



Charles Heaven & Co.
Certified Public Accountants

**TOWN OF WARREN
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2014**

**Town of Warren
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June 30, 2014**

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Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Warren, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Warren, Connecticut, as of June 30, 2014, and the respective changes in financial position 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 and budgetary comparison information on Pages 3 through 12, budgetary comparison information on Pages 36 through 40 the Schedule of changes in net pension liability and related ratios on Page 41, the Schedule of employer contributions on Page 42, and Schedule of investment returns on Page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Town of Warren, Connecticut'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 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 of Warren, Connecticut's internal control over financial reporting and compliance.

Charles Fleeman StB, CPAs
December 15, 2014

**Town of Warren
Management's Discussion and Analysis (MD&A)
June 30, 2014**

As management of the Town of Warren, we offer readers of our financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2014. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- The assets of the Town of Warren exceeded its liabilities at the close of the 2014 fiscal year by \$7,065,602 (net position). Of this amount \$2,553,344 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. Total net position includes \$85,714 and \$16,342 which are restricted for road maintenance and social services respectively.
- Total net position increased by \$257,168 during the fiscal year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,403,224, an increase of \$146,110 in comparison from last year's decrease of \$51,190. The difference is mainly due to property tax increase and increase in state grant (Town Aid Road). The fund balances were held for the following purposes:
 - o **Restricted for:**
 - Improvement to unimproved/improved roads \$ 85,714
 - Social Services 16,342
 - o **Committed to:**
 - Community senior center renovation 220,235
 - Parks and recreation 32,788
 - Cemetery operations 116,472
 - Equipment replacements 234,731
 - Waste collection and hauling 14,798
 - Revaluation 3,427
 - o **Assigned for:**
 - Subsequent year budgeted deficit 74,646
 - o **Unassigned** 1,604,071
 - Total Fund Balances** \$ 2,403,224
- At the end of the current fiscal year, fund balance for the general fund was \$1,682,144 or 33.96% of total general fund expenditures and transfers of \$4,954,017.

Overview of the Basic Financial Statement

This discussion and analysis is intended to serve as an introduction to the Town of Warren's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**Town of Warren
Management's Discussion and Analysis (MD&A)
June 30, 2014**

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements present only governmental activities whose functions are principally supported by taxes and intergovernmental revenues, since the Town does not operate any business-type activities. The governmental activities of the Town include general government, employee benefits, boards and commissions, health services, agencies, education, Town property, town buildings, highway and general operations, insurance, other and maintenance.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

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

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, town aid road fund, and capital non-recurring fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation under the caption other governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary funds. The Town's Pension Trust Fund is a Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.

**Town of Warren
Management's Discussion and Analysis (MD&A)
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The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21-36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comparing the town's budget to actual and providing certain pension information. This required supplementary information can be found on pages 37-44 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the budgetary comparison. Combining and individual fund statements and schedules can be found on pages 45-46 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Warren, assets and deferred outflows exceeded liabilities and deferred inflows by \$7,065,602 at the close of the fiscal year.

A portion of the Town's net position, \$4,410,202 (62.42%), reflects the investment in capital assets (e.g., land, buildings and improvements, equipment, vehicles and infrastructure less related debt). Net position of \$85,714 was restricted for road maintenance and \$16,342 for social services. The remainder of \$2,553,344 is unrestricted. The Town of Warren uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Town of Warren's Net Position is summarized on the next page.

**Town of Warren
Management's Discussion and Analysis (MD&A)
June 30, 2014**

Town of Warren Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,496,672	\$ 2,327,197
Property tax, interest & lien receivable	<u>81,734</u>	<u>51,909</u>
Total Current Assets	<u>2,578,406</u>	<u>2,379,106</u>
Noncurrent Assets		
Net pension asset	183,989	209,024
Capital assets:		
Assets not being depreciated	1,313,371	1,313,371
Assets being depreciated, net of depreciation of \$6,742,685	<u>5,496,831</u>	<u>5,532,602</u>
Total Noncurrent Assets	<u>6,994,191</u>	<u>7,054,997</u>
Total Assets	<u>9,572,597</u>	<u>9,434,103</u>
Liabilities		
Current Liabilities		
Accounts payable	87,089	57,805
Performance bonds held	16,300	13,300
Due to State of Connecticut	994	994
Accrued interest	2,612	3,570
Noncurrent liabilities, due within one year	150,000	150,000
Non Current Liabilities		
Due in more than one year	<u>2,250,000</u>	<u>2,400,000</u>
Total Liabilities	<u>2,506,995</u>	<u>2,625,669</u>
Net Position		
Invested in capital assets, net of related debt	4,410,202	4,295,973
Restricted for:		
Road maintenance	85,714	19,477
Social services	16,342	14,019
Unrestricted	<u>2,553,344</u>	<u>2,478,965</u>
Total Net Position	<u>\$ 7,065,602</u>	<u>\$ 6,808,434</u>

**Town of Warren
Management's Discussion and Analysis (MD&A)
June 30, 2014**

The Unrestricted net position, \$2,553,344, may be used to meet the Town's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town was able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

During the current fiscal year, the Town's net position increased by \$257,168. The Town generated net general revenues of \$4,836,654, which exceeded its net expenses for governmental activities of \$4,579,486 by the amount of the net position increase. Gross expenses of \$5,114,702 were offset by \$238,952 in charges for services, \$103,777 in operating grants and contributions, and \$192,487 in capital grants and contributions. Of the net expenses, the largest amount was \$3,029,035 (66%), which was the Town's portion of the operation of the regional school system; highway, public works and maintenance of \$511,178 (11%), town building net outlay of \$244,692 (5%), general government \$296,466 (6%) and employee benefits \$156,399 (3%) account for almost all net expenses. The Town's revenue was \$4,779,157 in property tax collections, \$238,952 in charges for services and \$51,943, \$103,777, \$192,487 and \$5,554 in non-restricted grants, operating grants, Capital Grants and Contributions and investment income respectively.

Governmental Activities. Governmental activities increased the Town's net position by \$257,168. Key elements of this increase are as follows:

Town of Warren Change in Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 238,952	\$ 129,492
Operating grants and contributions	103,777	103,777
Capital grants and contributions	192,487	118,301
General revenues:		
Property taxes including interest and liens	4,779,157	4,658,716
Grants and contributions not restricted to specific programs	51,943	48,275
Investment income	<u>5,554</u>	<u>8,179</u>
Total Revenues	5,371,870	5,066,740
Program Expenses:		
General government	472,153	448,871
Employee benefits	156,399	145,082
Boards and commissions	47,920	39,360
Health services	24,046	21,414
Agencies	61,007	57,686
Education	3,128,812	3,158,921
Town building	250,627	224,740
Town fire department	42,159	45,877
Highways, public works and maintenance	703,665	674,218
Town property	10,865	11,668
Other	132,319	55,255
Interest	<u>84,730</u>	<u>88,563</u>
Total Program Expenses	5,114,702	4,971,655
Increase in net position	257,168	95,085
Net Position - July 1, 2013	<u>6,808,434</u>	<u>6,713,349</u>
Net Position - June 30, 2014	<u>\$ 7,065,602</u>	<u>\$ 6,808,434</u>

**Town of Warren
Management's Discussion and Analysis (MD&A)
June 30, 2014**

From fiscal year 2013 to fiscal year 2014, property tax revenue including interest and liens increased by \$120,441 to \$4,779,157. Charges for services increased by \$109,460 primarily due to higher building permit fees and conveyance and recording fees collected. Operating grants and capital grants and contributions combined increased approximately \$74,000 mostly due to an increase in Town Aid Road Grant.

