



FINANCIAL

Above: Heavy snowfall during the winter of 2015 put stress on Coventry residents, as well as the Town's Public Works crew and snow removal budget.



*Beth Bauer,
Finance Director*

FINANCE DIVISION Annual Report 2015

GOALS/PURPOSE

The primary purpose of the Finance Division is to carry out the various financial activities of the Town of Coventry and its many departments, in compliance with various Federal, State, and Town regulations and laws. These activities include revenue collection, maintenance of property assessments and exemptions, disbursement processing, payroll, budgeting and monitoring budget compliance, investment management, fixed asset accounting, cash management, insurance and risk management, benefit administration, general accounting, financial reporting, computer/network management, central supply ordering and distribution, and Pension administration.

Office Staff

Elizabeth E. Bauer, Finance Director/Treasurer

Donna Ferree, Town Accountant

Christine Small, Assistant to Town Accountant

Linda Greenbacker, Collector of Revenue

Carrie Zahner, Assistant to the Collector

Marjolaine Pruneau, Revenue Collection Clerk

Michael D'Amicol, Assessor

Rachel Lewandowski, Assistant to the Assessor

Goals and Accomplishments - Fiscal Year ending 6/30/2015

It is a primary goal of the Finance division to provide reliable and open access to the data needed to allow the decision makers and policy setting groups to take informed actions.

The Accounting office, striving to support the goals of the Town Council, worked to achieve a certificate of achievement for excellence in financial reporting from the Governmental Finance Officers Association. The Town of Coventry's comprehensive annual financial report for the year ended 6/30/2014 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only and has been received for the past seven years. Annual audits, budget documents and other financial reports are available for review on the web at www.coventryct.org. Our goal is to provide information to the public in an understandable manner, and your feedback is welcomed. Please contact the Finance office at 742-3528, or e-mail comments directly to financedirector@coventryct.org. Anyone who would prefer a face to face conversation is welcome to call to make an appointment.

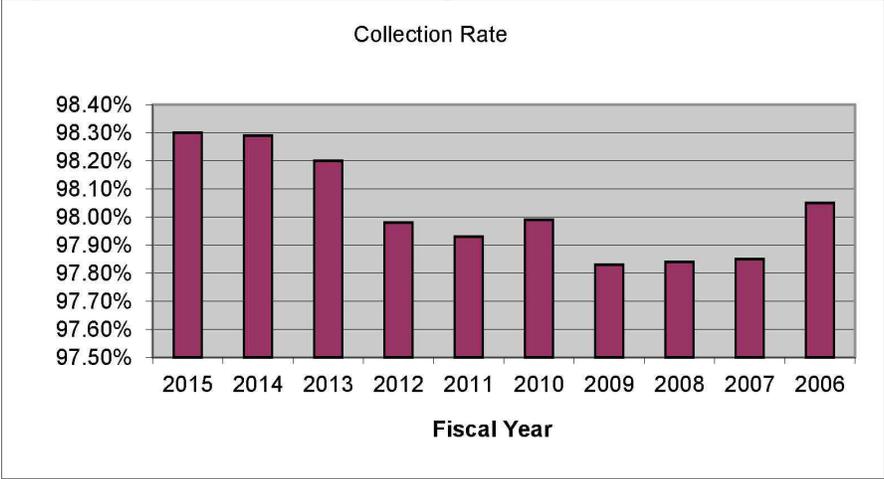
A second goal is to look for opportunities to reduce costs through collaboration. The Town continues to participate in the Health Insurance Collaborative. We have initiated several Wellness programs through the Collaborative in conjunction with the Board of Education.

A third goal is to take steps to ensure financial stability. In the year ending 6-30-2015 we are able to report several very positive benchmarks. The fund balance for the General Fund of the Town remains at 10.9%. The Town Council recognizing the importance of this benchmark moved to strengthen its support and modified its goal for fund balance to 15%. Next, the Pension Plan funded liability continues at a high level, 86.68%, Pension funding is critical to future financial health as assets must be in place to support the contracted benefits. Careful stewardship of plan assets, along with plan design changes is keeping us on a sustainable path. The Tax Collection rate for current year collections maintained at 98.3%, the same percentage as the previous year. These positive trends are an indication of good economic health for our residents.

