

Town of Waterford, Connecticut



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Town of Waterford, Connecticut

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Finance Department

Ruth A. Beers
Director of Finance

TOWN OF WATERFORD, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



November 27, 2013

To the Honorable First Selectman, Representative Town Meeting and the Citizens of the Town of Waterford:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey LLP, Certified Public Accountants, have issued unmodified opinions on the Town of Waterford financial statements for the year ended June 30, 2013. The independent auditors' report is located at the front of the financial section of this report.

Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Town of Waterford separated from the City of New London, the neighboring urban seaport, a century and a half after European settlers arrived. Waterford was incorporated in 1801. Covering an area of 33.2 square miles, the Town is located in the southeastern region of the state. Waterford is bordered by the Towns of East Lyme to the west, New London, Groton and Ledyard to the east, and Montville to the north. It borders Long Island Sound to the south.

The Town has a Selectmen/Board of Finance/Representative Town Meeting form of government. The Representative Town Meeting exercises the legislative authority of the Town. The Board of Selectmen is composed of three members who are elected at large for four-year terms. The Representative Town Meeting is elected for two-year terms. The First Selectman is the head of the administrative branch of the Town Government and is responsible to the Representative Town Meeting for the administration of all affairs relating to the Town.

The Town of Waterford provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; municipal solid waste and recycling collection; recreational and cultural activities. Municipal water and sewer services, the Town's one business-type activity, are provided through the Town's Utility Commission.

By Charter, the Representative Town Meeting must hold its Town Budget Meeting no later than the first Monday in May each year. If, within fifteen days of the budget adoption no referendum is called, the budget is considered approved. The annual budget serves as the foundation for Town of Waterford financial planning and control. The budget is prepared by Department/Agency at an object level. With the exception of the Police, Recreation and Parks, Senior Services, Utility and Planning and Zoning Commissions, Board of Finance, Board of Education, Board of Assessment Appeals, Zoning Board of Appeals, Building Board of Appeals, Economic Development Commission, Flood & Erosion Control Board, Conservation Commission, Retirement Commission, Harbor Management Commission and Ethics Commission, all other Town Boards, Commissions or agencies report to the Board of Selectmen. The Board of Selectmen, however, reviews and recommends to the Board of Finance the level of appropriation for all municipal budgets with the exception of the Board of Education. All cognizant agencies have the authority to transfer within series any of the budgeted appropriations under their control. Transfers out of series, however, require special approval from the Board of Finance.

Local Economy

Waterford is unique in that its major taxpayer is a nuclear power facility. However, numerous, large retail sales outlets, a production/software development company, several assisted care facilities and numerous financial institutions provide a good mix to tax base diversification.

Because of its diversified tax base and location with immediate access to Routes 1, 95, 395 and 85, all major Connecticut arteries, Waterford's unemployment rate remains below the state average. Coming off of a fourteen-year high in 2011 of 8.6%, down this year to 8.0%, it nevertheless remains below the State's average of 8.1%, but above the National average of 7.6%. Due to deregulation of Dominion Nuclear of Connecticut, a nuclear power facility, the October 1, 2000 Grand List was adjusted mid-year to reflect the valuation change, the result of which amounted to a forty (40%) percent reduction in Grand List value. The tax revenue loss associated with the deregulated value of the facility has been mitigated by a utility systems benefit subsidy which incrementally declined by ten (10%) percent annually. This began in 2003. In FY2011 the Town was at a ten (10%) percent reimbursement subsidy and carried a mill rate of 18.04 in FY2012 the subsidy ended. The Town has successfully absorbed the tax revenue loss due to deregulation. In FY13 the Town's mill rate was 19.77 mills which was consistent with, and for the most part, below other Town's in the Norwich-New London labor market area.

After five years of litigation, at fiscal year-end 2008, the tax appeal of Dominion Nuclear Connecticut, Inc. was settled resulting in a replenishment of fund balance in the amount of \$9,250,000 to bring it to the \$19.4 million level in that year, slightly higher than the \$19 million at the fiscal year end 2003 prior to the valuation appeal. In FY09, the Representative Town Meeting took an action to transfer \$12 million of fund balance to capital to be used to reduce the bonding requirements on the school's aggressive capital program. Despite the economic downturn, fund balances had been sustained at a much higher level than the area average to allow us to apply them towards maintaining our capital assets over the ten-year period when mill rate increases were required to offset the revenue loss associated with the Dominion deregulation. This long-range approach to budgeting has resulted in the ability to absorb a \$21.8 million dollar revenue loss over a ten-year period at a mill rate level equal to or below that of our neighboring southeastern Connecticut municipalities.

Long Term Financial Planning

In 1998 the Representative Town Meeting formed its Long Range Fiscal Planning Committee. The RTM at the recommendation of this committee commissioned the Government Consulting Group to develop a report and make recommendations on containing tax increases in light of the reduced revenue base affected by utility deregulation. The RTM Committee was disbanded after the Representative Town Meeting accepted the Government Consulting Groups report. In FY01 the Board of Finance appointed an Ad Hoc Long-Range Budget Planning Committee to analyze the impact of the annual tax revenue loss due to the Dominion deregulation and to provide guidance in developing budgets that would sustain a consistent level of service with a declining revenue base over the ten-year period. This proactive

approach to long-range operational budget planning, combined with multi-year capital planning, has become an effective budgetary management tool. Despite the fact that the Town has successfully absorbed the impact to its tax base due to deregulation, the Long-Range Budget Planning Committee remains active.

The Town implemented a Fleet Management Program that served as the basis for sizing the fleet and provided a long-range approach to managing and budgeting a fleet valued in excess of \$13 million. This program allowed the Town to undertake a needs assessment of its rolling stock, and based upon established life-cycle parameters, provided a forty-year replacement plan that uses a combination of residual values, investment income, vehicle rental revenues and an equalized level of budget over a sustained period of time to fund all rolling stock replacements. Over the period of FY10 and into FY11, the Board of Finance commissioned a fleet sizing and utilization study, the results of which slightly downsized the fleet due to under-utilization of rolling stock and offered in-sight into areas of fleet maintenance, fueling distribution points, and vehicle safety and performance checks that is expected to result in significant cost savings into the future.

Through its Information Technology Committee, a long-range strategic plan is in place to sustain these valuable assets and annually equalize the level of budget required to fund them.

Major Initiatives

In FY11, in an effort to comply with GASB 54 and to strengthen Waterford's commitment to sound financial management and fiscal accountability, the Board of Finance adopted a new fund balance policy and in that regard, the Representative Town Meeting established a Stabilization Fund to allow for the commitment of a minimum of ten percent to a maximum of thirteen percent of its budgeted governmental funds' net operating revenue. As the financials reflect, \$8,990,627 was committed to this fund in FY13 leaving an unassigned fund balance of \$2,236,209. This Stabilization Fund can only be used to address a projected revenue shortfall that is greater than one percent of General Fund Operating Revenue, excluding transfers; to mitigate damage caused by a natural disaster or to address an urgent event that jeopardizes the safety of the public.

In FY11, the Town saw the substantial completion of construction on the Oswegatchie Elementary School project that began in FY07. The project consisted of a full demolition of the existing structure and construction of a new 71,100 sq. ft. facility. This project estimated to cost \$27,755,268 was completed at a cost of \$26,450,857 or \$1,304,411 under-budget. The Town issued a \$14 million bond in August of 2011 with the balance of the funding coming from grants and municipal appropriations of capital reserves designated for this purpose.

In June of 2007, the Representative Town Meeting approved an appropriation of \$28,890,015 to demolish and build a new Great Neck Elementary School. Construction began in January of 2009. The project was substantially completed in early fiscal year 2011 at a cost of \$25,994,798 or \$2,895,217 under budget. In March of 2012 the Town bonded \$15,640,000 on this project with the balance of the funding coming from grants and municipal appropriations of capital reserves designated for this purpose. With the bonding of this project it officially completed the Town's conversion from five to three elementary schools.

In June of 2009, The Representative Town Meeting approved an appropriation of \$67,890,787 for the design and construction of a renovated/expanded Waterford High School that will result in a 235,700 sq. ft. building and secondary access road to the facility. The project will be funded through grants, municipal appropriations and bonding. In March of 2013 the Town bonded \$33,750,000 for this project. It is estimated that approximately \$20,000,000 more in bonding will be required to fund it. The balance of the funding will come from grants and/or municipal appropriations of capital reserves.

In FY04 the Town consolidated the Information Technology functions of both General Government and the Board of Education by entering into a joint venture for Information Technology oversight and

management. This effort was made to reduce redundancies between the educational and governmental administrative functions and to provide broader coverage to both entities without increasing costs.

Similarly, In FY10, the Human Resources function of the Board of Education was consolidated with the Town's and placed under the direction of a single Human Resources Director. This move continues the Town's desire to eliminate redundancies between the departments.

The Town implemented single-stream recycling in March of 2011. After two full years of operation, the program has provided an increase to the revenue stream from sale of recyclables and decreased the volume of solid waste handling which has resulted in reduced insurance costs by mitigating claims associated with repetitive motion and lifting.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the last eleven consecutive fiscal years. In order to be awarded a Certificate of Achievement, the Town publishes an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate for Excellence in Financial Reporting is valid for a period of one year only. I believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program requirements, and I am submitting it to GFOA to determine its eligibility for another certificate.

Although the preparation of the comprehensive annual financial report is primarily the responsibility of the Director of Finance, it could not have been accomplished without the support of numerous town staff. Special recognition goes to Virginia Bielucki the Staff Accountant for without her dedication, oversight and hard work the Town could never have achieved this prestigious award. This report could not have been properly presented without Virginia's attention to detail and her accounting expertise. I appreciate the unflagging support of First Selectman Daniel Steward, Superintendent of Schools Jerome Belair and his staff as well as the entire Board of Selectmen, Board of Finance and the Representative Town Meeting who continually show their commitment to fiscal integrity and financial leadership.

Respectfully submitted,



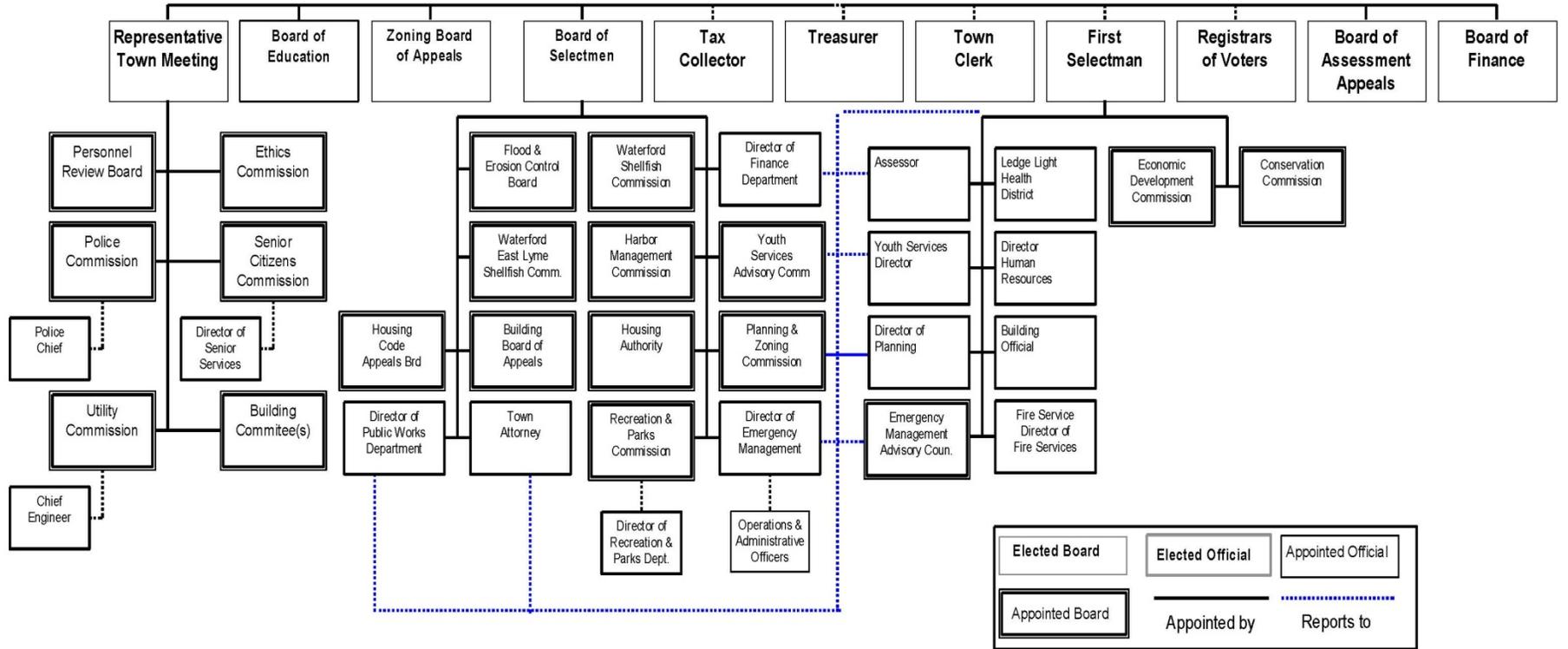
Ruth A. Beers
Director of Finance

TOWN OF WATERFORD, CONNECTICUT

**PRINCIPAL TOWN OFFICIALS
JUNE 30, 2013**

Daniel M. Steward	First Selectman
Jerome R. Belair	Superintendent of Schools
Ruth A. Beers	Director of Finance
Bernard Pisacich	Treasurer
Dennis Goderre	Planning Director
Kristin Zawacki	Director of Public Works
Murray Pendleton	Chief of Police
Neftali Soto	Chief Engineer, Utilities Commission
Mark Burnham	Tax Collector
Michael Bekech	Assessor
Brian Flaherty	Recreation & Parks Director
Sally Ritchie	Director of Senior Services
Robert Nye	Town Clerk
Daniela Gorman	Director of Youth Services
Frank Hoagland	Building Official
Roslyn Rubenstein	Library Director
Bruce A. Miller	Director of Fire Services
Joyce Sauchuk	Director of Human Resources

ORGANIZATIONAL CHART TOWN OF WATERFORD GENERAL GOVERNMENT





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Waterford
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Waterford, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 reasonable basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–13, the schedules of funding progress and employer contributions on page 67 and budgetary comparison information on pages 57-66 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.

Supplementary 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 accompanying combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund financial statements and other schedules are the responsibility of management and were derived from and relates 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 accompanying combining and individual fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Waterford, Connecticut as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated December 17, 2012, which contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund Balance Sheet as of and for the year ended June 30, 2012 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The accompanying General Fund Balance Sheet has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

McGladrey LLP

New Haven, Connecticut
November 27, 2013

TOWN OF WATERFORD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS - unaudited JUNE 30, 2013

This discussion and analysis of the Town of Waterford, Connecticut (the Town) financial performance is prepared by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2013. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$1.4 million, or 2.5 %, net position of our governmental activities increased by \$175 thousand or 0.1% .
- During the year, the Town had expenses that were \$175 thousand less than the \$95.6 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues increased by \$1.2 million or 22.8%, while expenses decreased by \$1.5 million or 24.54 %.
- Total cost of all of the Town's programs was \$100.1 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$11.8 million.
- The resources available for appropriation were \$ 376 thousand more than anticipated for the General Fund. There were no additional appropriations made during the year. Unused appropriations of \$450.7 thousand were returned to Fund Balance.

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 (Exhibits I and II, respectively) 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 are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

Our analysis of the Town as a whole begins on Exhibits I and II. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in it. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including education, public safety, public works, recreation, library, social services and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Utility Commission Enterprise Fund is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Finance establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (i.e. grants received for education from the State and Federal Government). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Insurance Administration Fund.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$240.2 to \$241.8 million or 0.67 %. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

TOWN OF WATERFORD, CONNECTICUT
SUMMARY STATEMENT OF NET POSITION
June 30, 2013 and 2012
(In Thousands)

(TABLE 1)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 31,879	\$ 33,914	\$ 1,829	\$ 1,583	\$ 33,708	\$ 35,497
Capital assets, net of accumulated depreciation	270,203	260,366	57,975	56,785	328,178	317,151
Total Assets	302,082	294,280	59,804	58,368	361,886	352,648
Long-term liabilities outstanding	100,075	66,953	323	326	100,398	67,279
Other liabilities	19,599	43,909	127	107	19,726	44,016
Total Liabilities	119,674	110,862	450	433	120,124	111,295
Net position:						
Net investment in capital assets	178,578	176,727	57,974	56,785	236,552	233,512
Restricted	169	139	-	346	169	485
Unrestricted	3,661	5,367	1,379	794	5,040	6,161
Total Net Position	\$ 182,408	\$ 182,233	\$ 59,353	\$ 57,925	\$ 241,761	\$ 240,158

Net position of the Town's governmental activities increased by 0.10% (\$182.4 million in 2013 compared to \$182.2 million in 2012). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$5.4 million at June 30, 2012 to \$3.7 million at the end of this year.

By far the largest portion of the Town's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment). Since the Town's investment in its capital assets, net of accumulated depreciation, must also be reported net of related debt, it should be noted that the Town's outstanding debt is related to bonds and bond anticipation notes payable as of June 30, 2013.

The net position of our business-type activities increased by 2.47 % (\$59.4 million in 2013 compared to \$57.9 million in 2012).

The Town's total revenues (excluding special items) were \$101.7 million. The total cost of all programs and services was \$100.1 million. Our analysis below separately considers the operations of governmental and business-type activities.

TOWN OF WATERFORD, CONNECTICUT

(TABLE 2)

SUMMARY STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2013 and 2012

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 3,503	\$ 3,217	\$ 3,621	\$ 3,752	\$ 7,125	\$ 6,969
Operating grants and contributions	8,859	8,878	-	-	8,859	8,878
Capital grants and contributions	6,596	5,706	2,684	1,383	9,280	7,089
General Revenues:						
Property taxes	73,583	69,204	-	-	73,583	69,204
Grants and contributions not restricted to specific programs	953	975	-	-	953	975
Unrestricted investment earnings	168	222	-	-	168	222
Miscellaneous revenue	1,687	1,689	-	-	1,687	1,689
Transfers	346	-	(346)	-	-	-
Total revenues	95,695	89,891	5,960	5,135	101,655	95,026
Expenses:						
General government	12,041	12,303	-	-	12,041	12,303
Public safety	10,337	10,155	-	-	10,337	10,155
Public works	9,094	8,681	-	-	9,094	8,681
Recreation	1,706	1,646	-	-	1,706	1,646
Library	1,032	1,052	-	-	1,032	1,052
Social services	1,297	1,243	-	-	1,297	1,243
Education	57,492	53,735	-	-	57,492	53,735
Interest and fiscal charges	2,521	886	-	-	2,521	886
Utility Commission	-	-	4,531	6,004	4,531	6,004
Total expenses	95,519	89,701	4,531	6,004	100,050	95,705
Excess (deficiency) of revenues over expenses before transfers	176	190	1,429	(869)	1,605	(679)
Net Position, beginning	182,233	182,043	57,924	58,793	240,157	240,836
Net Position, ending	\$ 182,409	\$ 182,233	\$ 59,353	\$ 57,924	\$ 241,762	\$ 240,157

Governmental Activities

Approximately 76.9% of these revenues were derived from property taxes, followed by 17.1 % from operating and capital grants and contributions, 3.7% from charges for services and 2.3% from investment and other general revenues.

