364</u>	<u>2,649</u>
Probate Court	<u>1,794</u>	<u>-</u>	<u>1,794</u>	<u>1,794</u>	<u>-</u>
Board of Finance:					
Operating expenditures	500	-	500	403	97
Auditing	15,000	653	15,653	15,750	(97)
	<u>15,500</u>	<u>653</u>	<u>16,153</u>	<u>16,153</u>	<u>-</u>
Assessor's Office:					
Salaries:					
Assessor	62,719	627	63,346	63,596	(250)
Assessor assistant	42,966	430	43,396	43,551	(155)
Office expenditures	2,000	-	2,000	1,593	407
Seminars	300	-	300	365	(65)
Computer	9,575	246	9,821	9,825	(4)
Travel expenditures	300	-	300	234	66
	<u>117,860</u>	<u>1,303</u>	<u>119,163</u>	<u>119,164</u>	<u>(1)</u>
Board of Tax Review	<u>1,500</u>	<u>(246)</u>	<u>1,254</u>	<u>985</u>	<u>269</u>
Tax Collector:					
Salaries:					
Tax Collector	32,296	323	32,619	34,137	(1,518)
Clerical	4,305	(1,073)	3,232	1,001	2,231
Office expenditures	8,315	-	8,315	8,811	(496)
Computer	8,575	-	8,575	8,625	(50)
Travel expenditures	150	-	150	-	150
	<u>53,641</u>	<u>(750)</u>	<u>52,891</u>	<u>52,574</u>	<u>317</u>
Town Treasurer:					
Salary	6,430	129	6,559	6,559	-
Office expenditures	1	-	1	-	1
Travel expenditures	1	-	1	-	1
	<u>6,432</u>	<u>129</u>	<u>6,561</u>	<u>6,559</u>	<u>2</u>
Town Attorney	<u>50,000</u>	<u>14,000</u>	<u>64,000</u>	<u>63,482</u>	<u>518</u>
Annexation Related:					
Annexation related	2,000	-	2,000	1,962	38
Tribal recognition	12,000	29,100	41,100	41,096	4
	<u>14,000</u>	<u>29,100</u>	<u>43,100</u>	<u>43,058</u>	<u>42</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Town Clerk:					
Salaries:					
Town Clerk	\$ 42,876	\$ 858	\$ 43,734	\$ 43,902	\$ (168)
Assistant	12,915	(12,743)	172	-	172
Office expenditures	5,000	-	5,000	8,336	(3,336)
Land records	8,687	-	8,687	9,182	(495)
	<u>69,478</u>	<u>(11,885)</u>	<u>57,593</u>	<u>61,420</u>	<u>(3,827)</u>
Planning and Zoning Commission:					
Salaries:					
Zoning Officer	53,580	536	54,116	54,323	(207)
Assistant	35,720	357	36,077	35,598	479
Operating expenditures	6,250	-	6,250	3,418	2,832
Travel expenditures	750	-	750	620	130
Attorney	20,000	(3,650)	16,350	10,082	6,268
Contracted consulting services	2,001	3,650	5,651	7,010	(1,359)
	<u>118,301</u>	<u>893</u>	<u>119,194</u>	<u>111,051</u>	<u>8,143</u>
Building Department:					
Salaries:					
Building Official	28,100	562	28,662	28,773	(111)
Operating expenditures	750	-	750	654	96
Travel expenditures	1,500	-	1,500	357	1,143
	<u>30,350</u>	<u>562</u>	<u>30,912</u>	<u>29,784</u>	<u>1,128</u>
Zoning Board of Appeals	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>1,317</u>	<u>183</u>
School Building and Planning Committee:					
Permanent School Building					
Committee	100	-	100	47	53
Ad Hoc School Building					
Committee	100	-	100	-	100
	<u>200</u>	<u>-</u>	<u>200</u>	<u>47</u>	<u>153</u>
Economic Development Commission:					
Operating expenditures	2,325	-	2,325	268	2,057
CT Regional Economic Development	1,847	-	1,847	1,897	(50)
Consulting	2,100	-	2,100	1,295	805
	<u>6,272</u>	<u>-</u>	<u>6,272</u>	<u>3,460</u>	<u>2,812</u>
Recreation Commission:					
Salaries:					
Administrative	21,635	433	22,068	22,155	(87)
Camp Directors, Directors, etc.	13,117	-	13,117	9,168	3,949
Program expenditures	52,550	-	52,550	51,622	928
Maintenance	3,450	-	3,450	1,957	1,493
Administrative expenditures	9,922	-	9,922	10,121	(199)
	<u>100,674</u>	<u>433</u>	<u>101,107</u>	<u>95,023</u>	<u>6,084</u>
Inland Wetlands Commission:					
Operating expenditures	750	-	750	398	352
Wages - Enforcement Officer	6,622	132	6,754	6,754	-
Travel expenditures	200	-	200	-	200
	<u>7,572</u>	<u>132</u>	<u>7,704</u>	<u>7,152</u>	<u>552</u>
Conservation Commission	<u>800</u>	<u>-</u>	<u>800</u>	<u>119</u>	<u>681</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Water Pollution Control Authority:					
WPCA expenditures	\$ 1	\$ -	\$ 1	\$ -	\$ 1
WPCA engineering expenditures	1	-	1	-	1
WPCA auditing	1	-	1	-	1
	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
Fixed Charges:					
Town insurance	61,585	1,100	62,685	63,406	(721)
Volunteer fire co. insurance	22,260	-	22,260	22,260	-
Ambulance association insurance	11,160	-	11,160	10,340	820
Workers compensation insurance	62,000	(43,600)	18,400	16,782	1,618
Social security	107,245	(2,643)	104,602	105,363	(761)
Medical insurance	333,861	(5,000)	328,861	323,729	5,132
Employee benefits - pension	91,037	-	91,037	97,146	(6,109)
Volunteer incentive award - fire	31,000	-	31,000	31,000	-
Volunteer activity stipend - fire	44,000	-	44,000	44,000	-
Volunteer incentive ambulance	4,000	-	4,000	3,979	21
	<u>768,148</u>	<u>(50,143)</u>	<u>718,005</u>	<u>718,005</u>	<u>-</u>
Elections and Town Meetings:					
Salaries:					
Registrar of Voters	4,838	97	4,935	4,935	-
Registrar of Voters	4,838	97	4,935	4,935	-
Expenses	21,770	-	21,770	19,448	2,322
	<u>31,446</u>	<u>194</u>	<u>31,640</u>	<u>29,318</u>	<u>2,322</u>
Town Hall:					
Expenditures	54,550	(5,000)	49,550	47,819	1,731
Leasing equipment	11,500	-	11,500	12,723	(1,223)
Holly Green rental - nursing	8,950	-	8,950	4,320	4,630
Holly Green rental - senior center	-	-	-	1,818	(1,818)
	<u>75,000</u>	<u>(5,000)</u>	<u>70,000</u>	<u>66,680</u>	<u>3,320</u>
Social Services/Welfare:					
Social Services Coordinator	7,825	(1,314)	6,511	5,202	1,309
New London Hospitality Center	500	-	500	500	-
Pawcatuck Neighborhood Center	19,500	-	19,500	19,500	-
Family services	1,000	-	1,000	1,000	-
American Red Cross	500	-	500	500	-