General Overview

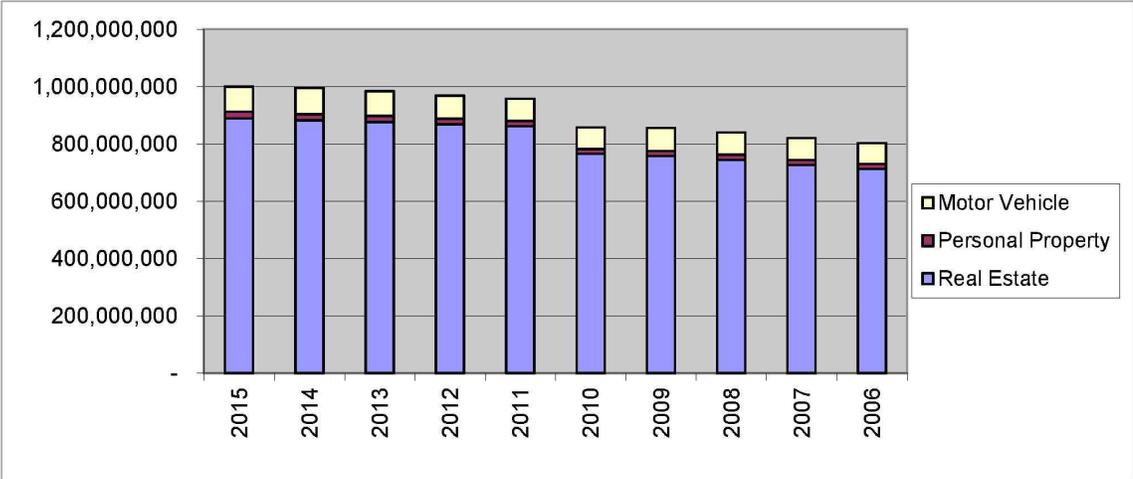
Revenue Collection – 860-742-4066

This office collects all revenues received by the Town of Coventry. The major component of General Fund revenues is the property tax, and the collection of current and delinquent taxes is the primary focus of the office staff. During the fiscal year ending 6/30/15, the percentage of current year property taxes collected was 98.3%. The collection of all property taxes provided 59% of the overall amount needed to support the services provided to the residents of Coventry.



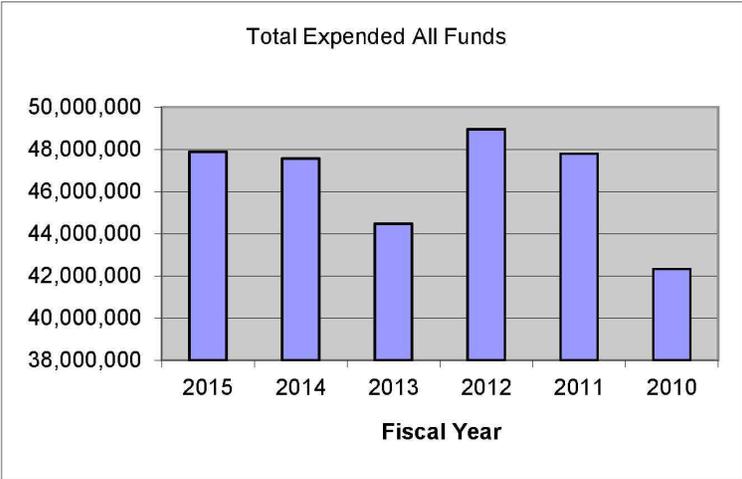
Assessor – 860-742-4067

The maintenance of property valuations and proper application of exemptions is performed by the office of the Assessor. The grand list valuations are the base upon which tax revenues are set and are revalued every 5 years. The last revaluation occurred on the grand list of 2014 which was the base for taxes in the fiscal year ending 6/30/16. The following chart shows the grand list growth over the past ten years, and the distribution of property values between the categories of real estate, personal property and motor vehicle.