Major factors affecting operations include:

- Property Taxes were up by \$4.4 million due to an increase in the mill rate of 5.24 percent.
- Overall, Capital Grants and contributions were by up by \$890 thousand.
- School Construction grants are up \$711.2 thousand: Waterford High school grants were up by \$708.3 thousand, Great Neck School grants were down by \$128.7 thousand, Clark Lane Middle School grants are up by \$131.6 thousand.
- Public works grants are up by \$598.5 thousand: There was a one-time contribution of \$852.6 thousand from East Lyme for the Logger Hill Project in FY13. There was a decrease in FEMA reimbursements of \$432.1 thousand. There was an increase in LOCIP funding of \$391.7 thousand. ARRA funds increased by \$6.3 thousand and Town Aid Roads funds are up by \$1.3 thousand over FY12. Donations of infrastructure are down by \$221.3 thousand, due to the acceptance of Cottage Lane into the Town Road system in FY12.
- Public Safety grants are down by \$435.6 thousand; most of this decrease can be attributed to a one-time Police Boat grant received in FY12. There were increases in FY13 for a Port Security grant and a JAG PVET grant of \$5 thousand and \$39.8 thousand respectively. Donations to the New Animal Shelter fund were down by \$30.3 thousand. There was an increase in donations of equipment of \$3.8 thousand.
- General Government capital grants are up \$9 thousand: \$5.9 thousand for a voting machine paid by the state in a prior fiscal year was recognized in FY13. There was a \$4.1 thousand land donation. The Hybrid Vehicle grant was down by \$2 thousand in FY13 from FY12. A new donation was received in FY13 for \$1 thousand for audio video equipment.
- Recreation capital grants are up for Playground donations by \$6.3 thousand.
- Charges for Services were up \$286 thousand. The most significant change was for Building Permits which increased by \$298.6 thousand.
- Operating Grants decreased by \$19 thousand.
- Unrestricted Investment Income was down by \$54 thousand.
- Grants and Contributions not related to specific purposes are down by \$22 thousand. The Local Property tax Relief grant was down by \$30.6 thousand. Telecommunications property tax was up by \$11.3 thousand. An Equity Distribution from CIRMA was down \$4.6 thousand. Other PILOT funds were up by \$1.6 thousand over FY12.
- Miscellaneous revenue was down by \$2 thousand. Premiums for bonds and bond anticipation notes were up by \$594.4 thousand. Insurance Settlements decreased by \$487.6 thousand. Sale of vehicles was down by \$63.3 thousand. FY12 included a onetime donation of \$51 thousand. There was an increase in the contribution for maintenance of the cemetery of \$5 thousand in FY13. Other miscellaneous items were up by \$0.3 thousand

Table 3 presents the cost of each of the Town's five largest programs - education, general government, public safety, public works and recreation - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden to the Town's taxpayers by each of these functions.

TOWN OF WATERFORD, CONNECTICUT **(TABLE 3)**
GOVERNMENTAL ACTIVITIES
For the Years Ended June 30, 2013 and 2012
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Education	\$ 57,492	\$ 53,735	\$ 43,549	\$ 40,388
General government	12,041	12,304	10,454	11,082
Public safety	10,337	10,155	9,834	9,193
Public works	9,094	8,681	6,790	6,916
Recreation	1,706	1,646	1,505	1,474
All others	4,850	3,181	4,429	2,847
Total	\$ 95,520	\$ 89,702	\$ 76,561	\$ 71,900

Business-Type Activities

Net position of the Town's business-type activities (see Table 2) increased by 2.47% (\$59.4 million in 2013 compared to \$ 57.9 million in 2012). Revenues and transfers in for the Town's business-type activities (see Table 2) increased by \$1.2 million (\$6.3 million in 2013 compared to \$5.1 million in 2012). The factors driving these results include:

- An increase in capital contributions of \$1.3 million or 94.1% over fiscal year 2012 due to the completion of the Logger Hill Sewer Project, ongoing construction for the Harrison's Landing Project and the addition of a closed circuit television camera for inspecting the sewers. These additions were funded through the Capital and Nonrecurring Fund, as well as, the Sewer Maintenance and Development fund.
- Revenues for sewer user fees decreased by \$131 thousand or 3.5%.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$8.6 million, which is an increase of \$23.4 million from last year's total of -\$14.8 million. Included in this year's total change in fund balance is an increase of \$23.0 million in the Waterford High School Building Project Fund, a decrease of \$1.4 million in the Capital and NonRecurring Fund, an increase of \$928.2 thousand in the General Fund and an increase of \$882.3 thousand in Other Governmental Funds.

Capital Projects Funds:

- The Capital and Nonrecurring Fund balance decreased by \$1.4 million due to the following:
 - Expenditures of \$3.6 million were offset by revenues and transfers in of \$2.2 million.
- The Waterford High School Building Project Fund Balance increased by \$23.0 million due to the following:
 - School construction grants of \$6.2 million
 - Bond Proceeds of \$33.8 million
 - Premiums on Long and Short-term borrowing of \$1.6 million
 - Ongoing construction costs of \$17.9 million in fiscal year 2013
 - Interest on Interim Financing of \$ 0.7 million

Non-Major Capital Projects Funds:

- Fleet Management Fund balance increased by \$947.8 thousand due to the following:
 - Expenditures for the replacement of equipment and vehicles were \$315.7 thousand.
 - State grants for two hybrid vehicles amounted to \$16.2 thousand.
 - FEMA and Insurance reimbursements were \$108.8 thousand.
 - Transfers in were \$1,095 thousand.
 - Other Operating revenues were \$43.5 thousand

- Great Neck Elementary School Project Fund balance decreased by \$432.8 thousand due to the following:
 - Ongoing construction costs of \$17.9 thousand in fiscal year 2013
 - Interest on Bonds of \$414.9 thousand.

- Clark Lane Middle School Fund balance increased by \$220.0 thousand due to the following:
 - Final Grant funds received were \$316.3 thousand
 - Cost for audit services was \$15 thousand
 - Residual transfer out to close project was \$81.3 thousand

- The Capital Improvement Fund balance decreased by \$65.3 thousand due to the following:
 - Transfers in over transfers out of \$20.7 thousand
 - Capital Outlay expenditures of \$85.9 thousand

- Quaker Hill Elementary School Project Fund balance increased by \$61.0 thousand due to the following:
 - Reversal of accrued retainage costs of \$61.0 thousand due to settlement of dispute .

- The Animal Control New Facility Fund increased by \$37.8 thousand due to ongoing fundraising efforts.

- Oswegatchie Elementary School Project Fund balance decreased by \$18.0 thousand due to ongoing construction costs in fiscal year 2013

- Sewer Maintenance and Development Fund balance decreased by \$11.4 thousand due to the following:
 - Operating revenues of \$19.6 thousand
 - Capital Grant through Inter-Municipal Agreement with East Lyme of \$834.7 thousand
 - Capital Outlay expenditures of \$865.7 thousand

Special Revenue Funds:

- The Small Cities Grant Fund increased by \$61.7 thousand.
- The Water Fund had an increase in fund balance of \$38.3 thousand for fiscal year 2013.
- The Nuclear Emergency Preparedness Fund had an increase in fund balance of \$29.9 thousand for fiscal year 2013 due to grant reimbursements.
- The School Cafeteria Fund had a decrease of \$26.9 thousand for fiscal year 2013.

Proprietary Funds

The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall, proprietary funds net position totaled \$60.0 million at the end of the year, which includes a \$0.6 million fund balance in the Internal Service Fund.

Net position of the Utility Commission Fund at the end of the year amounted to \$59.4 million. Factors affecting the balance of this fund are included in the discussion of the Town's business-type activities.

In fiscal year 2013, net position of the Internal Service fund increased by \$1.6 million from fiscal year 2012. This is due to \$13.8 million in contributions and other revenues (an increase of .2 million over fiscal year 2012), offset by expenses for claims and program administration of \$12.2 million (an increase of \$0.3 million over fiscal year 2012).

General Fund Budgetary Highlights

Revenues were higher than budgetary estimates by \$376.0 thousand, and expenditures were less than original budgetary estimates by \$450.7 thousand. Overall revenues over expenditures on a budgetary basis were \$826.7 thousand. In the current year, revenues increased by \$5.3 million or 7.1 % over the prior year and expenditures increased by \$4.4 million or 5.9%.

The major factors affecting this year’s annual operating result are as follows:

- Property tax collections were \$4.3 million higher in Fiscal Year 2013 than in 2012.
- Building Permits increased by \$298 thousand over the prior year.
- Due to timing issues, there was no SCRRRA rebate recognized in FY12, which shows as an increase of \$290.3 thousand for FY13.
- Local Capital Improvement Funds increased by \$392 thousand

The Town’s General Fund balance of \$11.8 million reported on Exhibit III differs from the General Fund’s budgetary balance of \$11.3 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance does not include \$475.1 thousand of outstanding encumbrances at year-end, which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Town had \$328.2 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase (including additions and deductions) of \$11.0 million, or 3.49%, over last year.

TOWN OF WATERFORD, CONNECTICUT **(TABLE 4)**
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
For the Years Ended June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 7,766	\$ 7,762	\$ 128	\$ 114	\$ 7,894	\$ 7,876
Land improvements	725	783	-	-	725	783
Buildings and improvements	111,283	114,880	1,221	1,255	112,504	116,135
Machinery and equipment	7,487	6,605	210	81	7,697	6,686
Vehicles	3,094	3,488	270	317	3,364	3,805
Infrastructure	59,221	60,441	54,571	54,007	113,792	114,448
Permanent Easements	5	5	-	-	5	5
Software	181	214	32	34	213	248
Construction in progress	80,441	66,189	1,543	975	81,984	67,164
Total	\$ 270,204	\$ 260,367	\$ 57,974	\$ 56,783	\$ 328,178	\$ 317,150

Major capital asset events during the current fiscal year are noted below:

Governmental Activities:

- Increase to Construction-in-Progress of \$14.3 million attributed to the Waterford High School Project (\$13.5 million), Road reconstruction projects (\$0.5 million), Municipal Complex Renovation (\$0.20 million) and Water projects in-progress (\$0.1 million).
- Land Improvements had a decrease of \$58 thousand due mainly to depreciation of \$57.5 thousand.
- Buildings and Improvements decreased by \$3.6 million due to depreciation of the same amount.
- Machinery and equipment additions of \$1.9 million were due to mainly to replacement of furniture and equipment at the Waterford High School of \$1.6 million
- Infrastructure decreased by \$1.2 million. Additions include Road reconstruction of \$406.3 thousand and water main replacement of \$33.4 thousand. The net decrease was due to depreciation expense of \$1.6 million.

Business-Type Activities

- An increase in Infrastructure of \$0.6 million for Logger Hill Sewers.
- An increase to construction-in-progress of \$0.6 million for the Harrison's Landing Project

Additional information on the Town's capital assets can be found in Note 6 of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had \$81.6 million of outstanding general obligation bonds. The Town did receive a short-term rating of a MIG 1 from Moody's Investors Service when it initiated borrowing on the Clark Lane Middle School project in FY2006. The MIG 1 rating was sustained with the issuance of notes in March 2013. Bonds, also issued in March 2013 carried an Aa2 Moody's rating and an AA Standard and Poor's rating. The Town currently has outstanding \$10 million in bond anticipation notes for the Waterford High School Renovation Project.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its total prior years' tax collections. The current debt limitation for the Town is \$513.1 million.

Additional information on the Town's long-term debt can be found in Note 7.

Economic Factors

- The unemployment rate for the Town of Waterford for the period ending June 30, 2013 was 8.0% which is down by 0.1% from the same period in 2012. Waterford's unemployment rate is slightly lower than the State's average unemployment rate of 8.1% and is higher than the national average of 7.6% as of June 2013.
- Inflationary trends in the region compare unfavorably for the past year compared to national indices.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$1.3 million. The main reasons for the increase are positive operating results of \$826.7 thousand as well as a decrease in the stabilization balance of \$464 thousand.

All of these factors were considered in preparing the Town's budget for the 2013-14 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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 Director of Finance, Town of Waterford, 15 Rope Ferry Road, Waterford, Connecticut 06385.

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Basic Financial Statements

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Total*
Assets			
Cash and cash equivalents	\$ 15,365,441	\$ 342,203	\$ 15,707,644
Investments	11,307,771	-	11,307,771
Receivables, net	5,020,093	1,622,122	6,642,215
Internal balances	135,391	(135,391)	-
Inventory	5,484	-	5,484
Prepaid items	44,488	-	44,488
Capital assets:			
Intangible assets, not being amortized	5,000	-	5,000
Intangible assets, net amortization	180,866	31,628	212,494
Assets not being depreciated	88,206,862	1,670,855	89,877,717
Assets being depreciated	181,810,715	56,272,120	238,082,835
Total assets	302,082,111	59,803,537	361,885,648
Liabilities			
Accounts and other payables	3,562,039	103,942	3,665,981
Payroll liabilities	5,215,214	13,578	5,228,792
Bond anticipation notes payable	10,000,000	-	10,000,000
Unearned Revenue	821,276	9,887	831,163
Long-term obligations:			
Due within one year	3,060,912	7,409	3,068,321
Due in more than one year	97,014,265	315,298	97,329,563
Total liabilities	119,673,706	450,114	120,123,820
Net Position			
Net investment in capital assets	178,578,443	57,974,603	236,553,046
Restricted for:			
Trust purposes:			
Nonexpendable	169,132	-	169,132
Unrestricted	3,660,830	1,378,820	5,039,650
Total net position	\$ 182,408,405	\$ 59,353,423	\$ 241,761,828

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

* After internal balances have been eliminated.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 12,040,942	\$ 1,533,426	\$ 26,245	\$ 27,290	\$ (10,453,981)	\$ -	\$ (10,453,981)
Public safety	10,337,041	161,457	246,702	94,422	(9,834,460)	-	(9,834,460)
Public works	9,093,646	786,271	-	1,517,024	(6,790,351)	-	(6,790,351)
Recreation	1,705,710	173,303	17,401	10,100	(1,504,906)	-	(1,504,906)
Library	1,032,044	17,649	-	-	(1,014,395)	-	(1,014,395)
Social services	1,297,509	130,220	273,966	-	(893,323)	-	(893,323)
Education	57,491,857	701,010	8,295,120	4,947,018	(43,548,709)	-	(43,548,709)
Interest and fiscal charges	2,520,921	-	-	-	(2,520,921)	-	(2,520,921)
Total governmental activities	95,519,670	3,503,336	8,859,434	6,595,854	(76,561,046)	-	(76,561,046)
Business-Type Activities							
Utility Commission	4,530,795	3,621,479	-	2,684,428	-	1,775,112	1,775,112
Total	\$ 100,050,465	\$ 7,124,815	\$ 8,859,434	\$ 9,280,282	(76,561,046)	1,775,112	(74,785,934)
General revenues:							
Property taxes					73,582,997	-	73,582,997
Grants and contributions not restricted to specific programs					953,214	-	953,214
Unrestricted investment earnings					167,880	9	167,889
Other					1,686,594	-	1,686,594
Transfers					345,773	(345,773)	-
Total general revenues and transfers					76,736,458	(345,764)	76,390,694
Change in net position					175,412	1,429,348	1,604,760
Net position - beginning					182,232,993	57,924,075	240,157,068
Net position - ending					\$ 182,408,405	\$ 59,353,423	\$ 241,761,828

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 9,963,451	\$ 2,524,072	\$ 1,109	\$ 2,857,562	\$ 15,346,194
Investments	4,043,836	7,146,100	-	117,835	11,307,771
Receivables (net of allowance for uncollectibles):					
Property taxes	2,010,567	-	-	-	2,010,567
Accounts receivable	677,859	267,923	1,425,718	13,017	2,384,517
Intergovernmental	148,056	-	-	447,019	595,075
Assessment charges	29,311	-	-	-	29,311
Due from other funds	5,825,174	-	-	3,118,587	8,943,761
Prepaid items	43,213	-	-	1,275	44,488
Inventories	-	-	-	5,484	5,484
Total assets	\$ 22,741,467	\$ 9,938,095	\$ 1,426,827	\$ 6,560,779	\$ 40,667,168
Liabilities					
Accounts payable	\$ 1,373,742	\$ 39,368	\$ 1,092,483	\$ 143,960	\$ 2,649,553
Accrued liabilities	2,884,528	87,850	2,199,197	43,639	5,215,214
Due to other funds	3,782,911	436,412	1,823,941	3,429,430	9,472,694
Deferred revenues	2,247,879	250,050	1,425,718	7,045	3,930,692
Unearned revenue	613,673	-	-	127,425	741,098
Bond anticipation notes payable	-	-	10,000,000	-	10,000,000
Total liabilities	10,902,733	813,680	16,541,339	3,751,499	32,009,251
Fund balances (deficits)					
Nonspendable	43,213	-	-	125,919	169,132
Restricted	-	-	-	1,496,502	1,496,502
Committed	8,990,627	9,124,415	-	4,144,376	22,259,418
Assigned	568,685	-	-	182,954	751,639
Unassigned	2,236,209	-	(15,114,512)	(3,140,471)	(16,018,774)
Total fund balances (deficits)	11,838,734	9,124,415	(15,114,512)	2,809,280	8,657,917
Total liabilities and fund balances (deficits)	\$ 22,741,467	\$ 9,938,095	\$ 1,426,827	\$ 6,560,779	\$ 40,667,168

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

(Continued on next page)

BALANCE SHEET - GOVERNMENTAL FUNDS, Continued
June 30, 2013

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of
net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III) \$ 8,657,917

Capital assets used in governmental activities are not financial
resources and are not reported in the funds. 270,203,443

Deferred revenue 3,930,692

Internal service fund is used by management to charge the costs of
health insurance premiums to individual funds. The assets and
liabilities of the internal service fund are included in governmental
activities in the statement of net position. 603,477

Accrued interest payable (911,947)

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds. (100,075,177)

Net position of governmental activities (Exhibit I) \$ 182,408,405

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 73,303,784	\$ -	\$ -	\$ -	\$ 73,303,784
Intergovernmental	8,260,186	19,618	6,160,995	2,488,012	16,928,811
Assessments and connections	32,408	-	-	18,555	50,963
Licenses and permits	1,379,626	-	-	7,050	1,386,676
Fines, penalties and charges for services	582,437	-	-	806,028	1,388,465
Income on investments	76,501	59,654	9,362	20,233	165,750
Other	741,247	267,923	56,600	957,186	2,022,956
Total revenues	84,376,189	347,195	6,226,957	4,297,064	95,247,405
Expenditures					
Current:					
General government	11,391,709	-	-	17,323	11,409,032
Public safety	8,867,413	-	-	187,434	9,054,847
Public works	4,620,045	-	-	882,461	5,502,506
Recreation	1,525,284	-	-	7,191	1,532,475
Library	1,032,414	-	-	-	1,032,414
Social services	875,351	-	-	289,958	1,165,309
Education	49,169,506	-	-	2,258,297	51,427,803
Capital outlay	-	3,566,411	17,927,567	391,517	21,885,495
Debt service:					
Principal retirements	2,015,000	-	-	-	2,015,000
Interest and fiscal changes	1,394,479	-	671,250	414,925	2,480,654
Total expenditures	80,891,201	3,566,411	18,598,817	4,449,106	107,505,535
Excess (deficiency) of revenues over expenditures	3,484,988	(3,219,216)	(12,371,860)	(152,042)	(12,258,130)
Other Financing Sources (Uses)					
Transfers in	-	1,868,182	-	2,210,655	4,078,837
Transfers out	(2,556,748)	-	-	(1,176,316)	(3,733,064)
Issuance of bonds	-	-	33,750,000	-	33,750,000
Bond premium	-	-	1,607,806	-	1,607,806
Total other financing sources (uses)	(2,556,748)	1,868,182	35,357,806	1,034,339	35,703,579
Net change in fund balances (deficits)	928,240	(1,351,034)	22,985,946	882,297	23,445,449
Fund Balance (Deficit), beginning of year	10,910,494	10,475,449	(38,100,458)	1,926,983	(14,787,532)
Fund Balance (Deficit), end of year	\$ 11,838,734	\$ 9,124,415	\$ (15,114,512)	\$ 2,809,280	\$ 8,657,917