The majority of Warren's operating revenues come from property taxes levied on residents' homes, commercial and personal property, and motor vehicles. The Town of Warren has never been reliant on state and federal grants that, while helpful in keeping our overall costs down, do not contribute significantly to total revenues.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Warren's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing our financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, our governmental funds reported combined ending fund balances of \$2,403,224, an increase of \$146,110. Of this total amount, \$1,604,071 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

In compliance with GASB Statement #34 and #54, the Town reports the following Funds and Fund Types:

Major Funds

General Fund:

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. At June 30, 2014 this fund reports unassigned fund balance of \$1,604,071 and assigned fund balance for subsequent year budgeted deficit of \$74,646. Additionally, the fund reports committed fund balance for revaluation at a balance of \$3,427.

Special Revenue Fund:

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut. At June 30, 2014, this fund reports restricted fund balance for road repair and improvements of \$85,714.

Capital Projects Funds:

The Capital Non-Recurring Fund as authorized by General Statutes of Connecticut, is used for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment. At June 30, 2014, this fund reports committed fund balance to the renovation of the senior center of \$220,235.

Nonmajor Funds

Special Revenue Funds, are used to account for specific revenues that are legally restricted to expenditures for particular purpose. These funds all report a positive restricted or committed fund balance as seen in the combining statements.

Park and Recreation Fund – is used to account for fees from recreational leisure programs along with the related expenditures.

Warren Cemetery Commission Fund – is used to account for sale of plots along with the related expenditures for maintaining and improving the cemetery.

Good Neighbor Fund – is used to account for donations and assistance to those in need.

Housing Trust Fund – is used to account for the constructing, rehabilitating, or repairing of housing that is affordable to low and moderate income household.

Force Majeure Fund – is used to account for funds received from the dissolving of the Bristol Resource and Recovery Operating Committee that are to be used for future waste disposal.

Capital Project Fund, is used to account for major capital facilities and the acquisition of equipment:

Equipment Replacement Fund – is used to account for the purchase and replacement of major equipment.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

The Pension Trust Fund is used to account for the accumulation of resources to be used for retirement benefits.

General Fund Budgetary Highlights

The original budget of \$5,064,629 increased during the year by \$18,427 to \$5,083,056. The significant additional and continuing appropriations are as follows:

Additional Appropriations:

An additional appropriation of \$15,000 was budgeted from available fund balance. The appropriation was used to increase the highway and general operation department. The revaluation continuing appropriation of \$3,427 also increased the original budget.

Capital assets. The Town of Warren's investment in capital assets for its governmental assets includes land, buildings and improvements, land improvements, equipment, vehicles and infrastructure (roads and storm drains). The total net increase in our investment in capital assets of \$312,772 for the current fiscal year was due to the purchase of capital assets.

**Town of Warren
Management's Discussion and Analysis (MD&A)
June 30, 2014**

Major capital asset added during the current fiscal year included the following:

- Truck and heavy equipment purchase of \$202,751.
- Road paving and improvements for \$110,021.
- The Town also traded in a fully depreciated international truck, \$46,000.

The Town of Warren Capital Assets (Net of Depreciation) consisted of the following:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,313,371	\$ 1,313,371
Land improvements	18,091	18,908
Buildings and improvements	3,680,334	3,788,725
Machinery, equipment and vehicles	852,558	765,634
Infrastructure	<u>945,848</u>	<u>959,335</u>
Totals	\$ <u>6,810,202</u>	\$ <u>6,845,973</u>

Additional information on the Town of Warren's capital assets can be found in Note "7" on page 30.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	<u>Transfers from Other Funds</u>	<u>Transfers To Other Funds</u>
<u>Major Funds:</u>		
General Fund	\$ ---	\$ 167,000
Capital Non-recurring Fund	25,000	---
<u>Other Governmental Funds:</u>		
Park and Recreation Fund	40,000	---
Warren Cemetery Commission Fund	12,000	---
Equipment Replacement Fund	<u>90,000</u>	<u>---</u>
Total	\$ <u>167,000</u>	\$ <u>167,000</u>

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Long-Term Debt

Our Town's long-term debt is comprised of our pro-rata share of Regional School District No. 6 general long-term debt, and our general obligation bonds, used to finance our new state of the art Town Hall.

**Town of Warren
Management's Discussion and Analysis (MD&A)
June 30, 2014**

Contingent Liability:

The Town is a member town of Regional School District No. 6 along with the towns of Morris and Goshen. Warren's obligation to the district is based on the number of pupils attending the district determined as of October 1 in the preceding year. For the fiscal year ended 2014, Warren's pro-rata share of school district operations was 19.2%. Warren has pledged its full faith and credit to payment of principal and interest on the district bonds. The Town's share of the regional school district's net debt as of June 30, 2014 (outstanding school bond principal less State of Connecticut bond principal grants) represents overlapping debt to the Town in the amount of \$438,720.

General Obligation Bonds:

On June 15, 2010 we issued \$3,000,000 twenty year general obligation bond at an average interest rate of 3.5%, to repay bond anticipation notes used to construct our new state of the art Town Hall. General Obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable property located within the Town. The repayment schedule follows:

Fiscal Year Ended June 30,	<u>Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2015	150,000	82,688
2016	150,000	79,313
2017	150,000	75,563
2018	150,000	71,813
2019	150,000	65,812
2020	150,000	59,812
2021	150,000	55,312
2022	150,000	50,625
2023	150,000	45,750
2024	150,000	40,688
2025	150,000	35,438
2026	150,000	30,000
2027	150,000	24,000
2028	150,000	18,000
2029	150,000	12,000
2030	<u>150,000</u>	<u>6,000</u>
Total	<u>\$2,400,000</u>	<u>\$ 752,814</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections plus interest and lien fees. For June 30, 2014, the maximum amount of general purpose borrowing permitted under the formula would be \$10,698,163. Our outstanding general obligation debt is \$8,298,163 below the maximum debt limitation (see "Statement of Statutory Debt Limitation" presented as a supplemental schedule to these financial statements).

Additional information on the Town of Warren's long-term debt can be found in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared and audited, the Town was aware of several circumstances that could affect its future financial health:

- The uncertainty of federal and state funding can impact the financial health of the Town, although no changes are currently anticipated.
- The budget assumptions used to prepare the budget for FY 2014-15 included a 2.5% cost of living allowance (COLA).
- Budgeted revenues and expenditures for the fiscal year ended 2015 are \$5,229,970 a 2.9% increase from fiscal year ended 2014 final budget of \$5,083,056. We have assigned \$74,646 from the June 30, 2014 unassigned fund balance to balance the FY 2014-15.
- The 2015 expenditure budget increase and the increase in the mill rate allowed the Town to budget \$74,646 from fund balance as opposed to \$84,216 for the year ended June 30, 2013.
- The Mill Rate for 2015 increased to 14.2 mills from 13.9 mills.

Contacting the Town's Financial Management

This financial report is designated to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Office of the First Selectman, Town of Warren, 50 Cemetery Road, Warren, CT 06754.