Women's Center	2,500	-	2,500	2,500	-
Frank Olean Regional Center	1,000	-	1,000	1,000	-
NL County ARC	1,575	-	1,575	1,575	-
Easter Seals Rehabilitation Center	1,000	-	1,000	1,000	-
TVCCA	1,500	-	1,500	1,500	-
Literacy volunteers	500	-	500	-	500
Salvation Army	500	-	500	500	-
Mystic Shelter	2,000	-	2,000	2,000	-
United Way of SE CT	500	-	500	-	500
	<u>40,400</u>	<u>(1,314)</u>	<u>39,086</u>	<u>36,777</u>	<u>2,309</u>
Selectmen's Engineering Service:					
Engineering for selectmen	2,501	-	2,501	2,123	378
Inspection of existing roads	2,500	-	2,500	-	2,500
	<u>5,001</u>	<u>-</u>	<u>5,001</u>	<u>2,123</u>	<u>2,878</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Information Technology:					
Coordinator	\$ 36,559	\$ 366	\$ 36,925	\$ 35,188	\$ 1,737
Office expense	300	-	300	340	(40)
On-line GIS maps	12,759	-	12,759	12,014	745
Computer maintenance	12,000	-	12,000	11,980	20
	<u>61,618</u>	<u>366</u>	<u>61,984</u>	<u>59,522</u>	<u>2,462</u>
Public Safety:					
911 dispatching	52,819	-	52,819	52,819	-
Volunteer fire company	112,860	-	112,860	112,860	-
Fire Marshal	11,204	224	11,428	11,428	-
Fire Marshal operating expenditures	2,000	-	2,000	1,609	391
State troopers	358,500	77,338	435,838	432,954	2,884
Civil preparedness agency stipend	6,000	120	6,120	6,120	-
Civil preparedness expenditures	3,000	-	3,000	2,939	61
Emergency generator service contract	1,800	-	1,800	1,329	471
Animal control salary	19,490	390	19,880	18,042	1,838
Animal control assistant salary	-	1,000	1,000	2,890	(1,890)
Animal control operating expenditures	7,200	5,350	12,550	13,538	(988)
Dog damages	1	-	1	-	1
Ambulance association	250,000	-	250,000	249,857	143
	<u>824,874</u>	<u>84,422</u>	<u>909,296</u>	<u>906,385</u>	<u>2,911</u>
Public Works:					
Highway:					
Local capital improvements	48,664	-	48,664	48,664	-
State aided - town roads	121,976	-	121,976	129,867	(7,891)
Town road maintenance	185,000	-	185,000	209,278	(24,278)
Town garage expenditures	23,000	-	23,000	13,928	9,072
Machinery and maintenance repairs	60,250	-	60,250	63,153	(2,903)
Street lights	10,000	-	10,000	9,888	112
Highway foreman	77,992	-	77,992	81,537	(3,545)
Labor	507,420	(1,358)	506,062	486,604	19,458
Supplies	36,000	-	36,000	36,289	(289)
Diesel and gas	77,000	-	77,000	52,306	24,694
Town property - maintenance	7,750	-	7,750	7,764	(14)
Town property - labor	9,600	-	9,600	13,459	(3,859)
Storm damage	160,000	-	160,000	159,365	635
Hewitt farm property	5,000	-	5,000	3,327	1,673
Tree maintenance	25,000	-	25,000	24,930	70
Contracted services	53,500	-	53,500	52,849	651
	<u>1,408,152</u>	<u>(1,358)</u>	<u>1,406,794</u>	<u>1,393,208</u>	<u>13,586</u>
Sanitary Landfill:					
Labor	165,625	-	165,625	171,702	(6,077)
State mandated surveys	2,500	-	2,500	3,110	(610)
State license fees	2,345	-	2,345	2,275	70
SCRRA - tipping fees	174,000	(10,000)	164,000	149,591	14,409
SCRRA - membership fee	500	-	500	-	500
Hazardous waste collection	1,500	-	1,500	-	1,500
Water sampling /lab testing	18,000	-	18,000	14,430	3,570
Transfer station expenditures	11,250	-	11,250	11,015	235
Contractual services	16,500	-	16,500	19,883	(3,383)
	<u>392,220</u>	<u>(10,000)</u>	<u>382,220</u>	<u>372,006</u>	<u>10,214</u>
Total public works	<u>1,800,372</u>	<u>(11,358)</u>	<u>1,789,014</u>	<u>1,765,214</u>	<u>23,800</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Conservation of Health:					
Public Health Nursing/VNA	\$ 4,540	\$ -	\$ 4,540	\$ 1,335	\$ 3,205
Hepatitis B vaccinations	500	-	500	-	500
Director of Health	6,000	120	6,120	6,120	-
Director of Health operating expenditures	500	-	500	53	447
Sanitarian food service wages	6,000	-	6,000	4,450	1,550
Sanitarian well and septic salary	14,566	291	14,857	14,945	(88)
Sanitarian operating expenditures	400	-	400	-	400
	<u>32,506</u>	<u>411</u>	<u>32,917</u>	<u>26,903</u>	<u>6,014</u>
Senior Citizens:					
Agent for the Elderly wages	11,200	224	11,424	10,953	471
Agent for the Elderly operating expenditures	1,200	-	1,200	540	660
Senior Citizens Center Coordinator	19,868	397	20,265	20,348	(83)
Senior Citizens Center - operating expenditures	25,000	-	25,000	21,607	3,393
	<u>57,268</u>	<u>621</u>	<u>57,889</u>	<u>53,448</u>	<u>4,441</u>
Miscellaneous:					
Cemeteries	2,000	-	2,000	1,940	60
Tax refunds	1	1,314	1,315	2,225	(910)
Annual memberships and dues	3,800	-	3,800	3,520	280
Wheeler Library	26,000	-	26,000	26,000	-
Miscellaneous	750	-	750	180	570
	<u>32,551</u>	<u>1,314</u>	<u>33,865</u>	<u>33,865</u>	<u>-</u>
Total general government expenditures	4,488,502	61,409	4,549,911	4,479,746	70,165
Redemption of Debt:					
School building principal	540,000	-	540,000	540,000	-
School building interest	27,000	-	27,000	27,000	-
Fire truck principal	80,000	-	80,000	-	80,000
Seaport/Hewitt property principal	83,334	-	83,334	-	83,334
Seaport/Hewitt property interest	4,217	-	4,217	938	3,279
Truck principal	72,000	-	72,000	-	72,000
School boiler principal	96,444	-	96,444	-	96,444
	<u>902,995</u>	<u>-</u>	<u>902,995</u>	<u>567,938</u>	<u>335,057</u>
Education	12,696,002	43,600	12,739,602	12,665,837	73,765
Capital Outlay:					
Highway Department:					
New or used equipment	10,500	-	10,500	10,500	-
Miscellaneous equipment	5,000	-	5,000	5,000	-
Bucket truck (used)	40,000	-	40,000	40,000	-
	<u>55,500</u>	<u>-</u>	<u>55,500</u>	<u>55,500</u>	<u>-</u>
Transfer Station/Bulk Waste Area	5,000	-	5,000	-	5,000