The accompanying notes are an integral part of the financial statements

(Continued on next page)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
GOVERNMENTAL FUNDS, Continued
For the Year Ended June 30, 2013**

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

Net change in fund balances – total governmental funds (Exhibit IV)	\$ 23,445,449
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	9,837,294
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,521,910)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(31,735,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,427,885)
The net increase of certain activities of internal service funds is reported with governmental activities.	<u>1,577,464</u>
Change in net position of governmental activities (Exhibit II)	<u>\$ 175,412</u>

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

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	Utility Commission	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 342,203	\$ 19,247
Due from other funds	-	664,324
Receivables, net	1,622,122	623
Total current assets	1,964,325	684,194
Noncurrent assets:		
Intangible assets	42,738	-
Less accumulated amortization	(11,110)	-
Land	127,970	-
Equipment	358,251	-
Vehicles	607,661	-
Wastewater and storm water lines and pump stations	94,320,887	-
Less accumulated depreciation	(39,014,679)	-
Construction in Process	1,542,885	-
Total noncurrent assets	57,974,603	-
Total assets	59,938,928	684,194
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 103,942	\$ 539
Accrued liabilities	13,578	-
Due to other funds	135,391	-
Advanced collections	9,887	80,178
Compensated absences	7,409	-
Total current liabilities	270,207	80,717
Noncurrent liabilities:		
Compensated absences	315,298	-
Total liabilities	585,505	80,717
NET POSITION		
Net investment in capital assets	57,974,603	-
Unrestricted	1,378,820	603,477
Total net position	\$ 59,353,423	\$ 603,477

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Utility Commission	
OPERATING REVENUES		
User, interest and lien fees	\$ 3,621,479	\$ -
Charges for services	-	13,416,148
Other operating revenues	-	360,846
Total operating revenues	<u>3,621,479</u>	<u>13,776,994</u>
OPERATING EXPENSES		
Amortization expense	2,849	-
Depreciation expense	1,355,250	-
Salaries, wages and employee benefits	1,172,626	-
Treatment plant costs	1,083,708	-
Utilities	283,928	-
Repairs and maintenance	395,680	-
Other	21,369	-
Materials and supplies	5,015	-
Professional services	46,194	33,750
Claims	-	-
Program and administrative expenses	-	12,167,909
Total operating expenses	<u>4,366,619</u>	<u>12,201,659</u>
Operating (loss) income	<u>(745,140)</u>	<u>1,575,335</u>
NONOPERATING REVENUES		
Income on investments	9	2,129
Loss on disposal of capital assets	(164,176)	-
Total non-operating (expenses) revenues	<u>(164,167)</u>	<u>2,129</u>
Net (loss) income before capital contributions and transfers	<u>(909,307)</u>	<u>1,577,464</u>
Transfer Out	(345,773)	
Capital contributions	2,684,428	-
Change in net position	<u>1,429,348</u>	<u>1,577,464</u>
NET POSITION, beginning	<u>57,924,075</u>	<u>(973,987)</u>
NET POSITION, ending	<u>\$ 59,353,423</u>	<u>\$ 603,477</u>

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

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business--Type	
	Activities - Enterprise Funds	Governmental Activities
	Utility Commission	Internal Service Funds
Cash Flow From Operating Activities		
Receipts from customers and users	\$ 3,615,719	\$ 13,753,626
Payments to suppliers	(3,217,105)	(15,064,965)
Payments to employees	(1,190,440)	-
Net cash used in operating activities	(791,826)	(1,311,339)
Cash Flows From Capital Financing Activities		
Purchase of capital assets	(27,900)	-
Net cash used in capital financing activities	(27,900)	-
Cash Flows From Investing Activities		
Income on investments	9	2,129
Net cash provided by investing activities	9	2,129
Decrease in cash and cash equivalents	(819,717)	(1,309,210)
Cash and Cash Equivalents		
Beginning	1,161,920	1,328,457
Ending	\$ 342,203	\$ 19,247
Reconciliation of Operating (Loss) Income to Net Cash Used In Operating Activities		
Operating (loss) income	\$ (745,140)	\$ 1,575,335
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Depreciation	1,358,099	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,372)	6,913
Decrease in accounts payable	(320,563)	(265,054)
Decrease in accrued liabilities	(14,560)	(926,836)
Decrease in due to other funds	(1,060,648)	(1,671,416)
Decrease in compensated absences	(3,254)	-
Decrease in advance collections	(388)	(30,281)
Net cash used in operating activities	\$ (791,826)	\$ (1,311,339)
Noncash Investing and Capital Activities:		
Donation of capital assets	\$ 2,684,428	\$ -
Loss on disposal of capital assets	\$ (164,176)	\$ -

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

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2013

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 517,232
Investments:		
Certificates of deposit	-	313,499
Mutual funds	728,155	-
Total investments	<u>728,155</u>	<u>313,499</u>
Accounts receivable	<u>600</u>	-
Total assets	<u>\$ 728,755</u>	<u>\$ 830,731</u>
LIABILITIES		
Amounts held for student groups and others	<u>\$ -</u>	<u>\$ 830,731</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 728,755</u>	<u>\$ -</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND
For the Year Ended June 30, 2013

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 78,744
Investment income	
Net appreciation in fair value of investments	55,520
Total additions	<u>134,264</u>
DEDUCTIONS	
Benefit payments	169,086
Administrative	5,693
Total deductions	<u>174,779</u>
Change in net position	(40,515)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>769,270</u>
End of year	<u>\$ 728,755</u>

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

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Waterford, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

The Town adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

The Town also adopted GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that are included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. GASB 62 does not have any impact on the Town's financial statements.

Reporting Entity

The Town was settled in 1646 and incorporated in 1801. The Town operates under a charter and a Board of Selectmen, Board of Finance and Representative Town Meeting (RTM) form of government.

The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

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 criteria provided in Government Accounting Standards Board Statement Codification Section 2100 have been considered and there are no agencies or entities that should be, but are not, included in the financial statements of the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from the statement of net position, except for the net residual amounts due between governmental and business-type activities. The interfund services provided and used are not eliminated from the statement of activities in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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

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

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The *General Fund* is the primary operating fund of the Town. This fund is used to account for and report 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 service and interest income.

Special Revenue Funds account for and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed for expenditure for specific activities other than debt service or capital projects.

Capital Project Funds account for and report all financial resources that are restricted, committed or assigned to expenditure for capital outlay.

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

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

- Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Utility Commission Fund is the Town's only enterprise fund.
- Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Health Insurance Fund is the Town's only internal service fund.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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/or other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

The *Pension Trust Fund* accounts for the Municipal Employees Retirement System.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Student Activities Fund, Student Scholarship Fund and Performance Bonds Fund are the Town's agency funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. However, agency funds, unlike other fiduciary funds, report only assets and liabilities and do not have a measurement focus, and follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for. Intergovernmental grants and entitlements 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 are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, landfill post-closure monitoring, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Capital and Nonrecurring Expenditures Fund* accounts and reports for revenues and expenditures for the various short-term construction projects funded by the General Fund.

The *Waterford High School Building Project* accounts and reports for revenues, expenditures. And other financing sources for the construction of the High School.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

The Town reports the following proprietary fund:

The *Utility Commission Fund* accounts for the operation and maintenance of the sewer collection system, which is owned by the Town and is primarily supported through charges to customers.

Additionally, the Town reports the following fund types:

The *Internal Service Fund* is used to account for the Town's fully-indemnified insurance program for health insurance coverage of Town and Board of Education employees.

The *Pension Trust Fund* is used to account for assets that have been set aside in trust for the employee retirement plan for certain Town employees.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Cash and Cash Equivalents

The Town classifies money market funds, STIF investments, treasury bills and certificates of deposit having original maturities of three months or less when purchased as cash equivalents.

Investments

Investments for the Town are stated at fair value using quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a SEC 2a-7. The value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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

Property Taxes

The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town, and are computed at 70% of market value. Although taxes are levied in June, the legal right to attach property does not exist until July 1. Taxes are due and payable in two installments, on July 1 following the date of the Grand List and on January 1 of the subsequent year. Interest of 1 ½% per month is charged on delinquent taxes. Liens are effective on the attachment date and are continued by filing prior to the following levy date.

Additional supplemental property taxes are assessed for motor vehicles registered subsequent to the Grand List date through July 31 and are payable in one installment due January 1. The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30. All trade and property tax receivables are shown net of an allowance for uncollectibles.

Allowance for Doubtful Accounts

Receivables for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based on past collection history and on analysis of creditor's ability to pay. An amount of \$40,000 has been established as an allowance for uncollectible taxes.

Inventories and Prepaid Items

All prepaids are reported using the consumption method.

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In governmental fund financial statements, capital outlay (assets) is reported as an expenditure and no depreciation expense is recorded.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Building improvements	25-40
Land improvements	20
Public domain infrastructure	10-65
System infrastructure	30
Vehicles	8
Office equipment	5-20
Computer equipment	5
Machinery and equipment	5-30
Software	15

Compensated Absences

Town and Board of Education employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

Long-Term Obligations

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

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

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

withheld from the actual debt proceeds received and principal payments, are reported as debt service expenditures.

Net Position

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

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

Restricted Net Position – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Unrestricted Net Position – This category represents the net position of the Town, which are not restricted for any project or other purpose.

Fund Balance

In the governmental fund financial statements, the Town reported the following governmental fund balances:

- ***Nonspendable Fund Balance*** – These amounts cannot be spent because they are not in spendable form, or because they are legally or contractually required to be maintained intact.
- ***Restricted Fund Balance*** – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- ***Committed Fund Balance*** - This represents amounts constrained, prior to year-end, for a specific purpose by a government using its highest level of decision-making authority (Town of Waterford Representative Town Meeting) in the form of a resolution/ordinance. Once adopted, the limitation imposed by the resolution/ordinance remains in place until similar action is taken to remove or revise the limitation.
- ***Assigned Fund Balance*** - Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter, Finance Director.
- ***Unassigned Fund Balance*** – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include residual deficits for other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Stabilization Fund – As a component of committed fund balance and a necessity for sound financial management and fiscal accountability, the Town maintains within a Stabilization Fund (as a committed component of the General Fund) a minimum of ten to a maximum of thirteen percent of its budgeted governmental funds' net operating revenue. At the end of each fiscal year, the Town will adjust the Stabilization Fund based upon actual fiscal year results by moving such amounts from unassigned fund balance to the committed fund balance as may be recommended by the Board of Finance within the range adopted by this policy.

Permitted Uses – Withdrawals from the Stabilization Fund shall be made only through appropriation by the Representative Town Meeting as recommended by the Board of Finance. The Stabilization Fund shall not be used to compensate for structural budget deficits. Withdrawals from the fund are only permitted for the following reasons:

1. To address a projected revenue shortfall that is greater than one percent of General Fund Operating Revenue excluding transfers, or
2. To mitigate damage caused by a natural disaster, or
3. To address an urgent event that jeopardizes the safety of the Public.

Any proposed appropriation that would result in the balance of the fund falling below the minimum fund balance ratio must be accompanied by a restoration plan that brings the fund back to the minimum within three years.

Pension Accounting

Pension Trust Funds:

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds and Governmental Activities:

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the Town's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. The pension obligation (asset) is recorded as a noncurrent liability (asset) in the government-wide financial statements.

Funding Policy:

The Town makes annual contributions based on plan requirements.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Other Post-Employment Obligations (OPEB) accounting

OPEB Plan:

Employer contributions are recognized in the period in which the contributions are due, and the Town has made a formal commitment to provide contributions.

Governmental Funds and Governmental Activities:

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the Town's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

Funding Policy:

The Town makes annual contributions on Committee decisions.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 81,625,000
OPEB	9,691,500
Compensated absences	8,298,677
Landfill post closure costs	<u>460,000</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 100,075,177</u></u>

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

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

Capital outlay	\$ 17,016,833
Depreciation expense	(7,007,841)
Loss on disposal	<u>(171,698)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 9,837,294</u>

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

Debt issued or incurred:	
General obligation debt	\$ 33,750,000
Principal repayments:	
General obligation debt	<u>(2,015,000)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 31,735,000</u>

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of account balance changes are as follows:

Compensated absences	\$ (95,318)
OPEB obligation	(1,315,300)
Accrued Interest	(40,267)
Landfill closure costs	<u>23,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,427,885)</u>

Note 3. Cash, Cash Equivalents and Investments

Deposits: The Town does have a policy for deposits and a custodial credit risk policy. The Town's custodial credit risk policy follows State statutes. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The Town and Pension Trust Fund have a policy for investments, which is governed by State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund. Other provisions of the Statutes cover specific municipal funds with particular investment authority, which mainly is the Pension Trust Fund. The Town and Pension Trust Fund have a custodial credit risk policy which follows State statutes.

Interest rate risk: The Town and pension plan have a policy that limits investing in short-term securities, money market funds or similar investment pools, and limiting the average maturity in the portfolio in accordance with this policy will minimize interest rate risk. The Town has no formal policy for interest rate risk.

Concentrations: The Town and pension plan do have a policy that limits the amounts invested in any one issuer, which is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

Custodial Credit Risk

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, \$18,457,000 of the Town's bank balance of \$22,203,000 was uninsured and uncollateralized.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2013:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 10,152,548
State of Connecticut Short-Term Investment Fund	6,072,328
Total cash and cash equivalents	<u>16,224,876</u>
Investments	
Governmental Funds:	
Certificates of deposit	<u>11,316,760</u>
Pension Trust Funds:	
Equity mutual funds	240,580
Bond mutual funds	478,586
Total pension investments	<u>719,166</u>
Agency Funds:	
Certificates of deposit	<u>313,499</u>
Total investments	<u>12,349,425</u>
Total cash, cash equivalents and investments	<u>\$ 28,574,301</u>

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	\$ 15,707,644
Investments	11,307,771
	<u>27,015,415</u>
Fiduciary Funds:	
Cash and cash equivalents	517,232
Investments	1,041,654
	<u>1,558,886</u>
Total cash, cash equivalents and investments	<u>\$ 28,574,301</u>

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

Summary of Investments	Fair Value	Investment Maturities (in Years)		
		Less Than 1 Year	1-5 Years	6-10 Years
Bond mutual funds	\$ 478,586	\$ -	\$ -	\$ 478,586
Pooled fixed income	6,072,328	6,072,328	-	-
TOTAL	\$ 6,550,914	\$ 6,072,328	\$ -	\$ 478,586

Credit risk: The Town does not have a formal policy relating to credit risk. Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The following table provides a summary of the Town's investments as rated by nationally recognized statistical rating organizations.

	Fair Value	Standard and Poor's	Moody's Investor Service
State Short-Term Investment Fund (STIF)	\$ 6,072,328	AAAm	-
Bond mutual fund	238,619	BBB	Bbb
Bond mutual fund	239,967	Unrated	Unrated

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 4. Unearned/Deferred Revenue

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

	Deferred Revenue	Unearned Revenue
	<u> </u>	<u> </u>
General Fund:		
Delinquent property taxes (principal)	\$ 1,333,278	\$ -
Delinquent property taxes (interest)	498,111	-
Delinquent sewer assessments	16,365	-
Delinquent water assessments	3,683	-
Miscellaneous accounts receivable	396,442	-
Advanced Collections	-	613,673
Capital NonRecurring Expenditures Fund		
Insurance claim receivable	250,050	-
Waterford High School Building Project		
Grants Receivable	1,425,718	-
Nonmajor Funds		
Delinquent sewer connection fees	3,699	-
Grants receivable	3,346	-
Grant drawdowns prior to meeting all eligibility requirements	-	85,756
Advanced Collections	-	41,669
	<u> </u>	<u> </u>
Total deferred/unavailable revenue for Governmental Funds and Government Activities	<u>\$ 3,930,692</u>	<u>\$ 741,098</u>

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2013, interfund balances that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 5,825,174	\$ 3,782,911
Capital and Nonrecurring Expenditures Fund	-	436,412
Waterford High School Building Project	-	1,823,941
Nonmajor Governmental Funds	3,118,587	3,429,430
Utility Commission	-	135,391
Internal Service Fund	664,324	-
Total	\$ 9,608,085	\$ 9,608,085

The balances above resulted from the time lag between the dates that payments occur between funds for various activities. The majority of the balances relate to capital purchases as permanent funding has not yet been obtained. The remaining amounts owed to the funds had not been satisfied at year end.