Town of Warren
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 2,496,672
Property taxes, interest, & liens receivable	81,734
Total current assets	<u>2,578,406</u>
Noncurrent assets	
Net pension asset	183,989
Capital assets:	
Assets not being depreciated	1,313,371
Assets being depreciated, net of depreciation of \$6,742,685	5,496,831
Total noncurrent assets	<u>6,994,191</u>
Total Assets	<u><u>9,572,597</u></u>
Liabilities	
Current Liabilities:	
Accounts payable	87,089
Performance bonds held	16,300
Due to State of Connecticut	994
Accrued interest	2,612
Noncurrent liabilities, due within one year	150,000
Noncurrent Liabilities:	
Due in more than one year	2,250,000
Total liabilities	<u><u>2,506,995</u></u>
Net Position	
Invested in capital assets, net of related debt	4,410,202
Restricted for:	
Road maintenance	85,714
Social services	16,342
Unrestricted	2,553,344
Total Net Position	<u><u>\$ 7,065,602</u></u>

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

**Town of Warren
Statement of Activities
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 472,153	\$ 175,687	\$ -	\$ -	\$ (296,466)
Employee benefits	156,399	-	-	-	(156,399)
Boards and commissions	47,920	28,660	-	-	(19,260)
Health services	24,046	-	-	-	(24,046)
Agencies	61,007	-	-	-	(61,007)
Education	3,128,812	-	99,777	-	(3,029,035)
Town building	250,627	5,935	-	-	(244,692)
Town fire department	42,159	-	-	-	(42,159)
Highways, public works and maintenance	703,665	-	-	192,487	(511,178)
Other	132,319	28,670	4,000	-	(99,649)
Town property	10,865	-	-	-	(10,865)
Interest	84,730	-	-	-	(84,730)
Total governmental activities	\$ 5,114,702	\$ 238,952	\$ 103,777	\$ 192,487	(4,579,486)
General revenues:					
Property taxes, interest, and lien fees					4,779,157
Investment earnings					5,554
Grants, contributions and fines not restricted to specific programs					51,943
Total general revenues					4,836,654
Change in net position					257,168
Net position - July 1, 2013					6,808,434
Net position - June 30, 2014					\$ 7,065,602

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

Town of Warren
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds				
	General Fund	Town Aid Road Fund	Capital Project Fund Capital Non-Recurring	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,916,713	\$ 74,626	\$ 75,882	\$ 429,451	\$ 2,496,672
Property taxes, interest, & liens receivable	81,734	-	-	-	81,734
Due from other funds	104,210	11,088	144,353	89,890	349,541
Total Assets	\$ 2,102,657	\$ 85,714	\$ 220,235	\$ 519,341	\$ 2,927,947
Liabilities:					
Accounts payable	\$ 77,504	\$ -	\$ -	\$ -	\$ 77,504
Woods security fee & other payables	9,585	-	-	-	9,585
Due to other funds	245,331	-	-	104,210	349,541
Due to State of Connecticut	994	-	-	-	994
Performance bonds payable	16,300	-	-	-	16,300
Total Liabilities	349,714	-	-	104,210	453,924
Deferred Inflows of Resources:					
Unavailable revenue - property tax	70,799	-	-	-	70,799
Fund Balances:					
Restricted for:					
Improvement to unimproved / improved roads	-	85,714	-	-	85,714
Social services	-	-	-	16,342	16,342
Committed to:					
Community senior center renovation	-	-	220,235	-	220,235
Parks and recreation	-	-	-	32,788	32,788
Cemetery operation	-	-	-	116,472	116,472
Equipment replacements	-	-	-	234,731	234,731
Waste disposal	-	-	-	14,798	14,798
Revaluation	3,427	-	-	-	3,427
Assigned for:					
Subsequent year budgeted deficit	74,646	-	-	-	74,646
Unassigned	1,604,071	-	-	-	1,604,071
Total Fund Balances	1,682,144	85,714	220,235	415,131	2,403,224
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,102,657	\$ 85,714	\$ 220,235	\$ 519,341	\$ 2,927,947

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

Town of Warren
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds
June 30, 2014

Total Fund Balances for Governmental Funds	\$	2,403,224
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Total net position reported for governmental activities in the statement of net position is different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$	13,552,887	
Less accumulated depreciation		<u>6,742,685</u>	
Net capital assets			6,810,202

Taxes, interest and liens receivable not available to pay current period expenditures are therefore deferred in the funds.	70,799
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Long -term asset is not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Net pension asset	183,989

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:

General obligation bond	(2,400,000)
Accrued interest payable	(2,612)

Total Net Position of Governmental Activities	\$	<u>7,065,602</u>
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The accompanying notes are an integral part of these financial statements.

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

	Major Funds				
	General Fund	Town Aid Road Fund	Capital Project Fund Capital Non-Recurring	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 4,722,780	\$ -	\$ -	\$ -	\$ 4,722,780
Interest and lien fees on property taxes	29,257	-	-	-	29,257
Intergovernmental	166,064	181,643	-	-	347,707
Investment income	4,754	104	105	591	5,554
Licenses, permits and other fees	188,336	-	-	-	188,336
Program fees and other receipts	-	-	-	57,330	57,330
Total Revenues	5,111,191	181,747	105	57,921	5,350,964
Expenditures:					
Current:					
General government	312,821	-	-	-	312,821
Employee benefits	131,364	-	-	-	131,364
Boards and commissions	47,920	-	-	-	47,920
Health services	24,046	-	-	-	24,046
Agencies	61,007	-	-	-	61,007
Education	3,128,812	-	-	-	3,128,812
Town buildings	250,627	-	-	-	250,627
Town fire department	42,159	-	-	-	42,159
Highway and general operations	485,078	-	-	-	485,078
Town Insurance	55,175	-	-	-	55,175
Other	1,455	-	-	252,420	253,875
Town property	10,865	-	-	-	10,865
Debt service	235,688	-	-	-	235,688
Capital outlay	-	115,510	49,907	-	165,417
Total Expenditures	4,787,017	115,510	49,907	252,420	5,204,854
Excess (Deficiency) of Revenues Over Expenditures	324,174	66,237	(49,802)	(194,499)	146,110
Other Financing Sources (Uses):					
Operating transfers	(167,000)	-	25,000	142,000	-
Total other financing sources (uses)	(167,000)	-	25,000	142,000	-
Net Change in Fund Balances	157,174	66,237	(24,802)	(52,499)	146,110
Fund Balance - beginning of year	1,524,970	19,477	245,037	467,630	2,257,114
Fund Balance - end of year	\$ 1,682,144	\$ 85,714	220,235	\$ 415,131	\$ 2,403,224

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

Town of Warren

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

Net Change in Fund Balances-Total Governmental Funds	\$	146,110
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Amounts reported for governmental activities in the statement
of activities are different due to the following:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful life lives and reported as depreciation expense as follows:

Total capital outlay costs capitalized	312,772	
Less current year depreciation	<u>(348,543)</u>	(35,771)

The issuance of long-term debt (bonds and leases) provide current financial
resources to the governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of the governmental
funds. Neither transaction, however, has any effect on net position. Also
governmental funds report the effect of issuance costs and premiums when debt
is first issued, whereas these amounts are deferred and amortized in the
Statement of Activities. Interest expense is recognized as it accrues, regardless
of when it is due in the Statement of Activities. The net effect of these
differences in the treatment of long-term debt and related items are as follows:

Bond principal repayments	150,000
Change in accrued interest payable	958

Changes in accrued property taxes in the statement of activities that do not provide or use current financial resources are not reported as revenue in the funds.	20,906
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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 the governmental

Change in net pension asset	<u>(25,035)</u>
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Change in Net Position of Governmental Activities	\$	<u>257,168</u>
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The accompanying notes are an integral part of these financial statements.