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Capital Outlay (Continued):					
Selectmen:					
Ambulance equipment	\$ 7,500	\$ -	\$ 7,500	\$ 7,500	\$ -
Sewer study	160,000	-	160,000	160,000	-
Computer - Town Hall	11,500	-	11,500	11,500	-
Hewitt Dam	350,000	-	350,000	350,000	-
Recreation pavilion & fields	2,500	-	2,500	2,500	-
Open space acquisition	10,000	-	10,000	10,000	-
Selectmen's office equipment and furniture	1,000	-	1,000	1,000	-
Town buildings maintenance	25,000	-	25,000	25,000	-
Town clerk - records preservation	7,875	-	7,875	26,323	(18,448)
Fire company - equipment / hose	10,000	-	10,000	10,000	-
Fire company - turnout gear	15,000	-	15,000	15,000	-
Town Hall lot stonewall	280,000	-	280,000	280,000	-
Engine 2 refurbishment	112,500	-	112,500	112,500	-
Civil preparedness	2,500	-	2,500	2,500	-
Narrow band radio upgrade	68,000	-	68,000	68,000	-
Wheeler Library repair	20,000	-	20,000	20,000	-
Transfer to Bridge Fund	-	1,325	1,325	1,325	-
Transfer to Capital Projects	-	34,721	34,721	34,721	-
	<u>1,083,375</u>	<u>36,046</u>	<u>1,119,421</u>	<u>1,137,869</u>	<u>(18,448)</u>
Assessor Revaluation Expense	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Nonrecurring School Expenditures	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Other Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,980</u>	<u>(16,980)</u>
Total capital outlay	<u>1,228,875</u>	<u>36,046</u>	<u>1,264,921</u>	<u>1,295,349</u>	<u>(30,428)</u>
Total expenditures	<u>\$ 19,316,374</u>	<u>\$ 141,055</u>	<u>\$ 19,457,429</u>	<u>\$ 19,008,870</u>	<u>\$ 448,559</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	School Lunch Fund	Education Grants	Inland Wetland Mitigation	Open Space	Scholarships Held by School	Bridge Fund	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 9,026	\$ -	\$ -	\$ -	\$ 992	\$ 21,100	\$ 31,118
Receivables	13,185	53,227	-	-	-	-	66,412
Inventory	3,324	-	-	-	-	-	3,324
Due from other funds	7,038	-	-	-	-	41,105	48,143
Due from fiduciary funds	-	-	-	-	45,624	-	45,624
Total assets	\$ 32,573	\$ 53,227	\$ -	\$ -	\$ 46,616	\$ 62,205	\$ 194,621
<u>Liabilities and fund balances</u>							
Liabilities:							
Due to other funds	\$ -	\$ 59,162	\$ -	\$ -	\$ -	\$ -	\$ 59,162
Bond anticipation note	-	-	-	-	-	32,777	32,777
Total liabilities	-	59,162	-	-	-	32,777	91,939
Fund Balances:							
Nonspendable	3,324	-	-	-	-	-	3,324
Restricted	-	-	-	-	46,616	-	46,616
Committed	-	-	-	-	-	29,428	29,428
Assigned	29,249	-	-	-	-	-	29,249
Unassigned	-	(5,935)	-	-	-	-	(5,935)
Total fund balances	32,573	(5,935)	-	-	46,616	29,428	102,682
Total liabilities and fund balances	\$ 32,573	\$ 53,227	\$ -	\$ -	\$ 46,616	\$ 62,205	\$ 194,621