Interfund transfers during the year ended June 30, 2013 were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 2,556,748
Capital and Nonrecurring Expenditures Fund	1,868,182	-
Nonmajor Governmental Funds	2,210,655	1,176,316
Proprietary Funds	-	345,773
Total	\$ 4,078,837	\$ 4,078,837

The transfers out of the general fund were made to the Capital and Nonrecurring Fund and the Capital Improvement Fund in line with the Town's Capital Improvement Plan. This plan was put in place to minimize the mill rate impact of long-term projects. A one-time transfer out of the Utility Commission Fund into the Capital and Nonrecurring Fund took place in fiscal year 2013. Those Funds were reserved in Fiscal year 2012 in Utility Commission Fund to offset costs of the Logger Hill Sewer project. There was also a non-restricted fund balance transfer out of the Clark Lane Middle School Fund into the Capital and Nonrecurring Fund to close out that school project.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,762,257	\$ 4,140	\$ -	\$ 7,766,397
Construction in progress	66,189,055	14,266,336	14,926	80,440,465
Total capital assets, not being depreciated	<u>73,951,312</u>	<u>14,270,476</u>	<u>14,926</u>	<u>88,206,862</u>
Capital assets, being depreciated:				
Land improvements	3,223,791	-	826,296	2,397,495
Buildings and improvements	171,100,964	-	9,710	171,091,254
Vehicles	11,369,293	439,095	46,058	11,762,330
Machinery and equipment	13,916,778	1,882,562	716,217	15,083,123
Infrastructure	100,398,542	439,626	231,998	100,606,170
Permanent easements	5,000	-	-	5,000
Software	531,516	-	-	531,516
Total capital assets being depreciated	<u>300,545,884</u>	<u>2,761,283</u>	<u>1,830,279</u>	<u>301,476,888</u>
Less accumulated depreciation for:				
Land improvements	2,441,167	57,493	826,296	1,672,364
Buildings and improvements	56,221,127	3,588,165	931	59,808,361
Vehicles	7,881,660	806,695	20,381	8,667,974
Machinery and equipment	7,312,107	965,977	682,311	7,595,773
Infrastructure	39,957,567	1,556,280	128,662	41,385,185
Software	317,419	33,231	-	350,650
Total accumulated depreciation	<u>114,131,047</u>	<u>7,007,841</u>	<u>1,658,581</u>	<u>119,480,307</u>
Total capital assets, being depreciated, net	<u>186,414,837</u>	<u>(4,246,558)</u>	<u>171,698</u>	<u>181,996,581</u>
Governmental activities capital assets, net	<u>\$ 260,366,149</u>	<u>\$ 10,023,918</u>	<u>\$ 186,624</u>	<u>\$ 270,203,443</u>

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,230	\$ 13,740	\$ -	\$ 127,970
Construction in progress	975,187	618,798	51,100	1,542,885
Total capital assets, not being depreciated	<u>1,089,417</u>	<u>632,538</u>	<u>51,100</u>	<u>1,670,855</u>
Capital assets, being depreciated:				
Vehicles	607,661	-	-	607,661
Machinery and equipment	231,154	156,597	29,500	358,251
Infrastructure	91,299,539	1,974,293	336,573	92,937,259
Buildings and improvements	1,383,628	-	-	1,383,628
Software	42,738	-	-	42,738
Total capital assets being depreciated	<u>93,564,720</u>	<u>2,130,890</u>	<u>366,073</u>	<u>95,329,537</u>
Less accumulated depreciation for:				
Vehicles	290,297	47,811	-	338,108
Machinery and equipment	150,137	18,448	19,912	148,673
Infrastructure	37,292,618	1,254,398	181,985	38,365,031
Buildings and improvements	128,275	34,592	-	162,867
Software	8,261	2,849	-	11,110
Total accumulated depreciation	<u>37,869,588</u>	<u>1,358,098</u>	<u>201,897</u>	<u>39,025,789</u>
Total capital assets, being depreciated, net	<u>55,695,132</u>	<u>772,792</u>	<u>164,176</u>	<u>56,303,748</u>
Business-type capital assets, net	<u>\$ 56,784,549</u>	<u>\$ 1,405,330</u>	<u>\$ 215,276</u>	<u>\$ 57,974,603</u>

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

Governmental activities:	
General government	\$ 139,268
Public safety	1,108,203
Public works	2,015,183
Recreation	166,020
Library	39,498
Social services	114,288
Education	<u>3,425,381</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 7,007,841</u>
Business-Type Activities:	
Utility Commission	<u>\$ 1,358,098</u>

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Construction Commitments

The Town has active construction projects as of June 30, 2013. At year end the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Great Neck Elementary	\$ 24,983,581	\$ 33,131
Oswegatchie Elementary	24,767,071	31,519
High School Renovation	57,178,716	7,928,925
Telecommunication Upgrade	6,372,787	10,974
Fire Services Projects	104,296	11,167
Department of Public Works Projects	791,405	308,718
Utility Commission Projects	1,914,410	451,530
Total	<u>\$ 116,112,266</u>	<u>\$ 8,775,964</u>

The commitments are being financed through appropriations out of the Capital and Nonrecurring Expenditures Fund and Capital Projects Funds, as well as state grants and bonding.

Note 7. Long-Term Liabilities

A summary of changes in outstanding obligations during the year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 49,890,000	\$ 33,750,000	\$ 2,015,000	\$ 81,625,000	\$ 2,670,000
Other long-term liabilities:					
OPEB	8,376,200	2,581,800	1,266,500	9,691,500	-
Landfill post closure	483,000	-	23,000	460,000	23,000
Compensated absences	8,203,359	451,949	356,631	8,298,677	367,912
Governmental Activity Long-Term Liabilities					
	<u>\$ 66,952,559</u>	<u>\$ 36,783,749</u>	<u>\$ 3,661,131</u>	<u>\$ 100,075,177</u>	<u>\$ 3,060,912</u>
Business-Type Activities					
Compensated absences	\$ 325,960	\$ 30,000	\$ 32,726	\$ 323,234	\$ 7,409

For the governmental activities, other long-term liabilities including compensated absences are generally liquidated by the General Fund.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

General Obligation Bonds

At June 30, 2013, the outstanding general obligation bonds of the Town were as follows:

Description	Maturity Ranges	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance June 30, 2013
Governmental activities:						
Schools:						
Clark Lane School	\$800,000-\$850,000	\$ 15,865,000	08/15/07	08/15/26	4.0%-5.5%	\$ 12,200,000
Quaker Hill School	\$425,000-\$450,000	\$ 8,500,000	08/01/09	08/01/28	2.0%-4.0%	\$ 6,775,000
Oswegatchie School	\$735,000-\$740,000	\$ 14,000,000	08/01/11	08/01/30	2.0%-4.0%	\$ 13,260,000
Great Neck Elementary	\$655,000-\$975,000	\$ 15,640,000	03/01/12	08/01/31	1.75%-3.25%	\$ 15,640,000
Waterford High School	\$1,355,000-\$2,000,000	\$ 33,750,000	03/15/13	08/15/32	2.0%-4.0%	\$ 33,750,000

The following is a summary as of June 30, 2013 of the future principal and interest requirements for the Town's general obligation bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,670,000	\$ 2,526,564	\$ 5,196,564
2015	4,005,000	2,513,276	6,518,276
2016	4,005,000	2,394,526	6,399,526
2017	4,125,000	2,264,476	6,389,476
2018	4,340,000	2,124,326	6,464,326
2019-2023	23,270,000	8,381,119	31,651,119
2024-2028	23,835,000	4,621,153	28,456,153
2029-2033	15,375,000	1,114,158	16,489,158
	<u>\$ 81,625,000</u>	<u>\$ 25,939,598</u>	<u>\$ 107,564,598</u>

The Town's indebtedness (including authorized but unissued bonds and overlapping debt), net of principal reimbursements expected from the State, does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit (in thousands)	Net Indebtedness (in thousands)	Balance (in thousands)
General purpose	\$ 164,938	\$ -	\$ 164,938
Schools	329,876	139,957	189,919
Sewers	274,897	-	274,897
Urban renewal	238,244	-	238,244
Pension deficit	219,917	-	219,917

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$513,141,000.

Bonds Authorized But Unissued

Total authorized but unissued debt at June 30, 2013 consists of the follows:

Schools \$ 48,331,867

Bond Anticipation Notes

Bond anticipation note payable activity for the year ended June 30, 2013 was as follows:

Description	Date of Issue	Date of Maturity	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation note	3/20/12	3/18/13	0.170%	\$ 33,750,000	\$ -	\$ 33,750,000	\$ -
Bond anticipation note	3/18/13	3/17/14	0.182%	-	10,000,000	-	10,000,000
Total outstanding				<u>\$ 33,750,000</u>	<u>\$ 10,000,000</u>	<u>\$ 33,750,000</u>	<u>\$ 10,000,000</u>

These bond anticipation notes are issued to finance the additions and renovations to the Waterford High School, and Great Neck and Oswegatchie Elementary Schools. Outstanding bond anticipation notes are related to the Waterford High School Renovation.

Note 8. Fund Deficits

The following funds had fund deficit balances at June 30, 2013:

Waterford High School Building Project	\$ 15,114,512
Nonmajor Governmental Funds:	
Click It or Ticket Grant	345
Comprehensive DUI Enforcement Grant	1,961
Region IV RESF-5 GRANT	1,040
Oswegatchie Elementary School Project	1,054,338
Great Neck Elementary School	997,051
Quaker Hill Elementary School Project	1,085,736

These deficits will be reduced or eliminated when grant funds are received or appropriated by transfers from the General Fund or permanent financing is obtained.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Note 9. Employee Retirement Systems and Pension Plans

Municipal Employees' Retirement System

Plan Description

All eligible full-time Town employees participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing, multiple employer public employee retirement system (PERS) defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial report as a pension trust fund. MERS issues a publicly available financial report that may be obtained by writing to the State of Connecticut, Office of the State Comptroller, Municipal Employees' Retirement Fund, 55 Elm Street, Hartford, Connecticut 06106.

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities or other special districts, may elect to participate for one or more of its departments, including elective officers; only teachers, who are covered under the Connecticut State Teachers' Retirement System, are ineligible.

Funding Policy - Each participating municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general town employees, and within those two groups, with versus without Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending on the unit's date of participation and other factors. The contributions are actuarially determined using the entry age normal method. The actuarial assumptions are the same as those used to compute the actuarial accrued liability. Contributions for employees of the Town of Waterford were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/11	\$1,895,090	100%
6/30/12	2,277,760	100%
6/30/13	2,358,637	100%

For fiscal year ended June 30, 2013, the percentage of covered payroll used in calculating annual required contribution increased for general Town employees only. For police and fire employees, payroll factor increased to 16.65% of covered payroll. For the general Town employees, the payroll factor increased to 11.79% of covered payroll.

Pension Trust Fund

Plan Description

The Town maintains a single-employer defined benefit pension plan (the Plan). The Plan was established and is administered by the Town. The Plan covers employees who retired or terminated in a vested status prior to MERS participation. There are no contributions required from the members. The Town is required to contribute the amounts necessary to finance the benefits for the participants in this

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

plan. The Plan is included as part of the Town's financial reporting entity as a Pension Trust Fund. The Plan does not issue a separate stand-alone financial report.

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan is closed to new members. All eligible full-time employees have the option of enrolling in the MERS plan.

Members who retired at normal retirement date (age 62 and 15 years of service) receive benefits equal to 1.5% of final average earnings (the average of the highest 5 years within the last 10 years) per year of service, limited to 30 years. Members who retired at service retirement date (age 50 and 25 years of service) receive benefits equal to 2% of final average earnings per year of service, limited to 30 years, until age 62. Members who retired at early retirement date (age 57 and 15 years of service) could elect to receive benefits accrued to that date, reduced by .4167% for each month prior to normal retirement date, or to defer benefits until normal retirement date with no reduction. Benefit provisions are established and can be amended by the Representative Town Meeting.

Plan membership consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries currently receiving benefits	19
Terminated employees entitled to benefits but not yet receiving them	2
Active plan members	<u>-</u>
Total	<u><u>21</u></u>

Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues when due in accordance with the terms of the Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs are paid from pension fund resources.

Funding Policy

There are no active employees in this Plan. Contributions required for the year ended June 30, 2013 were \$78,744. Excess assets in the Plan may be used to fund past service costs for employees who transferred to MERS.

Concentrations

The Pension Fund has no investments that represent greater than 5% of net position at June 30, 2013.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Annual Pension Cost and Net Pension Obligations

The Town of Waterford's annual pension cost and net pension obligation to the Town of Waterford Pension Plan for the year ended June 30, 2013 are as follows:

Annual required contribution	\$ 78,744
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>78,744</u>
Contributions made	<u>78,744</u>
Increase in net pension obligation	-
Net pension obligation at beginning of year	<u>-</u>
Net pension obligation at end of year	<u><u>\$ -</u></u>

The annual required contribution was determined as part of the July 1, 2011 actuarial valuation using the entry age method, level dollar amortization method and remaining amortization period of eleven-years open. The actuarial assumptions included a) a 7.25% investment rate of return, b) retiree cost of living increase of 2.0% including a 2.0% inflation rate. The assumptions did not include projected salary or post-retirement benefit increases. The actuarial value of assets was determined using asset smoothing. The latest actuarial valuation reflects a change in funding method from Unit Credit to Entry Age Normal. Since no active employees are currently accruing a benefit under this plan, the change has no impact. The latest actuarial valuation reflects a change in the actuarial assumptions as such: The mortality assumption was changed from the 1994 Uninsured Pensioner Mortality Table set forward two years to the RP2000 Generational Mortality Table, and the Cost of Living Adjustment assumption was changed from 3% per year to 2% per year.

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$82,885	100%	-
June 30, 2012	82,885	100%	-
June 30, 2013	78,744	100%	-

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2011	\$ 846,370	\$ 1,429,565	\$ 583,195	59.2%	\$ -	\$ -

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

about whether the actuarial values of plan assets are increasing or decreasing over time relative to AALs for benefits.

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Section 10.183 of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The financial statements of the Plan are available from the Connecticut Office of the State Comptroller, 55 Elm Street, Hartford, CT 06106.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$4,400,000 for the year ended June 30, 2013.

Note 10. Other Postemployment Benefits

The Town provides post-retirement benefits for certain employees for current and future health insurance benefit expenses through a single-employer defined benefit plan. A biennial actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2012. The post-retirement plan does not issue stand-alone financial reports.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town currently funds on the "pay-as-you-go" method. The Town determines the required contribution using the Projected Unit Cost Method.

Membership in the plan consisted of the following at July 1, 2012, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	231
Active plan members	502
Total	<u>733</u>

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2013	\$ 2,581,800	49.1%	\$ 9,691,500
06/30/2012	2,582,500	54.6%	8,376,200
06/30/2011	3,572,300	44.1%	7,202,800

OPEB Obligation

Annual required contribution	\$ 2,718,100
Interest on net pension obligation	418,800
Adjustment to annual required contribution	(555,100)
Annual OPEB cost	2,581,800
Contributions made	1,266,500
Increase in net OPEB liability	1,315,300
Net OPEB obligation, beginning of year	8,376,200
Net OPEB obligation, end of year	<u>\$ 9,691,500</u>

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (C)	UAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2012	\$ -	\$ 28,551,800	\$ 28,551,800	0%	\$ 31,032,400	92.0%

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to AALs for benefits.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2012
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period	30 Years Decreasing, Currently 24 years
Actuarial Assumptions:	
Investment rate of return	5.0%
Inflation rate	N/A
Projected salary increases	N/A
Health cost trend rates	Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:

Year After Valuation Date	Increase
1	8.5%
2	8.0%
3	7.5%
4	7.0%
5	6.5%
6	6.0%
7	5.5%
8 or more	5.0%

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded commercial coverage in any of the past three years and there have not been any significant reductions in insurance coverage from the amounts held in prior years.

The Town currently is a member in Connecticut Interlocal Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

the provisions of Section 7-479a, et seq., of Connecticut General Statutes, for workers' compensation first dollar coverage.

The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an insured loss retrospective rating plan and losses incurred in the coverage period will be evaluated at 18, 30, and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence. The Town has not incurred any retrospective charges and are not aware of potential obligations related to its membership in CIRMA as of June 30, 2013.

The Town utilized a self-insurance program, which commenced November 1, 1998, to account for health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis through June 30, 2012. The Town changed its health insurance coverage to a fully-indemnified insurance plan effective July 1, 2012.

Due to the Town's change to a fully-indemnified insurance policy, there were no liabilities existing at June 30, 2013. A schedule of changes in the claims liability for the past two years is presented below:

	Liability, July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability, June 30
2012-2013	\$ 926,836	\$ (351,431)	\$ (575,405)	\$ -
2011-2012	\$ 663,236	\$ 11,128,541	\$ (10,864,941)	\$ 926,836

Note 12. Contingent Liabilities

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

There are several pending lawsuits involving the Town. Town management believes the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Town.

Effective January 1, 2002, the Town's Miner Lane landfill was closed. The cost of the ongoing maintenance of the cap and the Department of Environmental Protection requirement for water quality testing over a 30-year period is estimated to be approximately \$23,000 a year. Accordingly, the Town has recorded a liability in the government-wide financial statements of \$460,000.

Note 13. Major Taxpayer

For the fiscal year ended June 30, 2013, 30% of the Town's property tax revenues were derived from its largest taxpayer, Dominion Nuclear Connecticut, Inc., an electrical power facility.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 14. Governmental Funds – Fund Balance

The Town follows the accounting guidance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which established accounting and financial reporting standards for governmental funds. Below is a table of fund balance categories and classifications at June 30, 2013 for the Town's governmental funds:

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds
Fund balances:				
Non-spendable:				
Prepays	\$ 43,213	\$ -	\$ -	\$ -
Inventory	-	-	-	5,484
Non-Spendable Trust	-	-	-	120,435
Total nonspendable	43,213	-	-	125,919
Restricted:				
General government	-	-	-	45,304
Animal Control and other	-	-	-	156,632
Sewer Maintenance	-	-	-	849,072
Youth and senior services	-	-	-	153,616
School Cafeteria and other	-	-	-	280,413
Recreation	-	-	-	11,465
Total restricted	-	-	-	1,496,502
Committed:				
Public Works	-	-	-	624,093
Other capital projects	-	9,124,415	-	3,520,283
Stablization Fund	8,990,627	-	-	-
Total committed	8,990,627	9,124,415	-	4,144,376
Assigned:				
General government	126,536	-	-	-
Public safety	35,474	-	-	-
Public Works	54,191	-	-	-
Recreation	29,276	-	-	-
Library	2,359	-	-	-
Social services	2,030	-	-	1,314
Capital Outlay	-	-	-	181,640
Education	318,819	-	-	-
Total assigned	568,685	-	-	182,954
Unassigned:				
General government	2,236,209	-	-	-
Operational grants	-	-	-	-
Capital projects	-	-	(15,114,512)	(3,140,471)
Total unassigned (deficit)	2,236,209	-	(15,114,512)	(3,140,471)
Total fund balance	\$ 11,838,734	\$ 9,124,415	\$ (15,114,512)	\$ 2,809,280

The Town has no significant encumbrances.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Note 15. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, was issued March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
- **GASB Statement No. 66, *Technical Corrections—2012***, was issued in March 2012. *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans an Amendment of GASB Statement No. 25*, was issued in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2013.

- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27***, was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement are effective for fiscal years beginning after June 15, 2014.

TOWN OF WATERFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, was issued in January 2013. This Statement provides guidance for:
 - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
 - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
 - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
 - Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis.

- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

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**Required Supplementary
Information**

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Property Taxes				
Revenues from current year	\$ 72,605,635	\$ 72,605,635	\$ 72,640,757	\$ 35,122
Prior year taxes	265,000	265,000	369,338	104,338
Interest and lien fees	200,000	200,000	293,689	93,689
Total property taxes	73,070,635	73,070,635	73,303,784	233,149
Intergovernmental				
State of Connecticut:				
Education:				
Equalized cost sharing	1,457,022	1,457,022	1,438,159	(18,863)
Transportation	45,741	45,741	27,261	(18,480)
Education of the blind	24,710	24,710	37,750	13,040
Health and welfare	6,529	6,529	5,924	(605)
General government:				
Tax relief:				
Tax relief - state-owned property	373,986	373,986	373,493	(493)
Elderly	174,648	174,648	186,203	11,555
Disabled	1,675	1,675	1,915	240
Private tax exempt property	49,647	49,647	48,707	(940)
Veterans	9,222	9,222	10,269	1,047
Local State Property Tax Relief Grant	27,172	27,172	138,944	111,772
Local Capital Improvement Municipal Complex	-	-	366,270	366,270
Court fines	14,190	14,190	15,554	1,364
Civil preparedness	31,490	31,490	56,430	24,940
Telecommunication	82,905	82,905	94,196	11,291
Town aid road	159,777	159,777	161,255	1,478
Local Capital Improvement	463,100	463,100	-	(463,100)
Local Bridge Grant	304,000	304,000	25,386	(278,614)
SDE state grant	14,000	14,000	14,000	-
Mashantucket Pequot grant	46,951	46,951	47,817	866
Enhancement 911	16,679	16,679	27,308	10,629
Municipal video competition trust	8,085	8,085	19,255	11,170
Total intergovernmental	3,311,529	3,311,529	3,096,096	(215,433)

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TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Assessments and connections:				
Water main assessments	11,315	11,315	5,351	(5,964)
Sewer assessments	34,603	34,603	27,057	(7,546)
Total assessments and connections	45,918	45,918	32,408	(13,510)
Licenses and Permits				
Recreation and parks commission	\$ 146,000	\$ 146,000	\$ 173,303	\$ 27,303
Building inspector	300,000	300,000	612,734	312,734
License, fees, permits and fines	15,000	15,000	24,296	9,296
Conveyance tax	150,000	150,000	273,887	123,887
Planning and zoning	55,000	55,000	55,442	442
Liens - Utility Commission	20,000	20,000	21,800	1,800
Town Clerk fees	170,000	170,000	188,937	18,937
Total licenses and permits	856,000	856,000	1,350,399	494,399
Fines, Penalties and Charges for Services				
Tuition	35,742	35,742	47,408	11,666
Safe homes tuition	21,292	21,292	3,756	(17,536)
Library	21,000	21,000	17,649	(3,351)
False alarm fines	3,000	3,000	950	(2,050)
Bulky waste fees	113,790	113,790	115,091	1,301
Recycling	103,240	103,240	61,588	(41,652)
Miscellaneous	40,000	40,000	34,957	(5,043)
EMS - Reg. Comm Ctr fees	15,438	15,438	162	(15,276)
Tipping fees	275,276	275,276	256,998	(18,278)
Senior services	25,500	25,500	28,780	3,280
Eugene O'Neill Theater gate revenue	15,000	15,000	8,768	(6,232)
Total fines, penalties and changes for services	669,278	669,278	576,107	(93,171)

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Other Sources				
Rent and miscellaneous	3,808	3,808	12,032	8,224
Rental of building	145,770	145,770	140,493	(5,277)
Welfare	-	-	317	317
Sale of Equipment	100	100	246	146
Leasehold tax	2,663	2,663	-	(2,663)
SCRRA rebate	238,424	238,424	290,284	51,860
Ambulance operating subsidy	250,000	250,000	156,000	(94,000)
East Lyme animal control payment	57,008	57,008	54,293	(2,715)
BOE Human Resources Offset	14,356	14,356	12,247	(2,109)
Insurance settlement	-	-	50	50
CIRMA Members Equity Distribuion	50,000	50,000	51,671	1,671
TVCCA Assistance Rebate	-	-	3,000	3,000
Agency Stipend	-	-	1,500	1,500
Total other sources	762,129	762,129	722,133	(39,996)
Interest and Dividends				
Interest on investments	75,000	75,000	76,501	1,501
Total revenues	78,790,489	78,790,489	79,157,428	366,939
Other Financing Sources				
Cancellation of prior year encumbrances	100	100	9,111	9,011
Total other financing sources	100	100	9,111	9,011
Total revenues and other financing sources	\$ 78,790,589	\$ 78,790,589	79,166,539	\$ 375,950

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	4,400,000
Encumbrances for purchases and commitments which were subsequently cancelled in the next fiscal year	(9,111)
Excess cost - student based grant	764,090
GASB 54 Activity of Certain Special Revenue Funds now consolidated into the General Fund	54,671

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

\$ 84,376,189

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Selectman				
Personnel costs	\$ 168,605	\$ 169,476	\$ 169,472	\$ 4
Services	43,742	63,871	63,022	849
Materials and supplies	2,440	2,440	1,359	1,081
Total Selectman	214,787	235,787	233,853	1,934
Registrar of Voters				
Personnel costs	60,204	60,204	60,066	138
Services	7,353	7,353	2,900	4,453
Materials and supplies	6,860	6,860	5,256	1,604
Total Registrar of Voters	74,417	74,417	68,222	6,195
Board of Finance				
Personnel costs	14,015	14,015	10,107	3,908
Services	51,449	51,449	48,350	3,099
Materials and supplies	30	30	-	30
Total Board of Finance	65,494	65,494	58,457	7,037
Assessor				
Personnel costs	267,441	267,441	257,894	9,547
Services	26,185	26,185	22,093	4,092
Materials and supplies	915	915	901	14
Total Assessor	294,541	294,541	280,888	13,653
Board of Assessment Appeals				
Personnel costs	2,401	2,401	1,817	584
Services	1,374	1,374	217	1,157
Total Board of Assessment Appeals	3,775	3,775	2,034	1,741
Tax Collector				
Personnel costs	151,945	155,340	154,465	875
Services	41,593	40,568	38,003	2,565
Materials and supplies	1,065	1,065	785	280
Total Tax Collector	194,603	196,973	193,253	3,720

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TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT, CONTINUED				
Finance				
Personnel costs	\$ 509,005	\$ 518,811	\$ 516,668	\$ 2,143
Services	258,659	258,407	252,623	5,784
Materials and supplies	40,000	32,000	28,484	3,516
Equipment	28,979	43,979	43,141	838
Total Finance	836,643	853,197	840,916	12,281
Legal Department				
Services	280,718	313,154	313,153	1
Town Clerk				
Personnel costs	200,229	202,197	202,152	45
Services	41,521	47,053	46,483	570
Materials and supplies	2,770	3,214	3,183	31
Equipment	1	1	-	1
Total Town Clerk	244,521	252,465	251,818	647
Planning and Zoning Commission				
Personnel costs	513,971	611,030	606,630	4,400
Services	18,417	18,417	17,077	1,340
Materials and supplies	2,070	2,070	2,017	53
Total Planning and Zoning Commission	534,458	631,517	625,724	5,793
Building Maintenance				
Services	142,008	141,153	131,649	9,504
Materials and supplies	9,650	7,279	7,279	-
Capital Improvements	-	3,226	3,226	
Total Building Maintenance	151,658	151,658	142,154	9,504
Insurance				
Services	4,287,555	4,287,555	4,287,138	417
Economic Development Commission				
Services	8,949	8,949	7,433	1,516
Conservation Commission				
Services	15,850	15,850	13,545	2,305
Materials and supplies	500	500	459	41
Total Conservation Commission	16,350	16,350	14,004	2,346

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT, CONTINUED				
Zoning Board of Appeals				
Services	\$ 4,923	\$ 4,923	\$ 4,814	\$ 109
Materials and supplies	50	50	-	50
Total Zoning Board of Appeals	4,973	4,973	4,814	159
Retirement Commission				
Personnel costs	3,710,652	3,538,000	3,534,103	3,897
Representative Town Meeting				
Personnel costs	54	54	-	54
Services	18,380	18,380	17,991	389
Total Representative Town Meeting	18,434	18,434	17,991	443
Building Department				
Personnel costs	257,980	257,980	257,312	668
Services	8,606	8,606	7,715	891
Materials and supplies	3,040	3,040	1,772	1,268
Equipment	353	353	336	17
Total Building Department	269,979	269,979	267,135	2,844
Social Service Grants				
Services	71,338	71,338	71,228	110
Contracts out to agencies	16,750	16,750	11,250	5,500
Total Social Service Grants	88,088	88,088	82,478	5,610
Contingency				
Miscellaneous	250,000	304	-	304
Flood and Erosion Control Board				
Personnel costs	754	754	722	32
Services	150	150	-	150
Materials and supplies	25	25	8	17
Total Flood and Erosion Control Board	929	929	730	199

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Ethics Commission				
Personnel costs	323	561	560	1
Services	375	137	14	123
Materials and supplies	25	25	9	16
Total Ethics Commission	723	723	583	140
Human Resources				
Personnel costs	177,453	177,453	158,752	18,701
Services	13,048	15,142	13,334	1,808
Materials and supplies	3,904	1,810	1,405	405
Equipment	307	307	250	57
	194,712	194,712	173,741	20,971
TOTAL GENERAL GOVERNMENT	11,746,959	11,501,974	11,400,622	101,352
PUBLIC SAFETY				
Emergency Management				
Personnel costs	715,649	735,368	735,210	158
Services	353,671	353,671	353,403	268
Materials and supplies	3,500	3,500	3,268	232
Equipment	3	3	-	3
Total Emergency Management	1,072,823	1,092,542	1,091,881	661
Fire Services				
Personnel costs	1,472,402	1,531,330	1,531,325	5
Services	829,476	915,437	915,425	12
Materials and supplies	234,470	239,906	239,902	4
Equipment	76,450	54,608	54,598	10
Total Fire Services	2,612,798	2,741,281	2,741,250	31

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
 GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Police Department				
Personnel costs	4,354,541	4,403,974	4,393,852	10,122
Services	353,259	346,309	339,759	6,550
Materials and supplies	242,870	273,870	265,722	8,148
Equipment	12,431	12,431	12,431	-
Total Police Department	4,963,101	5,036,584	5,011,764	24,820
TOTAL PUBLIC SAFETY	8,648,722	8,870,407	8,844,895	25,512
PUBLIC WORKS				
Personnel costs	2,088,099	2,101,478	2,101,374	104
Services	1,618,613	1,641,209	1,638,107	3,102
Materials and supplies	769,503	756,828	754,074	2,754
Equipment	13,577	13,577	13,481	96
Capital improvements	159,930	159,930	159,930	-
Total Public Works	4,649,722	4,673,022	4,666,966	6,056
SOCIAL SERVICES				
Youth Service Bureau:				
Personnel costs	\$ 156,410	\$ 160,599	\$ 160,558	\$ 41
Services	44,200	40,011	36,031	3,980
Total Social Services	200,610	200,610	196,589	4,021
Conservation of Health				
Services	133,849	133,849	133,849	-
Total Conservation of Health	133,849	133,849	133,849	-
Waterford Public Health Nursing Service				
Contracts out to agencies	46,840	46,840	41,164	5,676
Senior Citizen Commission				
Personnel costs	360,680	360,680	358,797	1,883
Services	128,709	128,709	124,272	4,437
Materials and supplies	23,924	23,924	22,515	1,409
Equipment	1,264	1,264	1,218	46
Total Senior Citizen Commission	514,577	514,577	506,802	7,775
TOTAL SOCIAL SERVICES	895,876	895,876	878,404	17,472

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -

BUDGET AND ACTUAL, Continued

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
LIBRARY				
Personnel costs	906,965	891,465	882,062	9,403
Services	83,593	99,093	98,858	235
Materials and supplies	8,000	7,427	7,409	18
Equipment	45,000	45,573	45,573	-
TOTAL LIBRARY	1,043,558	1,043,558	1,033,902	9,656
RECREATION AND PARKS				
Personnel costs	912,791	912,791	853,222	59,569
Services	317,953	312,953	304,580	8,373
Materials and supplies	56,931	69,931	67,780	2,151
Equipment	9,039	1,039	-	1,039
TOTAL RECREATION AND PARKS	1,296,714	1,296,714	1,225,582	71,132
COMMUNITY USE OF SCHOOLS	304,391	304,391	304,391	-
DEBT SERVICE				
Principal	\$ 2,015,000	\$ 2,015,000	\$ 2,015,000	\$ -
Interest	1,394,480	1,394,480	1,394,478	2
TOTAL DEBT SERVICE	3,409,480	3,409,480	3,409,478	2
BOARD OF EDUCATION	44,199,363	44,199,363	43,979,823	219,540
TOTAL EXPENDITURES	76,194,785	76,194,785	75,744,063	450,722
OTHER FINANCING USES				
Transfers out	2,595,804	2,595,804	2,595,804	\$ -

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
BUDGET AND ACTUAL, Continued
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Total Expenditures and Other Financing Uses	<u>\$ 78,790,589</u>	<u>\$ 78,790,589</u>	78,339,867	<u>\$ 450,722</u>
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			4,400,000	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the order is received for financial reporting purposes			(7,591)	
Excess cost - student based grant			764,090	
Reverse Retropay Accrual			(65,670)	
GASB 54 Activity of Certain Special Revenue Funds now consolidated into the General Fund			<u>17,253</u>	
Total Expenditures and Other Financing Sources as Reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			<u>\$ 83,447,949</u>	

TOWN OF WATERFORD, CONNECTICUT

**REQUIRED SUPPLEMENTARY INFORMATION - unaudited
PENSION AND OPEB FUNDS
June 30, 2013**

Schedule of Funding Progress - Pension

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/11	\$ 846,370	\$ 1,429,565	\$ (583,195)	59.2%	\$ -	0.0%
7/1/09	958,439	1,533,919	(575,480)	62.5%	-	0.0%
7/1/07	1,149,217	1,610,681	(461,464)	71.3%	-	0.0%
7/1/05	1,360,097	1,689,009	(328,912)	80.5%	-	0.0%
7/1/03	1,694,470	1,832,456	(137,986)	92.5%	-	0.0%
7/1/01	1,122,533	1,122,533	-	100.0%	-	0.0%

Schedule of Employer Contributions - Pensions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2013	\$ 78,744	100%
6/30/2012	82,885	100%
6/30/2011	82,885	100%
6/30/2010	63,081	100%
6/30/2009	63,081	100%
6/30/2008	44,961	100%

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll Covered
7/1/2012	\$ -	\$ 28,551,800	\$ 28,551,800	0.00%	\$ 31,032,400	92.0%
7/1/2010	-	31,511,700	31,511,700	0.00%	28,227,100	111.6%
7/1/2008	-	40,636,400	40,636,400	0.00%	26,292,000	154.6%
7/1/2006	-	40,780,200	40,780,200	0.00%	25,246,800	161.5%

Schedule of Employer Contributions - OPEB

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2013	\$ 2,718,100	46.6%
6/30/2012	2,690,600	52.4%
6/30/2011	3,644,900	43.2%
6/30/2010	3,694,400	36.7%
6/30/2009	3,649,500	20.4%

TOWN OF WATERFORD, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - unaudited June 30, 2013

Note 1. Budgets and Budgetary Accounting

Formal legally adopted annual budgets are employed as a management control device in the General Fund. Project-length budgets are employed in the Capital Projects Funds. All unencumbered appropriations lapse at year-end.

The Town uses the following procedures in establishing the budgetary data included in the financial statements. Those Departments, Boards, Commissions and Agencies seeking appropriations, with the exception of the Board of Education, make their budgetary requests to the Board of Selectmen by a date designated by that Board, generally no later than the last working day in November. During the month of January and February, the Board of Selectmen conducts budget hearings with the requesting agencies. The Board of Selectmen will take final action on these requests no later than the second week in February and forward the budgets and its recommendation for funding to the Board of Finance. During the month of March, the Board of Finance conducts budget hearings with the requesting Departments, Boards, Commissions and Agencies including the Board of Education. The Board of Finance then conducts a Public Hearing to determine the budget it will recommend to the Representative Town Meeting. This recommendation cannot exceed the recommended level of appropriation by the Board of Selectmen unless a departmental appeal is made to them based upon the action of the Board of Selectmen in a timeframe approved by Ordinance. The Representative Town Meeting holds its annual budget meeting the first Monday in May and acts upon the recommended budget as submitted by the Board of Finance inclusive of the Board of Education. The Representative Town Meeting cannot increase the level of appropriation recommended by the Board of Finance unless a departmental appeal is made to them from the action of the Board of Finance in a timeframe approved by Ordinance. The annual budget meeting legally appropriates this budget to departmental line items for expenditures and transfers. The Board of Finance then sets a tax mill rate for the ensuing fiscal year based upon this level of budget.

Town management may transfer amounts within the series level within a department with Commission or Board approval, but only the Board of Finance is authorized to transfer the legally budgeted amounts between series within or between departmental accounts. In this function, series within the various departments serve as the level of management control.

The Superintendent of Schools is authorized to make limited line item transfers under emergency circumstances where the urgent need for the transfer prevents the Board of Education from meeting in a timely fashion to consider the transfer. Any such transfer shall be announced at the next regularly scheduled meeting of the Board.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major difference between the budgetary and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as assigned fund balance.

Summarizations of the amended budget approved by the RTM for the "budgetary" general fund is presented. During the year, there were no supplemental budgetary appropriations.

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in reporting in conformity with generally accepted accounting principles.

TOWN OF WATERFORD, CONNECTICUT

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - unaudited
June 30, 2013**

The differences between the budgetary and GAAP basis of accounting are as follows:

Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year but are shown as an assigned fund balance on a GAAP basis.

State of Connecticut payments on behalf of Town of Waterford teachers for the State Teachers' Retirement System are reported for GAAP purposes only.

Excess Cost - Student based grant is credited against the Board of Education's operating budget.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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**Combining and Individual
Fund Financial Statements and Other Schedules**

General Fund

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF WATERFORD, CONNECTICUT

COMPARATIVE BALANCE SHEET
GENERAL FUND

June 30, 2013 With Comparative Totals for 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 9,963,451	\$ 3,754,140
Investments	4,043,836	4,474,525
Receivables, net	2,865,793	2,630,626
Due from other funds	5,825,174	7,917,884
Prepaid items	43,213	30,891
Total assets	\$ 22,741,467	\$ 18,808,066
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 1,373,742	\$ 1,244,172
Accrued liabilities	2,884,528	2,358,790
Due to other funds	3,782,911	1,467,765
Deferred revenues	2,247,879	1,905,037
Unearned revenues	613,673	921,808
Total liabilities	10,902,733	7,897,572
Fund Balance:		
Nonspendable	43,213	30,891
Committed	8,990,627	9,454,871
Assigned	568,685	533,283
Unassigned	2,236,209	891,449
Total fund balance	11,838,734	10,910,494
Total liabilities and fund balance	\$ 22,741,467	\$ 18,808,066

TOWN OF WATERFORD, CONNECTICUT

BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
 COMPARED WITH APPROPRIATIONS
 For the Year Ended June 30, 2013

	Final Appropriation	Expenditures and Encumbrances	Unexpended Balance
Salaries - certified	\$ 20,648,338	\$ 20,586,733	\$ 61,605
Salaries - support	4,856,293	4,635,392	220,901
Temporary pay - certified	1,014,096	1,027,112	(13,016)
Temporary pay - support	102,110	109,522	(7,412)
Overtime - support	86,164	93,423	(7,259)
Health and dental insurance	6,995,814	6,995,754	60
Life and major medical insurance	83,036	81,022	2,014
Long term disability	773	1,177	(404)
Social security contribution	778,358	729,071	49,287
Reimbursements	72,475	64,772	7,703
Unemployment compensation	104,432	75,881	28,551
Workers' compensation	272,686	257,581	15,105
Sick pay	167,308	197,392	(30,084)
Retirement Incentive	16,000	21,000	(5,000)
Instructional services	123,271	138,489	(15,218)
Staff and curriculum development	50,000	61,826	(11,826)
Other professional and technical services	1,055,359	1,062,108	(6,749)
Legal services	92,945	102,389	(9,444)
Public utilities	62,294	58,781	3,513
Maintenance and repairs	249,654	244,815	4,839
Rentals	1,675	2,293	(618)
Pupil transportation	2,434,430	2,212,855	221,575
Insurance - property	99,052	111,292	(12,240)
Insurance - liability	92,043	98,981	(6,938)
Other insurance	18,950	22,579	(3,629)
Communications	61,673	159,606	(97,933)
Postage	38,000	25,580	12,420
Advertising	5,000	1,599	3,401
Tuition	1,572,896	1,598,016	(25,120)
Travel and conference	119,823	122,283	(2,460)
Other purchased services	28,000	37,767	(9,767)
Instructional supplies	353,266	350,034	3,232
Software	207,143	223,463	(16,320)
Maintenance and custodial	212,955	231,174	(18,219)
Heat and energy	1,277,725	1,258,822	18,903
Transportation supplies	246,722	258,672	(11,950)
Textbooks	180,492	185,243	(4,751)
Library and professional books	27,650	26,786	864
Other supplies	160,266	165,564	(5,298)
Equipment	135,820	251,781	(115,961)
Membership dues and fees	40,375	38,164	2,211
Building Committee	1,500	528	972
Capital projects	52,501	52,501	-
Total	<u>\$ 44,199,363</u>	<u>\$ 43,979,823</u>	<u>\$ 219,540</u>