**Town of Warren
Statement of Plan Net Position
Pension Trust Fund
June 30, 2014**

Assets:

Cash on Hand	\$ 41,375
Investments - at fair value	<u>479,083</u>
Total Assets	<u>520,458</u>

Net Position:

Assets held in trust for pension benefits	\$ <u>520,458</u>
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The accompanying notes are an integral part of these financial statements.

Town of Warren
Statement of Changes in Net Position
Pension Trust Fund
Year Ended June 30, 2014

	Pension Trust Fund
Additions:	
Employer contributions	\$ 41,375
Investment income :	
Net appreciation in fair value of investments	47,182
Interest and dividends	10,754
Less : investment expense	<u>3,293</u>
Net investment income	<u>54,643</u>
Total additions	96,018
Deductions:	
Pension benefits	<u>61,392</u>
Total deductions	<u>61,392</u>
Increase in Net Position	34,626
Assets Held In Trust For Pension Benefits:	
Net Position - Beginning of year	<u>485,832</u>
Net Position - End of year	<u>\$ 520,458</u>

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

Town of Warren
Notes to Financial Statements

Note "1" - Summary of Significant Accounting Policies:

The accompanying basic financial statements of the Town of Warren, 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 Town's significant accounting policies are described below.

A. Reporting Entity:

The Town of Warren, Connecticut was incorporated in 1786 under the provisions of the Connecticut General Statutes, and has a population of approximately 1,300 living within an area of 27 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Regional School District #6, of which the Towns of Warren, Morris and Goshen are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Warren residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider 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.

Based on the criteria provided by the Codification the Town of Warren has determined that it has no component units.

Based upon the foregoing criteria, the following organizations are not considered part of the Town and thus are excluded from the accompanying financial statements:

- Regional School District #6 which provides educational services and facilities to the residents of Warren, Morris and Goshen. The Town of Warren pays a proportional share of the expense of the district.
- Warren Volunteer Fire Department, Inc. and Ambulance Association, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control over the daily operations.

Town of Warren
Notes to Financial Statements

Note "1" - Summary of Significant Accounting Policies (continued):

B. Jointly Governed Organizations:

Northwestern Connecticut Council of Governments

The Town and eight other local municipalities each appoint the governing board of Northwestern Connecticut Council of Government (the "NWCCOG") to provide a regional forum for information exchange and regional planning. The NWCCOG is supported by assessments to the nine member Towns based upon population census. The Town of Warren appropriated \$2,143 for the operation of the NWCCOG for the year ended June 30, 2014. On January 1, 2014, the NWCCOG merged with the Litchfield Hills Council of Elected Officials, creating a new entity The Northwest Hills Council of Government.

Lake Waramaug Authority

The Lake Waramaug Authority (the "Lake Authority") was created by the Towns of Washington, Warren and Kent by local ordinance. The Lake Authority enforces all regulations related to water activities. The Town appropriated \$4,350 for the operation of the Lake Authority for the year ended June 30, 2014.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materiality.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. The other four governmental funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

Town of Warren
Notes to Financial Statements

Note "1" - Summary of Significant Accounting Policies (continued):

D. Measurement Focus and Basis of Accounting and Financial Statement Presentation

Government-Wide Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Financial Statements

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

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

General Fund:

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.

Special Revenue Fund:

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

Capital Projects Funds:

The Capital Non-Recurring Fund as authorized by General Statutes of Connecticut is used for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

The Town also reports the following six Nonmajor Governmental Funds:

Special Revenue Funds, are used to account for specific revenues that are legally restricted to expenditures for particular purpose:

Town of Warren
Notes to Financial Statements

Note "1" - Summary of Significant Accounting Policies (continued):

Park and Recreation Fund – is used to account for fees from recreational leisure programs along with the related expenditures.

Warren Cemetery Commission Fund – is used to account for sale of plots along with the related expenditures for maintaining and improving the cemetery.

Good Neighbor Fund – is used to account for donations and assistance to those in need.

Housing Trust Fund - is used to account for the constructing, rehabilitating or repairing housing affordable to low and moderate income households.

Force Majeure Fund - is used to account for resources from the dissolution of the Bristol Resource and Recovery Operating Committee to be used for future waste disposal.

Capital Project Fund, is used to account for major capital facilities and the acquisition of equipment:

Equipment Replacement Fund – is used to account for the purchase and replacement of major equipment.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

The Pension Trust Fund is used to account for the accumulation of resources to be used for retirement benefits.

As a general rule, the effect of inter-fund 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 all taxes.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualified public depository" as defined by statute, which has its main place of business in the State of Connecticut.

Town of Warren
Notes to Financial Statements

Note "1" - Summary of Significant Accounting Policies (continued):

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds, does not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value.

2. Receivables

In the government-wide financial statements property taxes are shown net of an allowance for uncollectibles of \$1,200. The allowance is calculated based upon prior collections.

In the fund financial statements, all property taxes receivable at June 30, 2014, which have not been collected within 60 days of June 30, have been recorded as deferred revenue, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on October 1 and billed the following July. Real and personal property bills are payable in one installment, July 1. Motor vehicle taxes are payable in one installment on July 1, with the motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than \$5,000 and with 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 fair value at the date of donation.

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.

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

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings & improvements	40
Infrastructure	20-50
Machinery, Equipment and Vehicle	5-10

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

3. Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the statement of net assets.

4. Compensated Absences

Eligible employees are paid for sickness, vacations, and personal days. At June 30, 2014 the liability for compensated absences cannot be reasonably estimated. However, it has been deemed not material to the financial statements. In addition, the Town does not pay for any post retirement healthcare benefits.

5. Fund Equity and Net Position – Governmental Funds

Beginning with the fiscal year 2011, the Town implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the governmental intends to use for a specific purpose as authorized by the Town’s Board of Selectman and Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose.

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

Invested in Capital Assets, Net of Related Debt

This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributions or laws and regulations).

Unrestricted Net Position

This category represents the net position of the Town, which are not restricted.

Town of Warren
Notes to Financial Statements

Note "2" - Budgetary Compliance - The General Fund:

6. Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Compliance – The General Fund:

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however, no more than one additional appropriation per department can be made without town meeting approval. Additional and continuing appropriations, from fund balance, of \$18,427 increased the original General Fund budget.

Budgetary Compliance - Special Revenue Fund:

The Town does not budget for its special revenue fund. Considering a cost benefit analysis, it is not practical for the town to report budgetary information for special revenue funds on a combined basis.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

Town of Warren
Notes to Financial Statements

Note "3" – Cash, Deposits and Investments:

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2014:

	Governmental <u>Funds</u>	Fiduciary <u>Funds</u>
Deposits: Demand Accounts	\$ 221,659	\$ 41,375
Petty Cash and cash on hand	950	---
Cash equivalents:		
State short-term investment fund (STIF)	651,615	---
Overnight repurchase agreements	<u>1,622,448</u>	<u>---</u>
Total Cash and Cash Equivalents	<u>\$ 2,496,672</u>	<u>\$ 41,375</u>

B. Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, the carrying amount of the town's deposits was \$221,421 and the bank balance was \$229,850. All of the bank balance was covered by FDIC insurance.

C. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2014, the Town's cash equivalents amounted to \$2,274,064. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

State of Connecticut Short-Term Investment Fund (STIF)

Standard and Poor's
AAAm

Amounts held in the overnight repurchase agreement were 100% collateralized with collateral held by the bank's trust department or agent, but not in the Town's name.