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	School Lunch Fund	Education Grants	Inland Wetland Mitigation	Open Space	Scholarships Held by School	Bridge Fund	Total
Revenues:							
Intergovernmental	\$ 81,616	\$ 342,594	\$ -	\$ -	\$ -	\$ 8,328	\$ 432,538
Local	136,823	-	-	-	1,500	-	138,323
Total revenues	<u>218,439</u>	<u>342,594</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>8,328</u>	<u>570,861</u>
Expenditures:							
Current:							
General government	-	-	13,239	385	1,423	33,063	48,110
Education	246,173	348,529	-	-	1,800	-	596,502
Total expenditures	<u>246,173</u>	<u>348,529</u>	<u>13,239</u>	<u>385</u>	<u>3,223</u>	<u>33,063</u>	<u>644,612</u>
Excess of revenues over (under) expenditures	<u>(27,734)</u>	<u>(5,935)</u>	<u>(13,239)</u>	<u>(385)</u>	<u>(1,723)</u>	<u>(24,735)</u>	<u>(73,751)</u>
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	1,325	1,325
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325</u>	<u>1,325</u>
Net change in fund balances	<u>(27,734)</u>	<u>(5,935)</u>	<u>(13,239)</u>	<u>(385)</u>	<u>(1,723)</u>	<u>(23,410)</u>	<u>(72,426)</u>
Fund balances (deficits), beginning of year	<u>60,307</u>	<u>-</u>	<u>13,239</u>	<u>385</u>	<u>48,339</u>	<u>52,838</u>	<u>175,108</u>
Fund balances (deficits), end of year	<u>\$ 32,573</u>	<u>\$ (5,935)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,616</u>	<u>\$ 29,428</u>	<u>\$ 102,682</u>