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF WATER MAIN ASSESSMENTS RECEIVABLE

For the Year Ended June 30, 2013

Contract Number	Principal Uncollected July 1, 2012	Interest and Liens Uncollected July 1, 2012	New Contracts	Interest and Liens Billed	Lawful Corrections				Collections				Principal Balance Uncollected Taxes June 30, 2013	Interest and Lien Fees Uncollected June 30, 2013	Balance Uncollected June 30, 2012	
					Principal Additions	Principal Deductions	Interest and Liens Additions	Interest and Liens Deductions	Assessments	Interest and Lien Fees	Transferred to Town Clerk	Total				
36	\$ -	\$ -	\$ 3,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,898	\$ -	\$ -	\$ 3,898	\$ -	\$ -	\$ -
63	1,601	3,473	-	72	-	1,601	-	3,545	-	-	-	-	-	-	-	-
69	1,455	1,943	-	237	-	-	-	-	311	499	-	810	1,144	1,681	2,825	
75	1,729	1,088	-	193	-	713	-	687	-	100	-	100	1,016	494	1,510	
	<u>\$ 4,785</u>	<u>\$ 6,504</u>	<u>\$ 3,898</u>	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ 2,314</u>	<u>\$ -</u>	<u>\$ 4,232</u>	<u>\$ 4,209</u>	<u>\$ 599</u>	<u>\$ -</u>	<u>4,808</u>	<u>\$ 2,160</u>	<u>\$ 2,175</u>	<u>\$ 4,335</u>	

Water assessment receivable considered available:

June 30, 2012	(110)
June 30, 2013	653
Total	<u>\$5,351</u>

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE

For the Year Ended June 30, 2013

Contract Number	Principal Uncollected July 1, 2012	Interest and Lien Fees Uncollected July 1, 2012	New Contracts	Lawful Corrections				Collections				Principal Balance Uncollected Taxes June 30, 2013	Interest and Lien Fees Uncollected June 30, 2013	Balance Uncollected June 30, 2013
				Additions	Deductions	Interest and Lien Additions	Interest and Lien Deletions	Assessments	Interest and Lien Fees	Transferred to Town				
										Clerk	Total			
17	\$ 1,131	\$ 4,888	\$ -	\$ -	\$ -	\$ 35	\$ -	\$ 1,131	\$ 4,923	\$ -	\$ 6,054	\$ -	\$ -	\$ -
32	1,734	7,172	-	-	-	312	-	1,734	7,484	-	9,218	-	-	-
42	3,635	186	-	-	1,941	24	-	1,694	210	-	1,904	-	-	-
45	1,821	-	-	-	-	737	-	-	-	-	-	1,821	737	2,558
51/52A	2,666	6,840	-	-	-	480	-	-	-	-	-	2,666	7,320	9,986
60	2,154	-	-	-	-	699	-	-	-	-	-	2,154	699	2,853
69	1,680	-	-	-	-	148	-	583	127	-	710	1,097	21	1,118
74	666	786	-	-	-	120	-	-	280	-	280	666	626	1,292
75	4,502	2,687	-	-	-	822	776	312	488	-	800	4,190	2,245	6,435
77	1,277	-	-	-	-	262	-	1,277	262	-	1,539	-	-	-
	<u>\$ 21,266</u>	<u>\$ 22,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,941</u>	<u>\$ 3,639</u>	<u>\$ 776</u>	<u>\$ 6,731</u>	<u>\$ 13,774</u>	<u>\$ -</u>	<u>20,505</u>	<u>\$ 12,594</u>	<u>\$ 11,648</u>	<u>\$ 24,242</u>

Sewer assessment receivable considered available:

June 30, 2012

(2,059)

June 30, 2013

8,611

Total

\$ 27,057

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Special Education Grants	State and federal grant	School related programs
School Cafeteria	Sale of food and grants	School Lunch Program
Drug Enforcement Grant	Federal and State forfeited property	Drug enforcement and education
Youth Services	Donations/admission fees	Youth Program
Water	Rentals received from telephone companies for antennas on water towers	Maintenance of water towers and infrastructure
Contributed Gifts	Donations	Expenditure of donations for various purposes
Senior Citizens	Charges for services/donations	Senior citizen activities
CTIC Grant	State grant	Homeland Security
Youth Services DMHAS Grant	Local Prevention Council Program Grant	Youth Services Alcohol & Drug Abuse Prevention Program
Comprehensive DUI Enforcement Program Grant	State grant	Regional Check Points to Enforce Drinking Under the Influence Laws
Police Seatbelt Check Grant	State grant	Click It or Ticket Seat Belt Enforcement
Historic Document Preservation	State grant	Preservation of town clerk records
Nuclear Safety Emergency Preparedness	State grant	Nuclear Safety Preparedness Program
Historic Properties	Donations	Donations to the Historic Properties Commission
Jordan Mill Pond Fishway Grant	State and other agency grants	Construct a Fishway to promote spawning
Harbor Management Grant	Docking and mooring fees	Harbor Management
Youth Services Enhancement Grant	State grant	To promote youth developmental activities
YSB Drug-Free Communities Support Grant	Federal grant funds from the Substance Abuse and Mental health Services Administration (SAMSHA) Agency of the Department of Health and Human Services	Drug-free Community Co-operative mentoring program
DEMAHS Police Boat Gant Fund	Grant from the Department of Emergency Management and Homeland Security	Portion of grant for training and maintenance for Police boat grant
Historic Preservation Enhancement Grant	CT Commission on Culture & Tourism Grant	Condition assessment and feasibility study of town-owned barn
CT-Trust for Historic Preservation Grant	CT-Trust for Historic Preservation Barns Grant	Condition assessment and feasibility study of town-owned barn
New London County Cold Case Unit Grant	State Stipend	Police Officers participating in County effort to solve Cold Cases

Nonmajor Governmental Funds

Special Revenue Funds, Continued

Fund	Funding Source	Function
JAG PVET Police Video Equipment Technology Grant	Edward Byrne Memorial Justice Assistance Grant	Purchase Video Equipment for Interrogation rooms in order to comply with PA11-174
Waterford Education Foundation Grant	Grant from Waterford Education Foundation/ Participate fees	Technology Camp for Seniors
DEMAHS 2010 Port Security Grant	Department of Homeland Security and Emergency Management Grant	Purchase of Equipment related to Port Security
Region IV (RESF-5) Grant	Funding from RESF-5 Region IV Emergency Planning Steering Committee	Upgrade to Radio Equipment at the Waterford Emergency Operations Center
Small Cities Grant	State Community Development Block Grant (CDBG) funds and loans payments	Waterford Housing Rehabilitation Program

Capital Projects Funds

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlay.

Fund	Funding Source	Function
Fleet Management	Transfers, sales and rental of vehicles and equipment	Program for equipment and vehicle replacement
Sewer Maintenance and Development	Sewer connection fees	Maintenance of existing sewer system assets of Utility Commission
Capital Improvement	General Fund	Various capital projects
Animal Control Facility	Donations	Construction of new Animal Shelter
Early Childhood Learning Center	State Grants	Construction of a District Magnet School
Great Neck Elementary School	Capital and Nonrecurring Bond Proceeds and State Grants	School renovation
Clark Lane Middle School	Capital and Nonrecurring Fund and State Grants	School renovation
Quaker Hill Elementary School Project	Capital and Nonrecurring Fund and State Grants	School construction
Oswegatchie Elementary School Project Fund	Capital and Nonrecurring Fund and State Grants	School renovation

Permanent Funds

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Hammond Memorial Trust - To account for funds established for maintenance of the family grave plot.

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TOWN OF WATERFORD, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue				
	Special Education Grants	School Cafeteria	Drug Enforcement Grant	Youth Services	Water
ASSETS					
Cash and cash equivalents	\$ 188,272	\$ 191,183	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables, net of allowances for uncollectibles:					
Accounts receivable	-	4,179	-	-	-
Intergovernmental	27,407	97,299	-	-	-
Due from other funds	-	7,933	25,676	85,577	624,481
Prepaid Expenses	-	-	-	500	-
Inventories	-	5,484	-	-	-
Total assets	\$ 215,679	\$ 306,078	\$ 25,676	\$ 86,077	\$ 624,481
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	\$ 43,302	\$ 7,870	\$ -	\$ 1,506	\$ -
Accrued liabilities	22,624	17,715	-	2,095	388
Due to other funds	58,592	-	-	-	-
Unearned revenue	85,756	-	-	33,896	-
Deferred revenue	-	-	-	-	-
Total liabilities	210,274	25,585	-	37,497	388
FUND BALANCES (DEFICITS)					
Nonspendable	-	5,484	-	500	-
Restricted	5,405	275,009	25,676	48,080	-
Committed	-	-	-	-	624,093
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	5,405	280,493	25,676	48,580	624,093
Total liabilities and fund balances (deficits)	\$ 215,679	\$ 306,078	\$ 25,676	\$ 86,077	\$ 624,481

Special Revenue

Contributed Gifts	Senior Citizens	CTIC Grant	Youth Services DMHAS Grant	Comprehensive DUI Enforcement Program Grant	Police Seatbelt Check Grant	Historic Document Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	94	-	-	-	-	-
-	-	30,000	-	1,961	345	-
17,695	54,349	-	788	-	-	-
-	775	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 17,695</u>	<u>\$ 55,218</u>	<u>\$ 30,000</u>	<u>\$ 788</u>	<u>\$ 1,961</u>	<u>\$ 345</u>	<u>\$ -</u>

\$ -	\$ 1,764	\$ -	\$ 536	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	30,000	-	1,961	345	-
-	7,773	-	-	-	-	-
-	-	-	-	1,961	345	-
-	9,537	30,000	536	3,922	690	-

-	775	-	-	-	-	-
17,695	43,592	-	252	-	-	-
-	-	-	-	-	-	-
-	1,314	-	-	-	-	-
-	-	-	-	(1,961)	(345)	-
17,695	45,681	-	252	(1,961)	(345)	-
<u>\$ 17,695</u>	<u>\$ 55,218</u>	<u>\$ 30,000</u>	<u>\$ 788</u>	<u>\$ 1,961</u>	<u>\$ 345</u>	<u>\$ -</u>

(Continued)

TOWN OF WATERFORD, CONNECTICUT

COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Special Revenue						
	Nuclear Safety Emergency Preparedness	Historic Properties	Jordan Mill Pond Fishery Grant	Harbor Management Grant	Youth Services Enhancement Grant	YSB Drug-Free Communities Support Grant	DEMAHS Police Boat Grant Fund
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Receivables, net of allowances for uncollectibles:							
Accounts receivable	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	26,997	-
Due from other funds	-	1,449	10,753	33,077	353	-	-
Prepaid Expenses	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Total assets	\$ -	\$ 1,449	\$ 10,753	\$ 33,077	\$ 353	\$ 26,997	\$ -
LIABILITIES AND FUND BALANCES (DEFICITS)							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 158	\$ 353	\$ 1,681	\$ -
Accrued liabilities	-	-	-	817	-	-	-
Due to other funds	-	-	-	-	-	25,316	-
Unearned revenue	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	-	-	975	353	26,997	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	1,449	10,753	32,102	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	-	1,449	10,753	32,102	-	-	-
Total liabilities and fund balances (deficits)	\$ -	\$ 1,449	\$ 10,753	\$ 33,077	\$ 353	\$ 26,997	\$ -

Special Revenue								
CT- Trust For Historic Preservation Grant Fund	NL County Cold Case Unit Grant Fund	JAG PVET Police Video Equipment Technology Grant	Senior Services Waterford Education Foundation Grant	DEMAHS 2010 Port Security Grant	CT-Historic Preservation Enhancement Grant	Region IV RESF-5 Grant	Small Cities Grant	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,018	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,040	-	-
-	-	5,011	-	-	-	-	-	-
-	3,375	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,375</u>	<u>\$ 5,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040</u>	<u>\$ 74,018</u>	
\$ -	\$ 75	\$ 211	\$ -	\$ -	\$ -	\$ 1,040	\$ 2,277	
-	-	-	-	-	-	-	-	-
-	-	4,800	-	-	-	-	10,050	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,040	-	-
-	75	5,011	-	-	-	2,080	12,327	
-	-	-	-	-	-	-	-	-
-	3,300	-	-	-	-	-	61,691	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,040)	-	-
-	3,300	-	-	-	-	(1,040)	61,691	
<u>\$ -</u>	<u>\$ 3,375</u>	<u>\$ 5,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040</u>	<u>\$ 74,018</u>	

(Continued)

TOWN OF WATERFORD, CONNECTICUT

COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Capital Projects				
	Fleet Management	Sewer Maintenance & Development	Animal Control Facility	Capital Improvement	Early Childhood Learning Center
ASSETS					
Cash and cash equivalents	\$ 1,988,670	\$ 188,312	\$ -	\$ 214,445	\$ -
Investments	-	-	-	-	-
Receivables, net of allowances for uncollectibles:					
Accounts receivable	4,005	3,699	-	-	-
Intergovernmental	-	58,085	-	-	-
Due from other funds	973,085	602,940	122,533	-	554,523
Prepaid Expenses	-	-	-	-	-
Inventories	-	-	-	-	-
Total assets	\$ 2,965,760	\$ 853,036	\$ 122,533	\$ 214,445	\$ 554,523
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	\$ -	\$ 265	\$ 107	\$ 4,500	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	28,305	-
Unearned revenue	-	-	-	-	-
Deferred revenue	-	3,699	-	-	-
Total liabilities	-	3,964	107	32,805	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	849,072	122,426	-	-
Committed	2,965,760	-	-	-	554,523
Assigned	-	-	-	181,640	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	2,965,760	849,072	122,426	181,640	554,523
Total liabilities and fund balances (deficits)	\$ 2,965,760	\$ 853,036	\$ 122,533	\$ 214,445	\$ 554,523

Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
Great Neck Elementary School Project	Clark Lane Middle School	Quaker Hill Elementary School Bldg Project	Oswegatchie Elementary School Project Fund	Hammond Memorial Trust	
\$ 241	\$ -	\$ 430	\$ 666	\$ 11,325	\$ 2,857,562
	-	-		117,835	117,835
	-	-		-	13,017
	199,914	-		-	447,019
	-	-		-	3,118,587
	-	-		-	1,275
	-	-		-	5,484
<u>\$ 241</u>	<u>\$ 199,914</u>	<u>\$ 430</u>	<u>\$ 666</u>	<u>\$ 129,160</u>	<u>\$ 6,560,779</u>
\$ -	\$ -	\$ 60,325	\$ 17,990	\$ -	143,960
-	-	-	-	-	43,639
997,292	199,914	1,025,841	1,037,014	10,000	3,429,430
-	-	-	-	-	127,425
-	-	-	-	-	7,045
<u>997,292</u>	<u>199,914</u>	<u>1,086,166</u>	<u>1,055,004</u>	<u>10,000</u>	<u>3,751,499</u>
-	-	-	-	119,160	125,919
-	-	-	-	-	1,496,502
-	-	-	-	-	4,144,376
-	-	-	-	-	182,954
(997,051)	-	(1,085,736)	(1,054,338)	-	(3,140,471)
<u>(997,051)</u>	<u>-</u>	<u>(1,085,736)</u>	<u>(1,054,338)</u>	<u>119,160</u>	<u>2,809,280</u>
<u>\$ 241</u>	<u>\$ 199,914</u>	<u>\$ 430</u>	<u>\$ 666</u>	<u>\$ 129,160</u>	<u>\$ 6,560,779</u>

TOWN OF WATERFORD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	Special Revenue				
	Special Education Grants	School Cafeteria	Drug Enforcement Grant	Youth Services	Water
REVENUES					
Intergovernmental	\$ 1,133,473	\$ 482,965	\$ 3,911	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-
Charges for goods and services	-	609,404	-	37,665	55,080
Income on investments	-	51	-	-	-
Miscellaneous	5,498	-	-	19,057	-
Total revenues	1,138,971	1,092,420	3,911	56,722	55,080
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	7,693	-	-
Public works	-	-	-	-	16,802
Recreation	-	-	-	-	-
Social services	-	-	-	57,830	-
Education	1,138,970	1,119,327	-	-	-
Capital outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
Total expenditures	1,138,970	1,119,327	7,693	57,830	16,802
Excess (deficiency) of revenues over expenditures	1	(26,907)	(3,782)	(1,108)	38,278
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances (deficits)	1	(26,907)	(3,782)	(1,108)	38,278
FUND BALANCE (DEFICIT), beginning of year	5,404	307,400	29,458	49,688	585,815
FUND BALANCE (DEFICIT), end of year	\$ 5,405	\$ 280,493	\$ 25,676	\$ 48,580	\$ 624,093

Special Revenue

Contributed Gifts	Senior Citizens	CTIC Grant	Youth Services DMHAS Grant	Comprehensive DUI Enforcement Program Grant	Police Seatbelt Check Grant	Historic Document Preservation
\$ -	\$ -	\$ 75,000	\$ 3,300	\$ 7,949	\$ 1,200	\$ 4,000
-	-	-	-	-	-	-
-	63,482	-	-	-	-	-
-	-	-	-	-	-	-
22,225	6,854	-	-	-	-	-
<u>22,225</u>	<u>70,336</u>	<u>75,000</u>	<u>3,300</u>	<u>7,949</u>	<u>1,200</u>	<u>4,000</u>
-	-	-	-	-	-	4,000
6,033	-	60,000	-	9,910	1,545	-
-	-	-	-	-	-	-
7,191	-	-	-	-	-	-
-	64,461	-	3,065	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>13,224</u>	<u>64,461</u>	<u>60,000</u>	<u>3,065</u>	<u>9,910</u>	<u>1,545</u>	<u>4,000</u>
9,001	5,875	15,000	235	(1,961)	(345)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,001	5,875	15,000	235	(1,961)	(345)	-
8,694	39,806	(15,000)	17	-	-	-
<u>\$ 17,695</u>	<u>\$ 45,681</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ (1,961)</u>	<u>\$ (345)</u>	<u>\$ -</u>

(Continued)

TOWN OF WATERFORD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS), Continued
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	Special Revenue						
	Nuclear Safety Emergency Preparedness	Historic Properties	Jordan Mill Pond Fishery Grant	Harbor Management Grant	Youth Services Enhancement Grant	YSB Drug Free Communities Support Grant	DEMAHS Police Boat Grant Fund
REVENUES							
Intergovernmental	32,830	\$ -	\$ -	\$ -	\$ 6,111	\$ 128,446	\$ 46,055
Licenses, permits and fees	-	-	-	7,050	-	-	-
Charges for goods and services	-	-	-	-	-	-	-
Income on investments	-	-	-	-	-	-	-
Miscellaneous	-	50	-	-	-	-	-
Total revenues	32,830	50	-	7,050	6,111	128,446	46,055
EXPENDITURES							
Current:							
General government	-	-	-	4,603	-	-	-
Public safety	2,899	-	-	-	-	-	37,599
Public works	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Social services	-	-	-	-	6,111	128,446	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Total expenditures	2,899	-	-	4,603	6,111	128,446	37,599
Excess (deficiency) of revenues over expenditures	29,931	50	-	2,447	-	-	8,456
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances (deficits)	29,931	50	-	2,447	-	-	8,456
FUND BALANCE (DEFICIT), beginning of year	(29,931)	1,399	10,753	29,655	-	-	(8,456)
FUND BALANCE (DEFICIT), end of year	\$ -	\$ 1,449	\$ 10,753	\$ 32,102	\$ -	\$ -	\$ -