D. Investments

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

	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Fiduciary Fund			
Exchange Traded Funds	\$ 52,956	N/A	N/A
Mutual funds	397,314	N/A	N/A
Money market funds	<u>28,813</u>	not rated	N/A
Total Fiduciary Funds	<u>\$ 479,083</u>		

Town of Warren
Notes to Financial Statements

Note "3" - Cash, Deposits and Investments (continued):

- Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.
- The Fiduciary Fund investments are uninsured and unregistered with securities held by the counterparties, but not in the Town's name.

Note "4" - Receivables:

Receivables at June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:

Property taxes	\$ 70,845
Accrued interest and lien fees on property taxes	<u>12,089</u>
Gross receivables	82,934
Less: allowance for uncollectibles	<u>1,200</u>
<u>Net Receivables</u>	<u>\$ 81,734</u>

Note "5" - Interfund Balances:

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

At June 30, 2014 the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Non-recurring Fund	General Fund	\$ 144,353
Town Aid Road Fund	General Fund	11,088
Good Neighbor Fund	General Fund	40,000
Park and Rec Fund	General Fund	32,788
Housing Fund	General Fund	2,304
Force Majeure Fund	General Fund	14,798
General Fund	Equipment Replacement Fund	102,738
General Fund	Warren Cemetery Commission Fund	<u>1,472</u>
<u>Total</u>		<u>\$ 349,541</u>

Town of Warren
Notes to Financial Statements

Note "6" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	<u>Transfers from Other Funds</u>	<u>Transfers To Other Funds</u>
<u>Major Funds:</u>		
General Fund	\$ ---	\$ 167,000
Capital Non-recurring Fund	25,000	---
<u>Other Governmental Funds:</u>		
Park and Recreation Fund	40,000	---
Warren Cemetery Commission Fund	12,000	---
Equipment Replacement Fund	90,000	---
Total	<u>\$ 167,000</u>	<u>\$ 167,000</u>

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note "7" - Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions and Reclasses</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets - Not Depreciated:				
Land	\$ 1,313,371	\$ ---	\$ ---	\$ 1,313,371
Capital Assets - Depreciated:				
Land Improvements	25,430	---	---	25,430
Building & Improvements	4,550,707	---	---	4,550,707
Machinery, Equipment & Vehicles	2,062,090	202,751	46,000	2,218,841
Infrastructure	<u>5,334,517</u>	<u>110,021</u>	---	<u>5,444,538</u>
Total Capital Assets Being Depreciated	11,972,744	312,772	46,000	12,239,516
Less: Accumulated Depreciation				
Land Improvements	6,522	817	---	7,339
Building & Improvements	761,982	108,391	---	870,373
Machinery, Equipment & Vehicles	1,296,456	115,827	46,000	1,366,283
Infrastructure	<u>4,375,182</u>	<u>123,508</u>	---	<u>4,498,690</u>
Total Accumulated Depreciation	<u>6,440,142</u>	<u>348,543</u>	<u>46,000</u>	<u>6,742,685</u>
Capital Assets Being Depreciated - Net	<u>5,532,602</u>	<u>(35,771)</u>	---	<u>5,496,831</u>
Capital Assets - Net	<u>\$ 6,845,973</u>	<u>\$ (35,771)</u>	<u>\$ ---</u>	<u>\$ 6,810,202</u>

Town of Warren
Notes to Financial Statements

Note "7" - Capital Assets (continued):

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

Governmental Activities:

General government services	\$ 104,157
Public safety	37,630
Public works, including depreciation of	
General infrastructure assets	180,957
Culture and recreation	25,799
<u>Total depreciation expense</u>	<u>\$ 348,543</u>

Note "8" – Long-Term Liabilities:

Long-term liability details and activity for the year ended June 30, 2014 follows:

<u>Description</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>
General obligation bond	\$ 3,000,000	6/15/2010	6/15/2030	2-4

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bond	\$ 2,550,000	\$ ---	\$ 150,000	\$ 2,400,000	\$ 150,000

Aggregate debt service requirements subsequent to June 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	150,000	82,688	232,688
2016	150,000	79,313	229,313
2017	150,000	75,563	225,563
2018	150,000	71,813	221,813
2019	150,000	65,812	215,812
2020	150,000	59,812	209,812
2021-2025	600,000	227,813	827,813
2026-2030	900,000	90,000	990,000
Total Debt Service requirement	<u>\$ 2,400,000</u>	<u>\$ 752,814</u>	<u>\$ 3,152,814</u>

Note "9" - Contingent Liabilities:

The Town is contingently liable on Regional School District No. 6 serial bonds payable through June 1, 2019. The amount (19.2%) attributable to the Town is \$438,720.

Town of Warren
Notes to Financial Statements

Note "10" - Employee Retirement System:

A: Plan Description

The Town of Warren is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its employees. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. At July 1, 2014 the latest actuarial date, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits but Not yet receiving them	2
Current plan members	<u>5</u>
<u>Total</u>	<u>14</u>

The plan is a non-contributory defined benefit pension plan and covers substantially all regular full-time employees and elected officials through contribution to the Pension Trust Fund. In order to be eligible for the plan, the employee must complete one full year of service and attain a minimum age of twenty-one.

Normal retirement date is the first of the month coincident with or next following the participants 65th birthday. The annual benefit is 1.25% of the Final Average Compensation multiplied by years of Credited Service to June 30, 1997 and 1.5% of final average compensation multiplied by years of credited service beginning July 1, 1997. Final average compensation is the average compensation for the five highest compensation within the ten years of service prior to retirement or termination. The plan contains a provision for early retirement at age sixty and after fifteen years of credited service at a reduced benefit.

The Plan has a provision for early retirement at age 60 and 15 years of credited service. Benefit determined as above multiplied by years of credited service at the time of early retirement, but reduced by 6.6% for each of the first five years prior to normal retirement and 3.3% for each of the next five years which the date of commencement precedes normal retirement.

Participants are entitled to a percentage of accrued pension payable at their normal retirement date based upon the following schedule:

<u>Full Years of Credited Services</u>	<u>Vested Percentage of Accrued Benefit</u>
4 years	50%
7 years or more	100%

B: Plan Amendments:

The Town froze participation and retirement benefits as follows:

- Non-collectively bargained member's retirement benefits shall not be increased after July 1, 2014.
- No additional Collectively Bargained Employees (other than those Collectively Bargained Employees who are members of the Plan on June 30, 2014) are eligible to become members of the plan.

As of July 1, 2014 the Town adopted a defined contribution pension plan under code Section 457(b) for eligible new employees and all current participants of the frozen defined benefit pension plan.

Town of Warren
Notes to Financial Statements

Note "10" - Employee Retirement System (continued):

C: Contributions and Funding Policy:
Authority:

The Board of Finance has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions through the budgetary process.

Funding Policy:

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due.

D: Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employer's contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments: All funds are invested in money market accounts, exchange traded funds and mutual funds through trust agreement with the custodian, TD Ameritrade Institutional, and are reported at fair value.

E: Investments:

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee of the Board of Finance by a majority vote of its members. It is the policy of the Board of Finance to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across the board selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting assets class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2014.