TOWN OF NORTH STONINGTON, CONNECTICUT

**PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	General Government Retirement	Board of Education Retirement	Total
<u>Assets</u>			
Investments	\$ 1,642,290	\$ 1,265,829	\$ 2,908,119
Other receivables	85,300	-	85,300
Total assets	<u>\$ 1,727,590</u>	<u>\$ 1,265,829</u>	<u>\$ 2,993,419</u>
<u>Fund Balances</u>			
Fund Balances:			
Held in trust for pension benefits and other purposes	<u>\$ 1,727,590</u>	<u>\$ 1,265,829</u>	<u>\$ 2,993,419</u>
Total fund balances	<u>\$ 1,727,590</u>	<u>\$ 1,265,829</u>	<u>\$ 2,993,419</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	General Government Retirement	Board of Education Retirement	Total
<u>Additions:</u>			
Employer contributions	\$ 162,783	\$ 85,102	\$ 247,885
Investment earnings	137,150	18,415	155,565
Total additions	<u>299,933</u>	<u>103,517</u>	<u>403,450</u>
<u>Deductions:</u>			
Distributions	<u>66,371</u>	-	<u>66,371</u>
Total deductions	<u>66,371</u>	-	<u>66,371</u>
Net increase	233,562	103,517	337,079
Fund balances, beginning of year	<u>1,494,028</u>	<u>1,162,312</u>	<u>2,656,340</u>
Fund balances, end of year	<u><u>\$ 1,727,590</u></u>	<u><u>\$ 1,265,829</u></u>	<u><u>\$ 2,993,419</u></u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2014

	Student Activity Fund	Performance Bonds	Total
<u>Assets</u>			
Beginning balance - cash	\$ 11,327	\$ 78,203	\$ 89,530
Additions	164,220	95,736	259,956
Deductions	116,062	33,551	149,613
Ending balance - cash	59,485	140,388	199,873
Beginning balance - investments	100,068	51,847	151,915
Additions	-	-	-
Deductions	30,019	51,847	81,866
Ending balance - investments	70,049	-	70,049
Total assets	\$ 129,534	\$ 140,388	\$ 269,922
<u>Liabilities</u>			
Beginning balance - due to student groups	\$ 94,150	\$ -	\$ 94,150
Additions	135,841	-	135,841
Deductions	146,081	-	146,081
Ending balance - due to student groups	83,910	-	83,910
Beginning balance - due to developers	-	130,050	130,050
Additions	-	95,736	95,736
Deductions	-	150,869	150,869
Ending balance - due to developers	-	74,917	74,917
Beginning balance - due to other funds	17,245	-	17,245
Additions	28,379	65,471	93,850
Deductions	-	-	-
Ending balance - due to other funds	45,624	65,471	111,095
Total liabilities	\$ 129,534	\$ 140,388	\$ 269,922