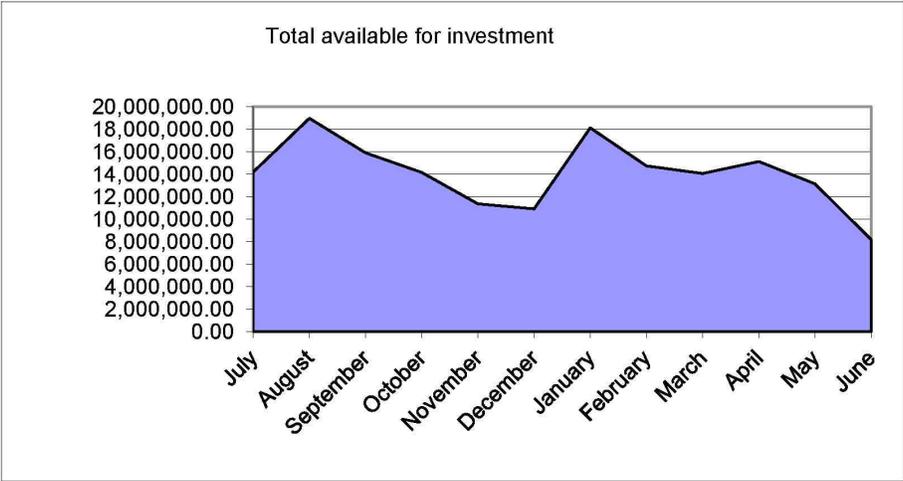
Accounting – 860-742-3528

Supervision of the disbursement of money, payroll and accounts payable is performed by the staff of the accounting office. All financial records, revenue and general ledger accounts are maintained. In addition the staff is responsible for monitoring grants, administration of health and property insurance, and fixed asset inventory maintenance. In the fiscal year ending 6/30/2015 the total dollars expended was 47.9 million, an increase over the prior year of .3 million. This increase is primarily due to an increase in capital outlay funding of .3 million. The Chart below shows the total annual expenditures for the last six years.

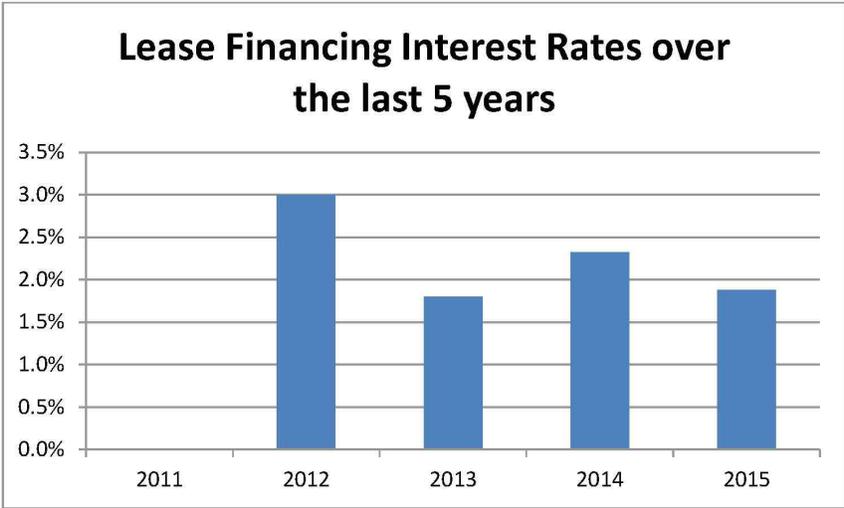


Treasurer – 860-742-3528

Investment of Town funds, maintenance of bank accounts, debt service and required reporting is managed by the Treasurer. Total funds available for investment each month ranged from 8.2 to 19 million during the last fiscal year. Interest rates available to the Town averaged .31% in the last fiscal year.