Special Revenue								
CT- Trust For Historic Preservation Grant Fund	NL County Cold Case Unit Grant Fund	JAG PVET Police Video Equipment Technology Grant	Senior Services Waterford Education Foundation Grant	DEMAHS 2010 Port Security Grant	CT-Historic Preservation Enhancement Grant	Region IV RESF-5 Grant	Small Cities Grant	
\$ 140	\$ -	\$ 5,011	\$ -	\$ 39,814	\$ 2,800	\$ -	\$ 90,586	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	1,150	-	-	-	-	
140	-	5,011	1,150	39,814	2,800	-	90,586	
920	-	-	-	-	2,800	-	-	
-	7,839	5,011	-	39,814	-	1,040	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	1,150	-	-	-	28,895	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
920	7,839	5,011	1,150	39,814	2,800	1,040	28,895	
(780)	(7,839)	-	-	-	-	(1,040)	61,691	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
(780)	(7,839)	-	-	-	-	(1,040)	61,691	
780	11,139	-	-	-	-	-	-	
\$ -	\$ 3,300	\$ -	\$ -	\$ -	\$ -	\$ (1,040)	\$ 61,691	

(Continued)

TOWN OF WATERFORD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS), Continued
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	Capital Projects				
	Fleet Management	Sewer Maintenance & Development	Animal Control Facility	Capital Improvement	Early Childhood Learning Center
REVENUES					
Intergovernmental	\$ 108,109	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	18,555	-	-	-
Charges for goods and services	40,397	-	-	-	-
Income on investments	3,125	1,014	-	-	-
Miscellaneous	16,832	834,713	45,807	-	-
Total revenues	168,463	854,282	45,807	-	-
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	8,051	-	-
Public works	-	865,659	-	-	-
Recreation	-	-	-	-	-
Social services	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	315,693	-	-	85,917	-
Debt Service	-	-	-	-	-
Total expenditures	315,693	865,659	8,051	85,917	-
Excess (deficiency) of revenues over expenditures	(147,230)	(11,377)	37,756	(85,917)	-
OTHER FINANCING SOURCES (USES)					
Transfers in	1,095,000	-	-	1,115,655	-
Transfers out	-	-	-	(1,095,000)	-
Total other financing sources (uses)	1,095,000	-	-	20,655	-
Net change in fund balances (deficits)	947,770	(11,377)	37,756	(65,262)	-
FUND BALANCE (DEFICIT), beginning of year	2,017,990	860,449	84,670	246,902	554,523
FUND BALANCE (DEFICIT), end of year	\$ 2,965,760	\$ 849,072	\$ 122,426	\$ 181,640	\$ 554,523

Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
Great Neck Elementary School Project	Clark Lane Middle School	Quaker Hill Elementary School Project	Oswegatchie Elementary School Project Fund	Hammond Memorial Trust	
\$ -	\$ 316,312	\$ -	\$ -	\$ -	\$ 2,488,012
-	-	-	-	-	25,605
-	-	-	-	-	806,028
-	-	-	-	16,043	20,233
-	-	-	-	5,000	957,186
-	316,312	-	-	21,043	4,297,064
-	-	-	-	5,000	17,323
-	-	-	-	-	187,434
-	-	-	-	-	882,461
-	-	-	-	-	7,191
-	-	-	-	-	289,958
-	-	-	-	-	2,258,297
17,917	15,000	(61,000)	17,990	-	391,517
414,925	-	-	-	-	414,925
432,842	15,000	(61,000)	17,990	5,000	4,449,106
(432,842)	301,312	61,000	(17,990)	16,043	(152,042)
-	-	-	-	-	2,210,655
-	(81,316)	-	-	-	(1,176,316)
-	(81,316)	-	-	-	1,034,339
(432,842)	219,996	61,000	(17,990)	16,043	882,297
(564,209)	(219,996)	(1,146,736)	(1,036,348)	103,117	1,926,983
\$ (997,051)	\$ -	\$ (1,085,736)	\$ (1,054,338)	\$ 119,160	\$ 2,809,280

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Fiduciary Funds

Fiduciary Funds

Agency Funds

Student Activities Fund - To account for monies from various self funding school activity programs.

Student Scholarship Fund - To account for financial assistance provided to local residents.

Performance Bonds Fund - To account for cash bonds posted by contractors, developers and others.

TOWN OF WATERFORD, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
SCHOOL ACTIVITY FUND				
Assets:				
Cash and cash equivalents	\$ 157,096	\$ 325,649	\$ 329,702	\$ 153,043
Investments	23,793	113	-	23,906
Total assets	180,889	325,762	329,702	176,949
Liabilities:				
Due to student groups and other	180,889	325,762	329,702	176,949
Total liabilities	180,889	325,762	329,702	176,949
STUDENT SCHOLARSHIP FUND				
Assets:				
Cash and cash equivalents	18,710	41,166	27,375	32,501
Investments	287,828	2,600	835	289,593
Total assets	306,538	43,766	28,210	322,094
Liabilities:				
Due to student groups and other	306,538	43,766	28,210	322,094
Total liabilities	306,538	43,766	28,210	322,094
PERFORMANCE BONDS				
Assets:				
Cash and cash equivalents	333,583	96,905	98,800	331,688
Total assets	333,583	96,905	98,800	331,688
Liabilities:				
Due to contractors	333,583	96,905	98,800	331,688
Total liabilities	333,583	96,905	98,800	331,688
TOTAL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 509,389	\$ 463,720	\$ 455,877	\$ 517,232
Investments	311,621	2,713	835	313,499
Total assets	\$ 821,010	\$ 466,433	\$ 456,712	\$ 830,731
Liabilities:				
Due to student groups and others	\$ 487,427	\$ 369,528	\$ 357,912	\$ 499,043
Due to contractors	333,583	96,905	98,800	331,688
Total liabilities	\$ 821,010	\$ 466,433	\$ 456,712	\$ 830,731

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**Capital Assets Used in the
Operation of Governmental Funds**

Capital Assets Used in the Operation of Governmental Funds

The following schedules present only the capital asset balances related to governmental funds. The assets are reported at historical cost or estimated historical cost.

The Town's capitalization policy requires the recording of capital assets with original cost of \$5,000 or more. Infrastructure assets are recorded based on a threshold of \$5,000. Provision for depreciation is not included in the schedules.

TOWN OF WATERFORD, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
BY CATEGORY AND SOURCE**

June 30, 2013

With Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
CAPITAL ASSETS		
Land	\$ 7,766,397	\$ 7,762,257
Land improvements	2,397,495	3,223,791
Buildings and improvements	171,091,254	171,100,964
Machinery, furniture and equipment	15,083,123	13,916,778
Vehicles	11,762,330	11,369,293
Infrastructure	100,606,170	100,398,542
Software	531,516	531,516
Permanent easements	5,000	5,000
Construction work in progress	80,440,465	66,189,055
Total capital assets	<u>\$ 389,683,750</u>	<u>\$ 374,497,196</u>
INVESTMENT IN CAPITAL ASSETS		
BY SOURCE		
General fund	\$ 136,697,451	\$ 137,269,774
Special revenue	65,647,636	65,138,674
Capital projects	185,001,716	169,765,681
Donated	2,336,947	2,323,067
Total capital assets by source	<u>\$ 389,683,750</u>	<u>\$ 374,497,196</u>

TOWN OF WATERFORD, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
 SCHEDULE BY FUNCTION AND ACTIVITY - GROSS
 June 30, 2013

	Land	Land Improvements	Buildings and Improvements	Machinery, Furniture and Equipment	Vehicles	Infrastructure	Software	Permanent Leases	Construction In Progress	Total
General										
government	\$ 3,288,939	\$ 306,967	\$ 5,535,108	\$ 898,792	\$ 388,678	\$ -	\$ 67,129	\$ -	\$ -	\$ 10,485,613
Public safety	50,000	132,820	6,698,017	6,119,866	6,498,934	-	345,862	-	-	19,845,499
Public works	691,023	242,277	4,842,084	1,355,476	4,153,249	100,297,088	54,238	5,000	1,132,847	112,773,282
Recreation	2,063,320	664,893	4,261,138	549,319	267,580	309,083	11,397	-	-	8,126,730
Library	30,000	102,861	2,304,387	222,263	-	-	-	-	-	2,659,511
Social Services	246,606	49,717	3,668,076	61,017	142,848	-	-	-	-	4,168,264
Education	1,396,509	897,960	143,782,444	5,876,390	311,040	-	52,890	-	79,307,618	231,624,851
Total	\$ 7,766,397	\$ 2,397,495	\$ 171,091,254	\$ 15,083,123	\$ 11,762,329	\$ 100,606,171	\$ 531,516	\$ 5,000	\$ 80,440,465	\$ 389,683,750

TOWN OF WATERFORD, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY - GROSS**
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions and Transfers	Retirements and Transfers	Balance June 30, 2013
General government	\$ 10,128,509	\$ 428,027	\$ 70,923	\$ 10,485,613
Public safety	19,794,956	136,768	86,225	19,845,499
Public works	111,640,815	1,487,632	355,165	112,773,282
Recreation	8,112,905	35,584	21,759	8,126,730
Library	2,659,511	-	-	2,659,511
Social services	4,168,264	-	-	4,168,264
Education	217,992,236	15,217,119	1,584,504	231,624,851
Total	\$ 374,497,196	\$ 17,305,130	\$ 2,118,576	\$ 389,683,750

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Statistical Section

Statistical Section

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate own-source revenues (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF WATERFORD, CONNECTICUT

NET POSITION BY COMPONENT

Last Ten Fiscal Years - Unaudited

(In Thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net Investment in capital assets	\$ 178,578	\$ 176,727	\$ 172,218	\$ 172,656	\$ 169,618	\$ 154,512	\$ 142,566	\$ 134,441	\$ 129,138	\$ 107,018
Restricted	169	139	532	98	84	115	129	107	99	83
Unrestricted	3,661	5,367	9,293	20,181	25,163	36,771	45,883	46,217	44,250	49,050
Total governmental activities net position	\$ 182,408	\$ 182,233	\$ 182,043	\$ 192,935	\$ 194,865	\$ 191,398	\$ 188,578	\$ 180,765	\$ 173,487	\$ 156,151
Business-type activities:										
Net Investment in capital assets	\$ 57,974	\$ 56,785	\$ 57,533	\$ 60,900	\$ 61,727	\$ 62,975	\$ 61,905	\$ 63,682	\$ 64,778	\$ 65,482
Restricted	-	346	-	-	-	-	-	-	-	-
Unrestricted	1,379	794	1,260	481	241	445	163	796	1,083	4,004
Total business-type activities net position	\$ 59,353	\$ 57,925	\$ 58,793	\$ 61,381	\$ 61,968	\$ 63,420	\$ 62,068	\$ 64,478	\$ 65,861	\$ 69,486
Primary government:										
Net Investment in capital assets	\$ 236,552	\$ 233,511	\$ 229,751	\$ 233,556	\$ 231,345	\$ 217,487	\$ 204,471	\$ 198,123	\$ 193,916	\$ 172,500
Restricted	169	485	532	98	84	115	129	107	99	83
Unrestricted	5,040	6,161	10,553	20,662	25,404	37,216	46,046	47,013	45,333	53,054
Total primary government net position	\$ 241,761	\$ 240,157	\$ 240,836	\$ 254,316	\$ 256,833	\$ 254,818	\$ 250,646	\$ 245,243	\$ 239,348	\$ 225,637

Notes:

(1) Schedule prepared on the accrual basis of accounting.

(2) The Town began to record intangible assets when it implemented GASB 51 in fiscal year 2010.

TOWN OF WATERFORD, CONNECTICUT

CHANGES IN NET POSITION
Last Ten Fiscal Years - Unaudited
(In Thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General government	\$ 12,041	\$ 12,304	\$ 11,283	\$ 9,927	\$ 9,738	\$ 8,283	\$ 8,654	\$ 9,790	\$ 9,371	\$ 7,965
Public safety	10,337	10,155	10,131	11,333	9,213	8,198	8,387	8,247	7,073	8,227
Public works	9,094	8,681	10,284	8,309	7,281	8,885	7,315	6,660	6,708	7,272
Recreation	1,706	1,646	1,992	2,125	1,914	1,927	1,721	1,725	1,588	1,531
Library	1,032	1,052	1,126	1,125	1,031	1,100	1,008	1,077	1,049	990
Social Services	1,297	1,243	1,312	1,477	1,222	1,259	1,118	1,097	1,086	982
Education	57,492	53,735	56,266	51,222	50,394	58,489	46,763	43,254	38,737	37,520
Interest and fiscal charges	2,521	886	1,124	1,373	2,038	1,014	-	-	-	-
Total governmental activities expenses	95,520	89,702	93,517	86,891	82,831	89,155	74,966	71,850	65,612	64,487
Business-type activities:										
Utility Commission	4,531	6,004	7,109	4,693	5,002	4,387	4,090	3,896	3,872	3,364
24 Rope Ferry Road	-	-	-	-	-	-	-	-	-	150
Total business-type activities expense	4,531	6,004	7,109	4,693	5,002	4,387	4,090	3,896	3,872	3,514
Total Primary Government Net Expense	100,051	95,706	100,626	91,584	87,833	93,542	79,056	75,746	69,484	68,001
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	1,533	1,191	1,120	929	871	1,052	1,149	1,198	1,085	1,414
Public safety	162	119	117	119	75	194	74	105	10	122
Public works	786	847	862	640	1,154	977	931	1,265	971	974
Recreation	173	166	150	162	137	149	151	140	120	114
Library	18	18	20	21	22	21	22	19	16	14
Social services	130	109	112	116	104	139	126	110	162	165
Education	701	767	799	793	795	816	834	871	871	1,056
	3,503	3,217	3,180	2,780	3,158	3,348	3,287	3,708	3,235	3,859
Operating grants and contributions	8,859	8,878	8,504	8,197	7,691	18,845	6,096	5,751	3,686	3,533
Capital grants and contributions	6,596	5,706	2,372	8,401	4,935	8,684	5,328	8,287	13,443	2,225
Total governmental activities program revenues	18,958	17,801	14,055	19,378	15,784	30,877	14,711	17,746	20,364	9,617
Business-type activities:										
Charges for services	3,621	3,752	3,781	3,447	3,363	2,890	1,875	2,220	2,063	2,229
Capital grants and contributions	2,685	1,383	740	658	172	280	338	254	150	386
Total business-type activities program revenue	6,306	5,135	4,521	4,105	3,535	3,170	2,213	2,474	2,213	2,615
Total primary government program revenues	25,264	22,936	18,576	23,483	19,319	34,047	16,924	20,220	22,577	12,232

Notes:

(1) Schedule prepared on the accrual basis of accounting.

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense) revenue:										
Governmental activities	(76,562)	(71,901)	(79,462)	(67,514)	(67,047)	(58,278)	(60,255)	(54,104)	(45,248)	(54,870)
Business-type activities	1,775	(869)	(2,588)	(588)	(1,467)	(1,217)	(1,877)	(1,422)	(1,659)	(899)
Total primary government net expense	(74,787)	(72,770)	(82,050)	(68,102)	(68,514)	(59,495)	(62,132)	(55,526)	(46,907)	(55,769)
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	73,583	69,204	65,994	61,645	61,048	48,029	55,430	51,015	46,737	42,462
Grants and contributions not restricted to specific programs	953	975	1,920	2,880	7,477	7,001	8,629	9,904	12,119	14,830
Unrestricted investment earnings	168	222	222	498	1,366	2,741	3,419	2,606	1,361	1,004
Miscellaneous	1,687	1,689	434	561	372	136	53	665	332	365
Transfers	346	-	-	-	-	(2,568)	537	-	2,035	3,494
Total governmental activities	76,737	72,090	68,571	65,584	70,263	55,339	68,068	64,190	62,584	62,155
Business-type activities:										
Unrestricted investment earnings	-	-	-	-	-	1	4	36	67	36
Miscellaneous	-	-	-	-	-	-	-	2	2	-
Transfers	(346)	-	-	-	-	2,568	(537)	-	(2,035)	(3,494)
Total business-type activities	(346)	-	-	-	-	2,569	(533)	38	(1,966)	(3,458)
Total primary government	76,391	72,090	68,571	65,584	70,263	57,908	67,535	64,228	60,618	58,697
Changes in net position:										
Governmental activities	175	189	(10,892)	(1,930)	3,216	(2,939)	7,813	10,086	17,336	7,285
Business-type activities	1,429	(869)	(2,588)	(588)	(1,467)	1,352	(2,410)	(1,384)	(3,625)	(4,357)
Total primary government	\$ 1,604	\$ (680)	\$ (13,480)	\$ (2,518)	\$ 1,749	\$ (1,587)	\$ 5,403	\$ 8,702	\$ 13,711	\$ 2,928

TOWN OF WATERFORD, CONNECTICUT

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years - Unaudited

(In Thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Nonspendable	\$ 43	\$ 31	\$ 400	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted		-	-		-	-	-	-	-	-
Committed	8,991	9,455	9,664	-	-	-	-	-	-	-
Assigned	569	533	714	774	-	-	-	-	-	-
Unassigned	2,236	891	420	10,466	-	-	-	-	-	-
Reserved	-	-	-	-	999	631	555	694	917	688
Unreserved	-	-	-	-	11,079	19,368	10,865	12,231	14,629	17,020
Total general fund	\$ 11,839	\$ 10,910	\$ 11,198	\$ 11,291	\$ 12,078	\$ 19,999	\$ 11,420	\$ 12,925	\$ 15,546	\$ 17,708
All Other Governmental Funds:										
Nonspendable	\$ 126	\$ 108	\$ 132	\$ 24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,497	1,433	1,425	21,383	-	-	-	-	-	-
Committed	13,269	13,634	18,590	3,095	-	-	-	-	-	-
Assigned	183	248	456	872	-	-	-	-	-	-
Unassigned	(18,255)	(41,121)	(31,233)	(37,324)	-	-	-	-	-	-
Reserved	-	-	-	-	115	126	144	118	109	99
Unreserved, reported in:										
Special revenue funds	-	-	-	-	33,688	21,884	30,959	29,584	27,745	29,133
Capital projects funds	-	-	-	-	(35,247)	(17,289)	(20,645)	(12,848)	(1,350)	4,690
Total all other governmental funds	\$ (3,180)	\$ (25,698)	\$ (10,630)	\$ (11,949)	\$ (1,444)	\$ 4,721	\$ 10,458	\$ 16,854	\$ 26,504	\$ 33,922

Note: Schedule prepared on the modified accrual basis of accounting.