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

	Beginning Balance	General Fund Budget	Additional Transfers	Internal Transfers	Revenues	Total Available	Expenditures	Ending Balance
Restricted fund balance								
Water Study 1-95 (STEAP)	\$ 195,037	\$ -	\$ (195,037)	\$ -	\$ -	\$ -	\$ -	\$ -
Recreation Courts (STEAP)	-	-	-	-	-	-	-	-
Town Clerk document restoration	-	18,448	(6)	-	-	18,442	7,113	11,329
LOCIP capital improvements	-	18,750	-	-	-	18,750	-	18,750
Total restricted	<u>195,037</u>	<u>37,198</u>	<u>(195,043)</u>	<u>-</u>	<u>-</u>	<u>37,192</u>	<u>7,113</u>	<u>30,079</u>
Committed fund balance								
School boiler project	109,567	-	(109,567)	-	-	-	-	-
Boombridge	181,092	-	(181,092)	-	-	-	-	-
Revaluation	51,302	10,000	-	-	-	61,302	-	61,302
Storm damage	189,577	-	(189,577)	-	-	-	-	-
Town equipment	-	15,500	-	-	-	15,500	15,500	-
Wash station	137,384	-	(137,384)	-	-	-	-	-
Nonrecurring school funds	42,403	75,000	-	-	-	117,403	83,834	33,569
Transfer station / bulky waste closure	74,885	-	(74,885)	-	-	-	-	-
LOCIP scales	38,812	-	(38,812)	-	-	-	-	-
Hewitt property	132,097	-	(132,097)	-	-	-	-	-
Land acquisition	10,000	-	(10,000)	-	-	-	-	-
Town building repair and maintenance	24,334	-	(24,334)	-	-	-	-	-
Conservation and development	8,702	-	-	-	-	8,702	7,865	837
Narrow band radio upgrade	42,857	-	(42,857)	-	-	-	-	-
Village Green bridge	258,118	-	(258,118)	-	-	-	-	-
Town Clerk preservation	-	7,875	-	-	-	7,875	7,875	-
Total committed	<u>1,301,130</u>	<u>108,375</u>	<u>(1,198,723)</u>	<u>-</u>	<u>-</u>	<u>210,782</u>	<u>115,074</u>	<u>95,708</u>
Total	<u>\$ 1,496,167</u>	<u>\$ 145,573</u>	<u>\$ (1,393,766)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,974</u>	<u>\$ 122,187</u>	<u>\$ 125,787</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**CAPITAL PROJECTS FUND
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Beginning Balance	General Fund Budget	Additional Transfers	Internal Transfers	Revenues	Total Available	Expenditures	Ending Balance
Restricted fund balance								
Water study 1-95 (STEAP)	\$ -	\$ -	\$ 195,037	\$ -	\$ -	\$ 195,037	\$ 11,133	\$ 183,904
Sewer study (STEAP)	-	160,000	5,423	-	-	165,423	2,423	163,000
Total restricted	-	160,000	200,460	-	-	360,460	13,556	346,904
Committed fund balance								
School boiler project	-	-	90,645	-	-	90,645	90,645	-
Boombridge	-	-	190,662	-	-	190,662	138,904	51,758
Ambulance Association equipment	-	7,500	-	-	-	7,500	4,315	3,185
Town Hall computer	-	11,500	-	-	-	11,500	11,181	319
Storm damage	-	-	189,577	-	-	189,577	104,705	84,872
Engine refurbishments	-	112,500	5,410	-	-	117,910	114,434	3,476
Wash station	-	-	137,384	-	-	137,384	137,371	13
Selectmen furniture	-	1,000	-	-	-	1,000	997	3
Transfer station improvements	-	5,000	-	-	-	5,000	-	5,000
Wheeler Library repairs	-	20,000	-	-	-	20,000	20,000	-
Hewitt property	-	-	132,097	-	-	132,097	-	132,097
Hewitt Dam	-	350,000	6,250	-	-	356,250	9,020	347,230
Land acquisition	-	10,000	10,000	-	-	20,000	-	20,000
Village Green bridge	-	-	218,379	-	-	218,379	218,379	-
Town building repair	-	25,000	26,984	-	-	51,984	25,643	26,341
Civil preparedness	-	2,500	-	-	-	2,500	264	2,236
Narrow band radio upgrade	-	68,000	42,857	-	-	110,857	43,640	67,217
Rereation pavilion & fields	-	2,500	-	-	-	2,500	850	1,650
Town Hall lot stonewall	-	280,000	5,417	-	-	285,417	150,001	135,416
Equipment hose	-	10,000	-	-	-	10,000	10,000	-
Turnout gear	-	15,000	-	-	-	15,000	15,000	-
Bucket truck (used)	-	40,000	(275)	-	-	39,725	39,725	-
Total committed	-	960,500	1,055,387	-	-	2,015,887	1,135,074	880,813
Total	\$ -	\$ 1,120,500	\$ 1,255,847	\$ -	\$ -	\$ 2,376,347	\$ 1,148,630	\$ 1,227,717

TOWN OF NORTH STONINGTON, CONNECTICUT

**LOCIP FUNDS
SUMMARY OF PROJECT BUDGETS - CASH BASIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014**

	Beginning Balance	Transfers	Funds Budgeted	Total Available	Total Expended	Monies Received	Pending Receipt *	Ending Balance
Projects approved by the state:								
Northwest Corner Road	\$ 900	\$ -	\$ 50,000	\$ 50,900	\$ 48,664	\$ -	\$ (98,346)	\$ 2,236
Transfer station scales	30,000	(30,000)	-	-	-	-	-	-
Boombridge Road bridge	30,000	(30,000)	-	-	-	-	-	-
Total approved by the state	<u>60,900</u>	<u>(60,000)</u>	<u>50,000</u>	<u>50,900</u>	<u>48,664</u>	<u>-</u>	<u>(98,346)</u>	<u>2,236</u>
Projects not approved by the state:								
Uncommitted	48,480	-	-	48,480	-	-	-	48,480
Total not approved by the state	<u>48,480</u>	<u>-</u>	<u>-</u>	<u>48,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,480</u>
Total	<u>\$ 109,380</u>	<u>\$ (60,000)</u>	<u>\$ 50,000</u>	<u>\$ 99,380</u>	<u>\$ 48,664</u>	<u>\$ -</u>	<u>\$ (98,346)</u>	<u>\$ 50,716</u>

* Application submitted to State of Connecticut for reimbursement.