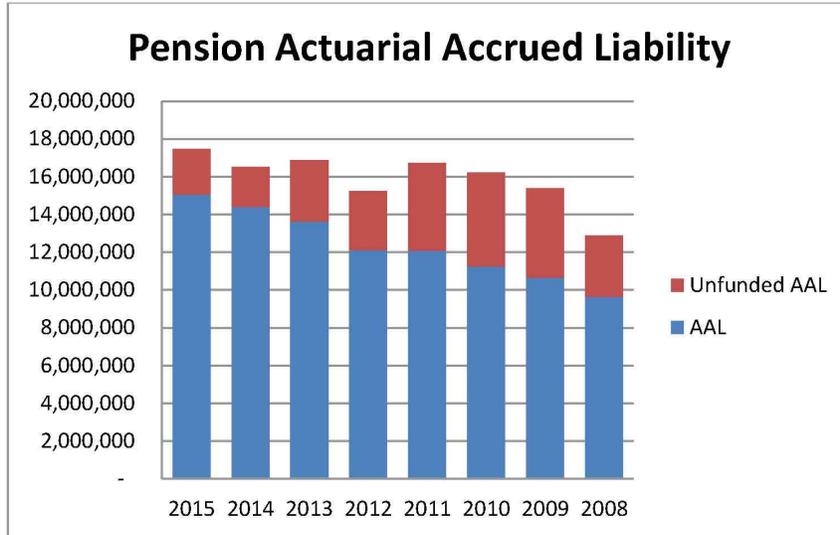


The Town took the opportunity offered by the low interest rates in the market to refinance \$4,275,000 of existing bonds. This refunding garnered savings of future interest payments of \$338,073. The Town entered into a 5 year lease financing for a large dump truck and a service truck. Financing for these two pieces of machinery was obtained at a rate of 1.88%. The chart below shows the history of rates over the last 5 years. No financing was done in 2011.



Pension – 860-742-3528

The Pension Plan for the Town of Coventry is a defined benefit retirement system administered by the Town to provide pension benefits to Town and BOE employees, except for those covered by the State of Connecticut Teachers Retirement System. The plan is administered by the Pension Committee and Pension Trustees. During the year ending 6-30-2015 pensions were processed for 9 employees, 8 active and 1 deferred. Pension assets are invested with a target of 60% in equities and 40% in fixed investments. The plan fiduciary net position as a percentage of total liability is 86.68% as of 6/30/15. The chart below shows the funding progress of the plan.



Information Technology – 860-742-3528

For the year ending 6-30-2015 the financial system of the general government of the Town of Coventry is maintained on a Windows 2008 server. The system supports distributed entry of data and most of the purchase orders created by departments are now entered directly. The Tax Collection and Assessors administrative systems are running on a Windows 2008 server. The computer assisted mass appraisal software used by the Assessor's office for tracking real estate data is also running in the Windows environment. Network support is provided through an agreement with the town of South Windsor to provide advice, training, professional expertise and guidance to the staff of the Town of Coventry for our technology infrastructure.

TREASURER'S REPORT

Elizabeth E. Bauer, Treasurer

The Treasurer is responsible for maintaining all fund accounts for the Town of Coventry. Numerous reports are prepared for the State of Connecticut, federal government, Moody's Investor service, Bureau of the Census, Canine control and others.

The rates earned on invested funds for the year ending 6/30/15 averaged .31% for the year. The rate of return reflects the low interest rates available from the investments available to a municipality in the State of Connecticut.

REVENUE RECEIVED
FROM
THE INVESTMENT OF GENERAL FUND MONIES:

2005-2006	220,132
2006-2007	338,312
2007-2008	259,242
2008-2009	106,855
2009-2010	61,184
2010-2011	59,097
2011-2012	61,888
2012-2013	45,070
2013-2014	42,424
2014-2015	43,669

COLLECTOR OF REVENUE

The Collector of Revenue is responsible for collecting all tax money owed the town on the current and prior Grand Lists along with accrued charges of interest and liens. This money is processed, balanced and deposited daily. A collection report of the daily deposit is provided to the Finance Director/ Town Treasurer. Tax money includes real estate, personal property, motor vehicle and supplemental motor vehicle. In addition to these taxes, this office also collects sewer assessment, sewer use, and trash (COVRRRA) fees. Interest and fees, where applicable, are also processed and collected. All collections require daily, monthly, quarterly and annual reports.