<u>Assets Class</u>	<u>Target Allocation</u>
Cash	15%
Short-Term Bonds	35%
Large Cap US Equities	15%
Small Cap US Equities	6%
Developed Foreign Equities	9%
Real Estate (REITs)	10%
Exchange Traded Funds	10%

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Warren
Notes to Financial Statements

Note "10" - Employee Retirement System (continued):

F: Concentrations:

The following investments represent 5 percent or more of plan net assets:

Cash	6%
Mutual Funds:	
DFA US Targeted Val	6%
DFA US Large Cap Value port	15%
DFA Interm Govt Fixed	18%
DFA Five Year Global Fixed	8%
DFA World Ex Us Core Equity	9%
DFA Global Real Estate Sec	9%

G: Net Pension Liability of the Town:

The components of the net pension liability of the employer in accordance with GASB Statement No. 67 are as follows:

Total pension liability	\$ 805,938
Plan fiduciary net position	<u>520,458</u>
Net pension liability	<u>\$ 285,480</u>

Plan Fiduciary Net Position as of % of total pension liability is 64.58%. For the year ended June 30, 2015 the Town will be required to recognize the net pension liability in the government-wide statement.

The following assumption were used to determine the total pension liability, above, using the actuarial valuation as of June 30, 2014.

Inflation	3%
Salary increases	3%
Long term expected rate of return	6%, net of expenses, including inflation
Discount rate	6%
Mortality rate based 2014 IRS Mortality (Male & Female) for annuitants and non-annuitants.	

The long-term expected rate of return on pension plan investments was determined using an average of past performance.

The discount rate used to measure the total pension liability was 6%. The projection of cash flows used to determine the discount rate assumed that the Town contribution will be made at actuarially determined contribution rates therefore the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on the aforementioned assumptions the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability sensitivity using the discount rate of 6% plus 1% and minus 1% is as follows:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability	\$ 373,242	\$ 285,480	\$ 210,949

Town of Warren
Notes to Financial Statements

H. Annual Pension Cost and Net Pension Obligation:

The Town's annual pension cost and net pension obligation to PERS for the current year were as follows:

Annual required contribution	\$ 57,429
Interest on net pension obligation	(12,541)
Adjustments to annual required contribution	<u>21,522</u>
Annual pension cost	66,410
Contributions made	<u>41,375</u>
Increase (decrease) in net pension obligation	25,035
Net pension obligation (asset) beginning of year	(209,024)
Net pension (asset) end of year	<u><u>\$ (183,989)</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit method. The method used to amortize the unfunded actuarial liability is level dollar of projected payroll using a closed period of 30 years from the actuarial valuation date of July 1, 1997.

I. Three Year Trend Information:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Contribution</u> <u>Made</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(Asset)</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>
6/30/14	\$ 66,410	\$ 41,375	62%	\$(183,989)	\$ 41,375
6/30/13	60,750	33,000	54%	(209,024)	51,527
6/30/12	53,333	38,000	71%	(236,774)	45,865

J. Additional Information:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

<u>Valuation Date:</u>	7/1/2014
<u>Actuarial Cost Method:</u>	Projected Unit Credit.
<u>Asset Valuation Method:</u>	Fair Value as of June 30, 2014.
<u>Amortization Method:</u> (unfunded actuarial liability)	Level dollar of projected payroll using a closed period of 30 years from July 1, 1997 at 6% interest.
<u>Mortality:</u>	The IRS 2012 P.V. optional combined mortality Table (male/female).
<u>Investment rate of return:</u>	A rate of return (net of investment expenses) of 6% per year has been assumed.
<u>Turnover:</u>	None
<u>Retirement Age:</u>	65
<u>Salary Scale:</u>	Salaries have been assumed to increase at 3% per year.

Town of Warren
Notes to Financial Statements

Note "11" - Commitments and Litigation:

It is the opinion of town officials that there are no material or substantial claims against the town, which will be finally determined so as to result in a judgment or judgments against the town, which would materially affect its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

Note "12" - Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self insurance fund. However, the Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA) workers compensation pool. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.

Note "13" - Operating Deficiencies and Fund Deficits:

The following individual funds had deficiencies of revenue and other sources over expenditures and other uses for the year ended June 30, 2014. All fund balances were positive as of June 30, 2014.

Major Funds:	
Capital Non-Recurring Fund	\$ 24,802
Other Governmental Funds:	
Special Revenue Funds	
Equipment Replacement Fund	\$ 62,329
Park and Recreation Fund	\$ 330

Note "14" – New Governmental Accounting Standards Board Standard:

As of July 1, 2013 the Town implemented GASB Statement No. 65, items previously reported as Assets and Liabilities. The governmental funds reports unavailable revenue from property taxes as deferred inflows of resources. Theses property taxes will be recognized as revenue in the year in which they become available.

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:			
Property taxes	\$ 4,752,549	\$ 4,746,687	\$ (5,862)
Interest and liens fees on property taxes	20,000	29,257	9,257
Telephone access tax	5,000	6,214	1,214
State of Connecticut - Grants:			
Elderly homeowners	6,000	10,797	4,797
Veterans tax relief	500	1,276	776
Historic document preservation	---	4,000	4,000
Local capital improvement program	1	---	(1)
State property	1	12,892	12,891
Mashantucket Pequot	1	6,585	6,584
Education grants	99,777	99,777	---
Judicial fines	---	180	180
Other grants	---	30,557	30,557
Contributions in lieu of taxes	500	500	-
Investment income	5,384	4,754	(630)
Other fees and receipts:			
Penalties Open Space	---	6,670	6,670
Building permits	40,000	80,683	40,683
Building permits - Excess revenue over budget offsets expenditures	---	(40,683)	(40,683)
Planning, zoning and conservation	3,000	4,274	1,274
Conveyance tax and recording fees	28,000	59,821	31,821
Dog fees	1,200	1,948	748
Recording and map fees	10,000	12,082	2,082
Rent of town buildings	5,400	5,335	(65)
Library rent	600	600	---
Photocopies and other miscellaneous fees	2,500	10,208	7,708
Amounts available for appropriation	\$ 4,980,413	\$ 5,094,414	\$ 114,001

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

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures:					
General Government					
First Selectman - salary	\$ 48,906	\$ ---	\$ 48,906	\$ 48,906	\$ ---
First Selectman - clerical	26,410	---	26,410	29,066	2,656
First Selectman - expenses	6,500	---	6,500	5,059	(1,441)
Second Selectman	3,700	---	3,700	3,700	---
Third Selectman	3,700	---	3,700	3,700	---
Treasurer - salary	5,955	---	5,955	5,955	---
Treasurer - expenses	1,500	---	1,500	1,912	412
Town clerk - salary	33,946	---	33,946	33,946	---
Town clerk - expenses & computer mgmt	15,000	---	15,000	17,543	2,543
Tax collector - salary	19,926	---	19,926	19,926	---
Tax collector - expenses	5,000	---	5,000	7,771	2,771
Assistant town clerk and tax collector	500	---	500	---	(500)
Fire marshal	3,800	---	3,800	3,553	(247)
Building inspector	35,000	---	35,000	73,287	38,287
Building department - Excess revenue over budget	---	---	---	(40,683)	(40,683)
Dog warden	8,000	---	8,000	6,819	(1,181)
Animal shelter	1,500	---	1,500	1,350	(150)
Police	500	---	500	---	(500)
Office equipment	6,000	---	6,000	790	(5,210)
Town engineer	5,000	---	5,000	---	(5,000)
Legal counsel	7,500	---	7,500	5,828	(1,672)
Auditor	16,500	---	16,500	21,000	4,500
GASB # 34 Compliance	1,000	---	1,000	1,000	---
Probate court	2,604	---	2,604	2,603	(1)
Elections	14,000	---	14,000	8,520	(5,480)
Social services	8,000	---	8,000	6,587	(1,413)
Historical document preservation	---	---	---	4,000	4,000
Revaluation - continuing appropriation	---	3,427	3,427	---	(3,427)
Total General Government	280,447	3,427	283,874	272,138	(11,736)
Employee Benefits					
Insurance benefits	92,783	---	92,783	49,894	(42,889)
Retirement fund contribution and fees	50,000	---	50,000	50,000	---
Social security	33,000	---	33,000	30,720	(2,280)
Uniforms	1,000	---	1,000	750	(250)
Total Employee Benefits	176,783	---	176,783	131,364	(45,419)