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Salaries:					
Central office	\$ 580,815	\$ (1,140)	\$ 579,675	\$ 579,675	\$ -
Administrators	346,051	3,980	350,031	350,031	-
Teachers	5,486,511	(3,676)	5,482,835	5,458,824	24,011
Guidance	146,565	-	146,565	146,513	52
Secretarial	156,091	-	156,091	155,189	902
Teacher assistants	294,051	(31,662)	262,389	253,083	9,306
Library/media	111,032	-	111,032	111,032	-
Custodial/grounds	399,394	4,445	403,839	403,839	-
Central office	119,682	17,642	137,324	133,155	4,169
Contracted services	80,000	(35,425)	44,575	44,575	-
Text books	13,560	7,128	20,688	20,688	-
Library books	13,230	3,344	16,574	16,503	71
Instructional supplies	143,421	745	144,166	144,166	-
Other expenses, schools	124,565	11,099	135,664	135,664	-
Supplies, health	4,000	181	4,181	4,181	-
Transportation	937,106	16,047	953,153	953,153	-
Heat	114,419	(18,492)	95,927	95,927	-
Utilities	239,231	(41,625)	197,606	197,606	-
Custodial supplies	86,750	-	86,750	83,633	3,117
Postage	9,208	-	9,208	8,366	842
Maintenance services	268,362	(6,244)	262,118	258,942	3,176
Lease of equipment	29,108	-	29,108	27,676	1,432
Replacement of equipment	62,603	141,027	203,630	203,630	-
Social security	200,040	(8,288)	191,752	191,752	-
Employee benefits	2,104,618	(30,984)	2,073,634	2,070,806	2,828
Employee retirement	94,949	(6,957)	87,992	87,992	-
Student activities	73,029	8,120	81,149	73,037	8,112
Equipment	24,614	55,016	79,630	65,210	14,420
Tuition	432,997	(40,681)	392,316	390,989	1,327
Total expenditures	\$ 12,696,002	\$ 43,600	\$ 12,739,602	\$ 12,665,837	\$ 73,765

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

Total tax collection including interest and
lien fees for the year ended June 30, 2014

\$ 13,549,846

Reimbursement for revenue loss:

Tax Relief for Elderly

38,720

Base

\$ 13,588,566

	<u>General</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 30,574,274	\$	\$	\$	\$
4 1/2 times base		61,148,547			
3 3/4 times base			50,957,123		
3 1/4 times base				44,162,840	
3 times base					40,765,698
Total debt limitation	<u>30,574,274</u>	<u>61,148,547</u>	<u>50,957,123</u>	<u>44,162,840</u>	<u>40,765,698</u>
Indebtedness:					
General obligation serial note	742,500	-	160,000	-	-
Bond anticipation notes payable	901,222				
Authorized but unissued	<u>6,360,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>8,003,722</u>	<u>-</u>	<u>160,000</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 22,570,552</u></u>	<u><u>\$ 61,148,547</u></u>	<u><u>\$ 50,797,123</u></u>	<u><u>\$ 44,162,840</u></u>	<u><u>\$ 40,765,698</u></u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

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

Grand List October 1,	Taxes Receivable July 1, 2013	Lawful Corrections		Suspense Transfers	Adjusted Taxes Receivable	Collections			Taxes Receivable June 30, 2014
		Additions	Deductions			Taxes	Interest and Liens	Total	
2012	\$ 13,483,485	\$ 10,152	\$ 55,990	\$ -	\$ 13,437,647	\$ 13,190,809	\$ 46,485	\$ 13,237,294	\$ 246,838
2011	262,394	4,753	15,442	-	251,705	158,951	35,522	194,473	92,754
2010	120,694	4,096	7,540	-	117,250	72,673	20,931	93,604	44,577
2009	48,899	89	28	-	48,960	16,753	6,364	23,117	32,207
2008	22,089	-	-	-	22,089	1,600	882	2,482	20,489
2007	22,661	-	-	-	22,661	1,144	1,126	2,270	21,517
2006	22,426	-	-	-	22,426	117	400	517	22,309
2005	(234)	-	-	-	(234)	(10)	-	(10)	(224)
2004	(4,228)	-	-	-	(4,228)	(1,373)	-	(1,373)	(2,855)
2003	(2,390)	-	-	-	(2,390)	-	-	-	(2,390)
2002	(948)	-	-	-	(948)	(392)	-	(392)	(556)
2001	(2,460)	-	-	-	(2,460)	(75)	-	(75)	(2,385)
2000	(1,247)	-	-	-	(1,247)	(787)	-	(787)	(460)
1999	509	-	-	-	509	(1,274)	-	(1,274)	1,783
1998	2,177	-	-	-	2,177	-	-	-	2,177
	<u>\$ 13,973,827</u>	<u>\$ 19,090</u>	<u>\$ 79,000</u>	<u>\$ -</u>	<u>\$ 13,913,917</u>	<u>\$ 13,438,136</u>	<u>\$ 111,710</u>	<u>\$ 13,549,846</u>	<u>\$ 475,781</u>

See accompanying Independent Auditor's Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

STATE SINGLE AUDIT

YEAR ENDED JUNE 30, 2014

with

INDEPENDENT AUDITOR'S REPORTS

Sandra E. Welwood, LLC

Certified Public Accountants

TOWN OF NORTH STONINGTON, CONNECTICUT

STATE SINGLE AUDIT

TABLE OF CONTENTS

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 <i>Government Auditing Standards</i>	1
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	3
Schedule of Expenditures of State Financial Assistance	5
Notes to Schedule of Expenditures of State Financial Assistance	6
Schedule of Findings and Questioned Costs	7

Sandra E. Welwood, LLC

sewonlake@aol.com
Website: www.sewelwoodcpa.com
(203) 730-0509 / Fax: (203) 748-3584

Certified Public Accountants
46 Main Street
Danbury, CT 06810

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*

Independent Auditor's Report

To the Board of Finance
Town of North Stonington, 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, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of North Stonington, Connecticut's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of North Stonington, Connecticut'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of North Stonington in a separate letter dated October 27, 2014.