The 2013 Grand List bills for Real Estate (6,356), Motor Vehicle (13,135) Personal Property (768), Supplemental Motor Vehicle (2,091), and COVRRRA (4,803) were printed, and posted by an outside vendor. Any cost savings realized in the past has, in recent years, been lost to the rising postal charges, equipment and complicated procedures implemented by the USPO. The Sewer Assessment (419) and Sewer Use (905) bills continue to be printed and mailed from this office as this is a more manageable number to handle in house.

The Supplemental Motor Vehicle tax bills are printed in December for a January 1 due date. This billing is for vehicles registered after the October 1 Grand List date. A list of delinquent motor vehicle taxpayers is compiled by this office and sent to the Department of Motor Vehicles in Wethersfield on a regular basis throughout the year. This report to DMV will hold up the registration of any vehicle until all delinquent taxes and interest are paid.

Delinquent notices as well as Tax Collector's Demand (TCD) letters are sent throughout the year. Taxpayers that fail to comply with the TCD have their accounts turned over to the State Marshall in the form of an Alias Tax Warrant for collection. Notices of intent to lien on Real Estate, Sewer Use and COVRRRA accounts were mailed out in March. After the statutory requirement of 15 days notice had passed, liens were filed in April on the remaining unpaid accounts.

The number of taxpayers paying on- line continues to increase. This convenience is greatly appreciated by those taxpayers living in or out of town, out of state or even out of the country. We have a number of taxpayers temporarily overseas who are pleased to be able to pay their taxes on line.

This office also processes and deposits payments from other departments and the school lunch program, in conjunction with the support and guidance from the Finance department. Cash and checks are delivered to the Collector's office throughout the week and are verified upon receipt. Once or twice a week, these payments are posted and deposited. A report of these posted miscellaneous accounts is delivered to the Finance department on the day of deposit. In addition to the daily billing, collecting, processing, balancing, depositing, and reporting, this office also provides information requested by attorneys, realtors, mortgage institutions, and the public.

The staff of the Tax Collector's office invites and welcomes delinquent taxpayers to come in and set up a schedule of regular payments. We continue in our commitment to provide both quality and compassionate service to the citizens of Coventry.

TOWN OF COVENTRY
Collectors report to the TreasurerDate Range:
7/01/2014
6/30/2015

Year	Real Estate	Motor Vehicle	Personal Property	M.V. Supplements	Total	Interest	Liens	Fees	Grand Total
2014	36,401.22	2,750.27	0.00	0.00	39,151.49	0.00	0.00	0.00	39,151.49
2013	24,846,262.32	2,355,364.21	647,643.64	272,020.07	28,121,290.24	90,660.28	384.00	100.00	28,212,434.52
2013 *	46,109.54	0.00	0.00	0.00	46,109.54	384.80	0.00	0.00	46,494.34
2012	121,169.84	68,460.08	5,060.14	24,091.82	218,771.88	50,885.29	1,680.00	0.00	271,337.17
2011	25,881.98	11,615.10	2,617.38	2,126.60	42,241.06	12,683.73	456.00	20.00	55,400.79
2010	525.31	140.94	438.75	0.00	1,105.00	436.46	192.00	0.00	1,733.46
2009	217.96	0.00	431.93	0.00	649.89	282.68	96.00	0.00	1,028.57
2008	323.65	0.00	0.00	0.00	323.65	259.73	72.00	0.00	655.38
2007	92.41	107.30	0.00	0.00	199.71	115.05	72.00	0.00	386.76
2006	90.77	0.00	0.00	0.00	90.77	129.35	72.00	0.00	292.12
2005	88.57	0.00	0.00	0.00	88.57	142.15	72.00	0.00	302.72
2004	85.28	0.00	0.00	0.00	85.28	3,152.23	72.00	0.00	3,309.51
2001	67.44	0.00	0.00	0.00	67.44	143.65	24.00	0.00	235.09
	25,077,316.29	2,438,437.90	656,181.84	298,238.49	28,470,174.52	159,275.40	3,192.00	120.00	28,632,761.92