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

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2014

Expenditures (continued):	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Boards and Commissions					
Assessor	\$ 38,000	\$ ---	\$ 38,000	\$ 35,498	\$ (2,502)
Board of assessment appeals	500	---	500	234	(266)
Board of finance	600	---	600	703	103
Planning and zoning commission	10,000	---	10,000	9,834	(166)
Conservation development	---	---	---	242	242
Zoning board of appeals	1,500	---	1,500	158	(1,342)
Conservation commission	10,000	---	10,000	1,251	(8,749)
Total Boards and Commissions	60,600	---	60,600	47,920	(12,680)
Health services					
Torrington area health district	8,514	---	8,514	8,514	---
Visiting nurses	6,000	---	6,000	5,740	(260)
Paramedic intercept	10,000	---	10,000	9,792	(208)
Total Health Services	24,514	---	24,514	24,046	(468)
Agencies					
Lake Waramaug Authority	5,000	---	5,000	4,350	(650)
Inter-local commission	7,461	---	7,461	7,461	---
NW CT Regional Council of Governments	3,124	---	3,124	2,143	(981)
Library	27,000	---	27,000	27,000	---
Civil Defense - town communication	1,000	---	1,000	---	(1,000)
Litchfield County Dispatch	14,158	---	14,158	14,152	(6)
Regional non-profit agencies	3,000	---	3,000	2,447	(553)
Litchfield County soil conservation	600	---	600	600	---
Elderly bus	2,500	---	2,500	1,087	(1,413)
Council of Small Towns	1,900	---	1,900	1,767	(133)
Total Agencies	65,743	---	65,743	61,007	(4,736)
Education					
Wamogo Regional School District	3,128,812	---	3,128,812	3,128,812	---
Town Buildings					
Operations	70,000	---	70,000	87,279	17,279
Waste collection and hauling	91,000	---	91,000	85,622	(5,378)
Recycling	500	---	500	500	---
Energy improvements	1,500	---	1,500	---	(1,500)
Capital improvements	30,000	---	30,000	26,256	(3,744)
Bristol resource recovery	41,000	---	41,000	33,903	(7,097)
Household hazardous waste	2,500	---	2,500	1,663	(837)
Custodial services	14,000	---	14,000	15,404	1,404
Total Town Buildings	250,500	---	250,500	250,627	127
Town Fire Department					
Fire department insurance	20,000	---	20,000	17,035	(2,965)
Workman's compensation	7,000	---	7,000	6,124	(876)
Gas and diesel fuel	4,000	---	4,000	4,000	---
Truck maintenance	15,000	---	15,000	15,000	---
Tax abatement	30,000	---	30,000	23,906	(6,094)
Total Fire Department	76,000	---	76,000	66,065	(9,935)

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

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2014

Expenditures (continued):	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Highways and General Operations					
Highway labor	\$ 232,930	\$ —	\$ 232,930	\$ 203,045	\$ (29,885)
Highway department operations	120,000	—	120,000	115,673	(4,327)
Snow removal	80,000	15,000	95,000	86,281	(8,719)
Town garage	19,000	—	19,000	12,618	(6,382)
Maintenance town equipment	30,000	—	30,000	29,335	(665)
Gas, fuel, oil	35,000	—	35,000	38,126	3,126
Total Highways and General operations	516,930	15,000	531,930	485,078	(46,852)
Town Insurance					
Town Insurance	64,000	—	64,000	55,175	(8,825)
Miscellaneous					
State dog fees	1,200	—	1,200	994	(206)
Miscellaneous	3,000	—	3,000	461	(2,539)
Total Miscellaneous	4,200	—	4,200	1,455	(2,745)
Town Property					
Improving town property	10,000	—	10,000	8,572	(1,428)
Street lighting	3,100	—	3,100	2,293	(807)
Total Town Property	13,100	—	13,100	10,865	(2,235)
Debt Service					
Interest & principal	236,000	—	236,000	235,688	(312)
Other Financing Uses:					
Operating transfers out					
Fire truck replacement fund	40,000	—	40,000	40,000	—
Park and recreation fund	40,000	—	40,000	40,000	—
Non-recurring capital expenditure fund	25,000	—	25,000	25,000	—
Cemeteries	12,000	—	12,000	12,000	—
Equipment fund	50,000	—	50,000	50,000	—
Total operating transfers	167,000	—	167,000	167,000	—
Total Expenditures and Other Financing Uses	5,064,629	18,427	5,083,056	4,937,240	(145,816)
Excess (deficiency) of revenues over Expenditure and other uses	(84,216)	(18,427)	(102,643)	157,174	259,817
Fund Balance at beginning of year	84,216	18,427	102,643	1,524,970	1,422,327
Fund Balance at end of year	\$ —	\$ —	\$ —	\$ 1,682,144	\$ 1,682,144

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

Town of Warren
Notes to Required Supplementary Information –
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) presents a comparison of the original and the final legally adopted budget with actual data on a budgetary basis.

Reconciliation Between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

Volunteer tax credits are reported as expenditures in the fire department line item for budgetary purposes; whereas, under GAAP, it is reported as a reduction of tax revenue.

Additionally, for budget purposes, the Town recognizes building inspection fees up to the budgeted revenue and any excess is offset against the respective expenditure since the expenditure is based on the percentage of revenue. For GAAP purposes, the gross revenue and expenditures are recognized, resulting in the adjustment shown below.

The difference between GAAP and the budgeting basis is as follows:

	<u>General Fund</u>		<u>Fund Balance</u>
	<u>Total Revenues</u>	<u>Total Expenditures and Transfers</u>	
Actual - NonGAAP Budgetary Basis Statement - June 30, 2014	\$ 5,094,414	\$ 4,937,240	\$ 1,682,144
Volunteer tax credits	(23,906)	(23,906)	---
To gross up revenue and expenditures – Building department	<u>40,683</u>	<u>40,683</u>	<u>---</u>
Actual GAAP - June 30, 2014	<u>\$ 5,111,191</u>	<u>\$ 4,954,017</u>	<u>\$ 1,682,144</u>

Town of Warren
Schedule of Changes in Net Pension Liability and Related Ratios
Last Fiscal Year

Total pension liability:	
Service Cost	\$ 20,164
Interest	51,669
Differences between expected and actual experience	(89,163)
Changes in assumptions	1,803
Benefit payments, including refunds of member contributions	(61,392)
Net change in total pension liability	(76,919)
Total pension liability - beginning	882,857
Total pension liability - ending	<u>805,938</u>
Plan fiduciary net position:	
Contributions - employer	41,375
Net investment income	57,936
Benefit payments, including refunds of member contributions	(61,392)
Administrative expense	(3,293)
Net change in plan fiduciary net position	34,626
Plan fiduciary net position - beginning	485,832
Plan fiduciary net position - ending	<u>520,458</u>
Net Pension Liability - Ending	\$ <u>285,480</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>64.58%</u>
Covered employee payroll	\$ <u>230,525</u>
Net pension liability as a percentage of covered employee payroll	<u>123.84%</u>