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 of North Stonington, Connecticut'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 of North Stonington, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Sandra E. Welwood, LLC".

Danbury, Connecticut
October 27, 2014

Sandra E. Welwood, LLC

sewonlake@aol.com
Website: www.sewelwoodcpa.com
(203) 730-0509 / Fax: (203) 748-3584

Certified Public Accountants
46 Main Street
Danbury, CT 06810

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 Auditor's Report

To the Board of Finance
Town of North Stonington, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of North Stonington, Connecticut's 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 of North Stonington, Connecticut's major state programs for the year ended June 30, 2014. Town of North Stonington, Connecticut's major state 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 state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of North Stonington, Connecticut'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 of North Stonington, Connecticut'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 of North Stonington, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of North Stonington, Connecticut, 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 of North Stonington, Connecticut, 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 of North Stonington, Connecticut'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 of North Stonington, Connecticut'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 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirement 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 Town of North Stonington, Connecticut, as of and for the year ended June 30, 2014 and have issued our report thereon dated October 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements as a whole.

Sandra E. Welwood, LLC

Danbury, Connecticut
October 27, 2014

TOWN OF NORTH STONINGTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

State Grantor Pass - Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
<u>Connecticut State Library</u>		
Historic document preservation	12060-CSL66094-35150	\$ 4,000
		<u>4,000</u>
<u>Department of Administrative Services</u>		
School construction grants - interest	13009-DAS27636-40896	5,966
		<u>5,966</u>
<u>Department of Economic and Community Development</u>		
Local arts agency program	11000-ECD46820-16258	1,530
Local arts agency program	11000-ECD46820-20328	1,137
		<u>2,667</u>
<u>Judicial Department</u>		
Distribution to towns	34001-JUD95162-40001	14,285
		<u>14,285</u>
<u>Department of Transportation</u>		
Town aid roads	13033-DOT57131-43459	239,543
Highway	12062-DOT57191-22108	111,976
		<u>351,519</u>
<u>Office of Policy and Management</u>		
Property tax relief for disability exemption	11000-OPM20600-17011	474
Property tax relief for elderly and totally disabled	11000-OPM20600-17018	38,720
Property tax relief for veterans	11000-OPM20600-17024	7,832
PILOT on state owned property	11000-OPM20600-17004	20,445
		<u>67,471</u>
<u>Department of Education</u>		
Child nutrition program (school lunch state match)	11000-SDE64370-16211	2,522
Health foods initiative	11000-SDE64370-16212	5,162
Breakfast program	11000-SDE64370-17046	3,055
Health services	11000-SDE64370-17034	3,816
Adult education	11000-SDE64370-17030	6,316
Summer EBT	12060-SDE64370-21630	791
Magnet schools	11000-SDE64370-17057	18,200
		<u>39,862</u>
Total state financial assistance before exempt programs		<u>485,770</u>
<u>Exempt programs:</u>		
<u>Department of Education</u>		
Education cost sharing	11000-SDE64370-17041	2,906,538
Public school transportation	11000-SDE64370-17027	43,657
Special education - excess costs - student based	11000-SDE64370-17047	42,374
		<u>2,992,569</u>
<u>Office of Policy and Management</u>		
Grants to towns	12009-OPM20600-17005	885,206
Municipal revenue sharing	12060-OPM20600-35458	32,134
		<u>917,340</u>
Total exempt programs		<u>3,909,909</u>
Total state financial assistance		<u><u>\$ 4,395,679</u></u>

See notes to schedule.

TOWN OF NORTH STONINGTON, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2014

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of North Stonington, Connecticut 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 to the Town of North Stonington, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, transportation, property tax relief, local improvement, and public health.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of North Stonington, Connecticut conform to generally accepted accounting principles as applicable to governments.

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

Basis of Accounting

The financial statements contained in the Town of North Stonington, Connecticut's annual audit report are prepared on the accrual basis of accounting. The following is a summary of such basis:

- Revenues are recognized when cash is received or when measurable and available.
- Expenditures are recorded when the liability is incurred.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain 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 NORTH STONINGTON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: unmodified

Internal control over financial reporting:

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

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

Type of auditor's opinion 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:

<u>State Grantor and Program</u>	<u>State CORE-CT Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
Town aid road	13033-DOT57131-43459	\$ <u>239,543</u>
Highway	12062-DOT57191-22108	\$ <u>111,976</u>
• Dollar threshold used to distinguish between type A and B programs		\$ <u>100,000</u>

Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs (continued)

II. Financial Statements Findings

No findings were reported.

III. State Financial Assistance Findings and Questioned Costs

No findings or questioned costs were reported.