TOWN OF WATERFORD, CONNECTICUT

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS - Unaudited
 (In Thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property taxes	\$ 73,304	\$ 68,990	\$ 65,896	\$ 61,480	\$ 60,692	\$ 63,631	\$ 50,644	\$ 46,539	\$ 43,038	39,755
System benefit charge	-	-	1,088	2,058	6,545	6,103	7,711	9,022	11,074	13,974
Intergovernmental	16,929	13,903	11,951	15,258	15,015	24,740	15,442	9,843	19,009	5,564
Assessments and connections	50	7	66	54	35	73	97	237	161	258
Licenses and permits	1,387	1,043	880	884	814	1,112	1,173	1,259	1,133	1,420
Fines, penalties and charges for services	1,389	1,511	1,686	1,685	1,748	2,025	2,176	2,198	2,182	2,087
Income on investments	166	220	220	493	1,348	2,694	3,264	2,440	1,244	922
Miscellaneous	2,023	1,730	1,246	1,262	1,062	508	295	355	370	262
Total revenues	95,248	87,404	83,034	83,173	87,259	100,886	80,802	71,893	78,211	64,242
Expenditures:										
Current:										
General government	11,409	11,394	9,734	8,652	8,464	7,983	8,345	8,310	7,339	7,224
Public safety	9,055	8,636	8,424	8,688	8,150	7,665	7,533	7,238	6,959	6,936
Public works	5,503	4,804	5,137	5,364	4,891	4,637	4,511	4,346	4,498	4,737
Recreation	1,533	1,481	1,844	1,723	1,707	1,700	1,578	1,579	1,464	1,426
Library	1,032	1,024	993	1,012	990	983	961	960	923	880
Social services	1,165	1,119	1,127	1,304	1,138	1,113	1,068	1,063	956	981
Education	51,428	50,163	48,210	46,987	45,012	55,568	41,807	40,530	37,213	36,159
Debt service										
Principal	2,015	1,265	1,250	800	800	415	-	-	-	-
Interest	2,481	781	1,252	1,424	1,692	-	-	-	-	-
Capital outlay	21,885	37,732	17,838	27,012	28,500	31,368	22,900	20,138	30,439	7,214
Total expenditures	107,506	118,399	95,809	102,967	101,344	111,432	88,703	84,164	89,791	65,557
Excess (deficiency) of revenues over expenditures	(12,258)	(30,995)	(12,775)	(19,794)	(14,085)	(10,546)	(7,901)	(12,271)	(11,580)	(1,315)
Other Financing Sources (Uses):										
Lease proceeds	-	-	-	-	-	-	-	-	-	-
Bond issue	33,750	15,640	14,000	8,500	-	15,865	-	-	-	-
Premium on bonds and notes issued	1,608	-	-	-	-	89	-	-	-	-
Transfers in	4,079	7,399	3,263	14,240	17,549	13,732	7,061	6,007	8,663	10,413
Transfers out	(3,733)	(7,399)	(3,263)	(14,240)	(17,549)	(16,300)	(7,061)	(6,007)	(6,663)	(10,314)
Total other financing sources (uses)	35,704	15,640	14,000	8,500	-	13,386	-	-	2,000	99
Net change in fund balance	\$ 23,446	\$ (15,355)	\$ 1,225	\$ (11,294)	\$ (14,085)	\$ 2,840	\$ (7,901)	\$ (12,271)	\$ (9,580)	\$ (1,216)
Debt Service as a Percentage to Noncapital Expenditures	4.36%	1.76%	2.68%	2.21%	2.52%	0.37%	0.00%	0.00%	0.00%	0.00%

TOWN OF WATERFORD, CONNECTICUT

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS - Unaudited

(Amounts Expressed in Thousands)

Fiscal Year	Real Property			Personal Property	Motor Vehicle	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (Mill Rate)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Industrial							
2013	\$ 1,894,137	\$ 433,114	\$ 781,274	\$ 799,238	\$ 148,736	\$ 343,864	\$ 3,712,635	19.77	\$ 5,303,764	70%
2012	1,894,682	424,348	784,968	799,628	142,437	346,231	3,699,832	18.79	5,284,474	70%
2011	1,889,773	427,550	777,795	782,269	137,739	346,740	3,668,386	18.04	5,240,551	70%
2010	1,886,920	424,572	773,690	783,780	136,633	349,314	3,656,281	16.86	5,223,259	70%
2009	1,878,768	424,245	757,364	770,748	145,472	352,199	3,624,398	16.86	5,177,711 ⁽²⁾	70%
2008	1,374,834	331,286	457,774 ⁽⁴⁾	575,360	144,630	223,565	2,660,319	21.07	3,800,456	70%
2007	1,392,512	426,214	356,584 ⁽³⁾	580,185	144,150	218,775	2,680,870	19.89	3,829,814	70%
2006	1,180,123	922,450	52,117	548,303	136,430	217,290	2,622,133	18.84	3,745,904	70%
2005	1,164,941	922,119	34,632	521,296	126,511	213,423	2,556,076	17.90	3,651,537	70%
2004	1,160,282	898,572	34,897	479,014	128,339	220,529	2,480,575	16.98	3,543,679 ⁽²⁾	70%

Source: Assessor's Office - Town of Waterford

Notes:

- (1) Real Estate and Personal Property Valuation Adjustment of Dominion Nuclear Connecticut, Inc. as a Deregulated Entity
- (2) Revaluations October 1, 2002 and October 1, 2007.
- (3) Public Utilities Recorded in Industrial Classification as Opposed to Commercial Classification Effective Grand List Year 2005.
- (4) Result of Settlement of Dominion Tax Appeals - Reference MD&A

TOWN OF WATERFORD, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago - Unaudited

(In Thousands)

	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Net Taxable Assessed Grand List	Taxable Assessed Value	Rank	Percentage of Net Taxable Assessed Grand List
Millstone Nuclear Power Plant (including all Owners in the Complex)	\$ 1,110,755	1	29.92%	\$ 754,062	1	31.25%
Crystal Mall Associates L.P.	85,441	2	2.30%	76,166	2	3.16%
Connecticut Light & Power Co.	50,783	3	1.37%	26,767	3	1.11%
Centro GA CMBS T12 LLC	30,951	4	0.83%			
Chase Crossroads & Waterford Plaza One LLC	30,655	5	0.83%	19,122	4	0.79%
Wal Mart Stores, Inc.	19,564	6	0.53%	12,645	6	0.52%
Sonalyt Inc.	12,701	7	0.34%	10,613	5	0.44%
Dayton Hudson d/b/a Target	11,541	8	0.31%	9,810	7	0.41%
Health Care REIT & OLSL, LLC (Formerly One Lantern Sr. Living, LLC)	11,402	9	0.31%	9,778	8	0.41%
Waterford Real Estate Holdings	10,945	10	0.29%	8,620	9	0.36%
Sears Roebuck & Company				8,498	10	0.35%
	<u>\$ 1,374,738</u>		<u>37.03%</u>	<u>\$ 936,081</u>		<u>38.79%</u>

TOWN OF WATERFORD, CONNECTICUT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years - Unaudited

(In Thousands)

Fiscal Year Ended June 30,	Tax Rate In Mills	Taxes Levied		Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		for the Fiscal Year	Tax Levy Adjustment		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	19.77	\$ 73,354	\$ (117)	\$ 73,237	\$ 72,501	98.84%	\$ -	\$ 72,501	99.00%
2012	18.79	69,485	(227)	69,258	68,573	98.69%	313	68,886	99.46%
2011	18.04	66,093	(86)	66,007	65,359	99.02%	101	65,460	99.17%
2010	16.86	61,554	(154)	61,400	60,816	99.05%	158	60,974	99.31%
2009	16.86	61,070	(296)	60,774	60,141	98.96%	295	60,436	99.44%
2008	21.07	N/A	N/A	56,049	55,630	99.25%	336	55,966	99.85%
2007	19.89	N/A	N/A	52,037	50,053	96.19%	1,940	51,993	99.92%
2006	18.84	N/A	N/A	48,149	46,030	95.60%	1,950	47,980	99.65%
2005	17.90	N/A	N/A	44,548	42,618	95.67%	1,929	44,547	100.00%
2004	16.98	N/A	N/A	40,814	39,261	96.19%	1,522	40,783	99.92%

Source: Tax Collector's Report; Comprehensive Annual Financial Report

* Levies Adjusted to reflect settlement of the Dominion Nuclear Connecticut, Inc. Tax Appeal.

TOWN OF WATERFORD, CONNECTICUT

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years - Unaudited

(In Thousands, Except Ratio of Debt to Assessed Value per Capita)

Fiscal Year	General Obligation Bonds	Capital Leases	Utility Commission	Total Primary Government	Percentage of Personal Income	Ratio of Debt to Taxable Assessed Value	Debt Per Capita
2013	\$ 81,625	\$ -	\$ -	\$ 81,625	0.00%	0.0261%	4,182.25
2012	49,890	-	-	49,890	0.00%	0.0135%	2,556.23
2011	35,515	-	-	35,515	0.00%	0.0097%	1,819.70
2010	22,765	-	-	22,765	0.00%	0.0062%	1,204.89
2009	15,065	-	-	15,065	0.00%	0.0042%	802.35
2008	15,865	-	-	15,865	0.00%	0.0060%	845.01
2007	-	-	-	-	0.00%	N/A	N/A
2006	-	-	-	-	0.00%	N/A	N/A
2005	-	41	-	41	0.09%	0.0016%	2.20
2004	-	106	-	106	0.23%	0.0043%	5.69

Notes:

Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

N/A - Information not available.

TOWN OF WATERFORD, CONNECTICUT

**SCHEDULE OF DEBT LIMITATION
June 30, 2013 - Unaudited
(In Thousands)**

Total tax collections (including interest and lien fees) received by Treasurer for current fiscal year	\$ 73,304
Reimbursement for revenue loss from: Property tax relief	<u>2</u>
BASE	<u>\$ 73,306</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewer</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation					
2-1/4 times base	\$ 164,938	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	329,876	-	-	-
3-3/4 times base	-	-	274,897	-	-
3-1/4 times base	-	-	-	238,244	-
3 times base	-	-	-	-	219,917
Total debt limitation	<u>164,938</u>	<u>329,876</u>	<u>274,897</u>	<u>238,244</u>	<u>219,917</u>
Indebtedness:					
Notes payable	-	10,000	-	-	-
Bonds payable	-	81,625	-	-	-
Authorized but unissued	-	48,332	-	-	-
Total indebtedness	<u>-</u>	<u>139,957</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 164,938</u>	<u>\$ 189,919</u>	<u>\$ 274,897</u>	<u>\$ 238,244</u>	<u>\$ 219,917</u>

Note 1: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$513,141).

* Excludes \$20,114 in authorized but unissued debt not yet borrowed against as allowed under the Connecticut General Statutes.

TOWN OF WATERFORD, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years - Unaudited

(Dollars in Thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	\$ 513,141	\$ 482,944	\$ 461,286	\$ 430,390	\$ 424,886	\$ 446,502	\$ 353,276	\$ 326,200	\$ 301,493	\$ 278,951
Total net debt applicable to limit	139,957	144,615	147,294	85,413	66,792	48,363	133,154	105,264	52,257	22,114
Legal debt margin	\$ 373,184	\$ 338,329	\$ 313,992	\$ 344,977	\$ 358,094	\$ 398,139	\$ 220,122	\$ 220,936	\$ 249,236	\$ 256,837
Total net debt applicable to the limit as a percentage of debt limit	27.27%	29.94%	31.93%	19.85%	15.72%	10.83%	37.69%	32.27%	17.33%	7.93%

(1) In no case shall total indebtedness exceed seven times annual receipts from taxation.

Source: Comprehensive Annual Financial Report - Statement of Debt Limitation.

Note: See Table 9 for calculation of current year debt limitation.

TOWN OF WATERFORD, CONNECTICUT

DEMOGRAPHIC AND ECONOMIC STATISTICS - Unaudited
 Last Ten Calendar Years - Unaudited

Calendar Year	Population ¹	Per Capital Income ¹	Total Personal Income ⁵	Median Age ²	School Enrollment ³	Unemployment Rate ⁴
2013	19,517	\$ 38,245	\$ -	46	2,895	8.0%
2012	19,517	37,690	-	45	2,967	8.1%
2011	19,517	36,626	-	45	3,021	8.6%
2010	18,897	26,807	-	45	3,010	8.0%
2009	18,775	26,807	-	45	3,027	7.2%
2008	18,775	26,807	-	44	3,109	5.5%
2007	18,766	-	-	44	2,978	4.3%
2006	18,638	26,807	50,787	-	3,099	4.1%
2005	18,940	-	47,701	44	3,170	4.3%
2004	19,048	26,807	45,581	-	3,116	4.2%

¹ Source: U.S. Department of Commerce, Bureau of Census 1960-2010
² Source: Connecticut Economic Resource Center based on U.S. Bureau of Census Data. September each year
³ Source: Waterford Board of Education (FYE June Reports) (Inclusive of Pre-School Enrollment)
⁴ Source: Connecticut Department of Labor June of each year. Not seasonally adjusted. 2007 is estimated based upon a ten-month average.
⁵ Source: Bureau of Economic Analysis September 2007.

TOWN OF WATERFORD, CONNECTICUT

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago - Unaudited

	Nature of Business	2013			2004		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment*
Dominion Nuclear CT, Inc.	Electric Generation	1,650	1	17.02%	*		*
Town of Waterford	Municipal Government	673	2	6.94%	*		*
Waterford Hotel Group	Hospitality	531	3	5.48%	*		*
Sonalyt	Multi-Media Production	275	4	2.84%	*		*
Sears	Retail	260	5	2.68%	*		*
Bayview Health Center	Healthcare Facility	225	6	2.32%	*		*
Home Depot	Retail	186	7	1.92%	*		*
Lowe's Home Improvement	Retail	182	8	1.88%	*		*
Target Stores	Retail	178	9	1.84%	*		*
Stop and Shop	Supermarket	175	10	1.81%	*		*
Total		<u>4,335</u>		<u>45%</u> %	<u>N/A</u>		<u>N/A</u>

Source: Community Development Department and Bond Official Statement Telephone Survey

* For 2004 total Town employment is unknown. Town had not bonded since 1981, hence no Official Statement to gather historical information. Town began disclosing this information in its FY2006 CAFR. The nine-year comparison will begin in FY2015.

TOWN OF WATERFORD, CONNECTICUT

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years - Unaudited

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government	93	93	95	94	94	95	98	101	99	91
Police	56	56	56	56	56	55	55	55	55	56
Fire	15	15	15	15	15	15	15	15	16 **	25
Refuse Collection	5	5	5	5	5	5	5	5	5	5
Other Public Works	28	28	32	32	32	33	33	33	33	34
Recreation and Parks	13	13	14	14	15	15	15	15	15	15
Library	23	23	24	24	24	24	24	28	31	31
Education	440	440	466	473	449	474	504	474	494	484
Total	673	673	707	713	690	716	749	726	748	741

Source: Town and Board of Education Human Resources Departments.

Notes: ** In 2005, Dispatch Employees were transferred from Fire Services to Emergency Management.

TOWN OF WATERFORD, CONNECTICUT

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years - Unaudited

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Building Permits Issued	22	17	13	13	23	58	56	61	52	62
Building Inspections Conducted	460	223	179	179	309	760	696	791	612	802
Police:										
Physical Arrests	1,718	1,283	1,861	1,690	1,172	1,174	645	725	828	852
Parking Violations	58	54	120	233	267	196	338	140	146	206
Traffic Violations	5,046	4,431	4,371	6,423	6,473	4,743	2,174	3,524	3,537	4,492
Fire:										
Emergency Responses	3,823	3,297	3,520	3,892	3,484	3,793	3,493	3,272	3,053	3,177
Fires Extinguished	61	53	62	69	57	65	92	86	79	109
Inspections	558	648	593	653	789	790	757	257	558	659
Refuse Collection:										
Refuse Collected (Tons Per Day)	45	44	44	66	60	60	66	61	61	61
Recyclables Collected (Tons Per Day)	9	9	7	6	7	7	7	6	6	6
Other Public Works:										
Street Resurfacing (Miles)	5	8	4	3	6	7	6	4	2	4
Potholes Repaired	422	400	425	395	380	390	400	417	480	380
Recreation and Parks:										
Athletic Field Permits Issued	2,009	2,087	1,994	1,958	2,167	2,010	1,913	1,918	2,022	1,388
Community Center Admissions (1)	61,742	62,439	53,085	51,102	50,420	50,770	54,002	58,100	123	N/A
Number of Program Registrations	6,596	6,742	5,171	4,946	3,510	3,362	3,987	3,712	2,660	2,876
Program Fees	205,803	159,623	139,427	90,511	74,526	72,281	77,971	74,700	52,452	54,637
Senior Services:										
Number of Program Participants	45,173	46,302	48,536	51,537	53,624	57,409	56,254	54,355	47,971	58,659
Program Revenue	33,573	31,653	27,341	27,125	24,758	22,776	18,760	15,541	8,753	8,410
Library:										
Volumes in Collection	82,460	86,105	85,430	84,067	84,590	84,104	83,850	80,591	89,615	105,650
Total Volumes Borrowed	236,607	231,572	234,774	240,012	235,206	224,564	222,110	208,227	202,405	179,213
Water:										
New Connections	17	16	27	32	37	58	39	38	40	38
Water Main Breaks	4	8	10	1	2	5	3	3	4	*
Average Daily Consumption (MGD)	2.65	2.64	2.65	2.63	2.62	2.91	2.01	1.74	1.74	1.76
Peak Daily Consumption (MGD)	4.55	4.54	4.55	4.53	4.53	4.73	3.20	2.81	2.81	2.86

Source: Directors of each Department

Note1: Community Center Opened May 26, 2005

* Information not available

TOWN OF WATERFORD, CONNECTICUT

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years - Unaudited

Function/Program	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	1	1	1	1	1	1	1	1	1	1
Patrol Units	20	20	20	20	20	20	20	20	20	18
Fire Stations	5	5	5	5	5	5	5	5	5	5
Refuse Collection:										
Collection Trucks	6	6	6	6	6	6	6	6	6	6
Other Public Works:										
Streets (Miles)	120.89	120.89	120.89	120.89	120.53	120.53	120.24	120.03	120.03	120.03
Storm Drain (Miles)	60.77	60.77	60.77	60.77	60.56	60.56	60.30	60.30	60.10	59.90
Recreation and Parks:										
Acreage	549.65	549.65	549.65	549.65	549.65	549.65	545.64	545.64	533.16	533.16
Playgrounds	5	5	4	4	4	7	12	12	12	13
Baseball/Softball Diamonds	14	14	14	14	13	16	19	19	19	19
Soccer/Football Fields	10	10	10	8	8	7	7	7	7	7
Community Centers	1	1	1	1	1	1	1	1	1	-
Water:										
Water Main (Miles)*	109.00	109.00	109.00	109.00	109.00	108.99	108.99	106.99	106.99	106.55
Fire Hydrants	1,128	1,128	1,128	1,128	1,128	1,124	1,129	1,102	1,102	1,102
Storage Capacity (000's of Gallons)	5,800	5,800	5,800	5,800	5,800	5,800	5,800	4,550	4,550	4,550
Wastewater:										
Sanitary Sewers (Miles)*	146.10	146.10	146.10	146.10	146.10	145.75	145.75	143.90	143.90	143.90
Pump Stations	27	27	27	27	27	27	27	26	26	26

Source: Various Municipal Department Directors

* Does not include service connections.

** Includes building service laterals as well as interceptors.

Note: Community Center was opened in May 2005.