Town of Warren
Schedule of Employer Contributions
Last Four Fiscal Years

	2014	2013	2012	2011
Actuarially determined contribution	\$ 57,429	\$ 51,527	\$ 45,865	\$ 36,475
Contributions in relation to the actuarially determined contribution	41,375	33,000	38,000	150,000
Contribution Deficiency (Excess)	\$ 16,054	\$ 18,527	\$ 7,865	\$ (113,525)
Covered employee payroll	\$ 230,525	\$ 219,412	\$ 257,213	\$ 245,257
Contributions as a percentage of covered employee payroll	17.95%	15.04%	14.77%	61.16%

Notes to Schedule

Valuation date: July 1, 2012
Measurement date: June 30, 2014

Actuarially determined contribution calculated as the normal cost as of July 1st prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Cost
Amortization method	Level dollar, closed
Remaining amortization period	13 years
Asset valuation method	Fair market value
Inflation	Not separately stated
Salary increases	3.0%
Investment rate of return	6% in FYE 2012, 2013, and 2014; 8% in years prior
Retirement age	Age 65, 100% normal retirement age
Mortality	IRS P.V. Optional Combined Table for males and females (1.430(h)(3)-1)

Town of Warren
Schedule of Investment Returns
Last Fiscal Year

	2014
Annual money-weighted rate of return, net of investment expense	11.25%

Town of Warren
Nonmajor Government Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds					Capital Project Fund Equipment Replacement Fund	Total
	Park and Recreation Fund	Warren Cemetery Commission	Good Neighbor Fund	Housing Fund	Force Majeure Fund		
Assets:							
Cash and cash equivalents	\$ ---	\$ 117,944	\$ 14,038	\$ ---	\$ ---	\$ 297,469	\$ 429,451
Due from other funds	32,788	---	2,304	---	14,798	40,000	89,890
Total Assets	\$ 32,788	\$ 117,944	\$ 16,342	\$ ---	\$ 14,798	\$ 337,469	\$ 519,341
Liabilities:							
Due to other funds	\$ ---	\$ 1,472	\$ ---	\$ ---	\$ ---	\$ 102,738	\$ 104,210
Account payable	---	---	---	---	---	---	---
Total Liabilities	---	1,472	---	---	---	102,738	104,210
Fund balances:							
Restricted for:							
Social services	---	---	16,342	---	---	---	16,342
Committed to:							
Parks and recreation	32,788	---	---	---	---	---	32,788
Cemetery operations	---	116,472	---	---	---	---	116,472
Equipment replacements	---	---	---	---	---	234,731	234,731
Waste disposal	---	---	---	---	14,798	---	14,798
Total Fund Balances	32,788	116,472	16,342	---	14,798	234,731	415,131
Total Liabilities and Fund Balances	\$ 32,788	\$ 117,944	\$ 16,342	\$ ---	\$ 14,798	\$ 337,469	\$ 519,341

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

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

	Special Revenue Funds					Capital Project Fund Equipment Replacement Fund	Totals
	Park and Recreation Fund	Warren Cemetery Commission	Good Neighbor Fund	Housing Fund	Force Majeure Fund		
Revenues:							
Investment income	\$ ---	\$ 164	\$ 18	\$ ---	\$ ---	\$ 409	\$ 591
Program fees and other receipts	28,660	2,000	12,945	---	7,225	6,500	57,330
Total Revenues	28,660	2,164	12,963	---	7,225	6,909	57,921
Expenditures:							
Cemetery expenditures	---	13,552	---	---	---	---	13,552
Programs and Activities	68,990	---	10,640	---	---	159,238	238,868
Total Expenditures	68,990	13,552	10,640	---	---	159,238	252,420
Excess (Deficiency) of revenues over expenditures	(40,330)	(11,388)	2,323	---	7,225	(152,329)	(194,499)
Other Financing Sources:							
Operating transfers in	40,000	12,000	---	---	---	90,000	142,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(330)	612	2,323	---	7,225	(62,329)	(52,499)
Fund Balance - beginning of year	33,118	115,860	14,019	---	7,573	297,060	467,630
Fund Balance - end of year	\$ 32,788	\$ 116,472	\$ 16,342	\$ ---	\$ 14,798	\$ 234,731	\$ 415,131

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

Town of Warren
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)
Year Ended June 30, 2014

	Taxes Receivable July 1, 2013	Assessor's Lawful Corrections		Suspense Transfers	Adjusted Taxes Receivable	Collections			Total Net Collections	Taxes Receivable June 30, 2014
		Additions	Reductions			Taxes	Interest & Liens	Refunds and Adjustments		
Grand List : October 1,	2012 \$ 4,774,375 \$	14,259 \$	(47,540) \$	(340) \$	4,740,754 \$	4,701,500 \$	23,150 \$	(3,872) \$	4,720,778 \$	43,126
2011	33,961	116	(76)	(405)	33,596	10,988	2,729	(132)	13,585	22,740
2010	9,398	—	—	(222)	9,176	4,203	1,842	—	6,045	4,973
2009	1,246	—	—	—	1,246	1,239	825	1	2,065	6
2008	23	—	—	—	23	23	5	—	28	—
2007	18	—	—	—	18	18	4	—	22	—
Suspense collections	—	—	—	811	811	811	608	—	1,419	—
Totals	\$ 4,819,021 \$	14,375 \$	(47,616) \$	(156) \$	4,785,624 \$	4,718,782 \$	29,163 \$	(4,003) \$	4,743,942 \$	70,845

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

Town of Warren
Statement of Debt Limitation
Connecticut General Statutes, Section 7-374 (b)
Year Ended June 30, 2014

Tax collections (including interest and lien fees) for the year ended June 30, 2014 \$ 4,743,942

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

10,797

Total tax collections (including interest and lien fees) for the year ended June 30, 2014 \$ 4,754,739

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times Base	\$ 10,698,163	\$ -	\$ -	\$ -	\$ -
4 1/2 times Base	-	21,396,326	-	-	-
3 3/4 times Base	-	-	17,830,271	-	-
3 1/4 times Base	-	-	-	15,452,902	-
3 times Base	-	-	-	-	14,264,217
Total Debt Limitation	10,698,163	21,396,326	17,830,271	15,452,902	14,264,217
Indebtedness:					
General Obligation Bonds - Issued June 15, 2010	2,400,000	-	-	-	-
Wamogo Regional School District #6					
Towns share 19.2%					
General Obligation Bonds Issue of 1999 - \$2,185,000	-	419,520	-	-	-
General Obligation Bonds Issue of 2004 - \$100,000	-	19,200	-	-	-
Total Indebtedness	2,400,000	438,720	-	-	-
Debt Limitation In Excess Of					
Outstanding And Authorized Debt	\$ 8,298,163	\$ 20,957,606	\$ 17,830,271	\$ 15,452,902	\$ 14,264,217

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.

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



Charles Heaven & Co.

Certified Public Accountants

Waterbury, Connecticut

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

Board of Finance
Town of Warren
Warren, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Warren, Connecticut as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Warren, Connecticut's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

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

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

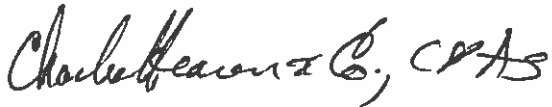
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Charles Heaven & Co., CPAs".

Charles Heaven & Co.
Waterbury, Connecticut

December 15, 2014