* Prorated Real Estate

Suspense Accounts									
Year	Real Estate	Motor Vehicle	Personal Property	M.V. Supplements	Total	Interest	Liens	Fees	Grand Total
2011	0.00	82.62	0.00	73.71	156.33	77.78	0.00	0.00	234.11
2010	0.00	4,079.89	742.79	2,041.15	6,863.83	4,179.76	0.00	0.00	11,043.59
2009	0.00	1,066.40	212.38	472.38	1,751.16	1,637.18	0.00	0.00	3,388.34
2008	0.00	337.92	0.00	56.34	394.26	501.75	0.00	0.00	896.01
2007	0.00	641.59	395.42	332.34	1,369.35	1,674.04	0.00	0.00	3,043.39
2006	0.00	1,398.05	302.94	0.00	1,700.99	1,493.88	0.00	0.00	3,194.87
2005	0.00	246.05	0.00	0.00	246.05	382.25	0.00	0.00	628.30
2004	0.00	507.26	0.00	0.00	507.26	883.64	0.00	0.00	1,390.90
2003	0.00	480.88	0.00	83.29	564.17	1,065.87	0.00	0.00	1,630.04
2002	0.00	550.24	0.00	56.09	606.33	1,256.83	0.00	0.00	1,863.16
2001	0.00	213.33	0.00	43.00	256.33	570.63	0.00	0.00	826.96
2000	0.00	469.56	0.00	0.00	469.56	1,401.74	0.00	0.00	1,871.30
1999	0.00	518.51	0.00	33.79	552.30	1,400.59	0.00	0.00	1,952.89
1998	0.00	0.00	0.00	6.83	6.83	17.93	0.00	0.00	24.76
Suspense	0.00	10,592.30	1,653.53	3,198.92	15,444.75	16,543.87	0.00	0.00	31,988.62
Grand Totals	25,077,316.29	2,449,030.20	657,835.37	301,437.41	28,485,619.27	175,819.27	3,192.00	120.00	28,664,750.54

ASSESSOR'S OFFICE
Michael J. D'Amicol (Assessor)
Rachel Vertefeulle (Assistant Assessor)

The Office of the Assessor is responsible for discovering, listing and valuing taxable and exempt real and personal property within the corporate limits of the Town of Coventry. We appraise real estate based on the market value and maintain a "property card" on every parcel. State statutes govern almost every function and responsibility of the Assessor's Office and requires us to perform revaluations every five years. Every ten years our office must inspect all properties located in the Town of Coventry. Coventry conducted its town-wide revaluation for the October 1, 2014 Grand List.

We also are responsible for assessing Business Personal Property, registered and unregistered Motor Vehicles. Pursuant to State Statutes, the Office of Policy and Management recommends what to use to value motor vehicles. Motor vehicles are valued NOT based on their market value, but solely on 100% of the clean retail book value out of the N.A.D.A guide New England Edition which is what OPM recommends every year. Our Personal Property list showed a decrease in the number of accounts but an increase in value. The Motor Vehicle list showed slight decreases in the number of accounts, as well as in the growth, for this year's grand list.

The 2014 Grand List indicates 6,389 real property accounts, 818 personal property accounts, and 13,270 registered motor vehicles.

It is our responsibility to update the property cards when any changes occur. On the 2014 Grand List, there were numerous changes in both ownership and condition. Even though new home development has increased this year compared to last and our office has completed approximately 312 permits. These permits are inspected by us and cover any improvement to a property that may change the fair market value. Subdivisions bring new streets, new building lots, new owners, new homes and additional motor vehicles. The Assessor must inspect and value all newly created lots and newly constructed homes, as well as any changes, improvements or additions to existing properties. The following figures reflect those changes in the Grand List for this assessment year.

2013 Adjusted Grand List

Motor Vehicles	\$ 87,582,470
Personal Property	\$ 23,512,510
Real Estate	<u>\$888,619,570</u>
Totals	\$999,714,550

2014 Adjusted Grand List

Motor Vehicles	\$ 89,541,693
Personal Property	\$ 26,399,488
Real Estate	<u>\$815,032,050</u>
Totals	\$930,973,231

The difference in last year's grand list equates to a 6.9 percent decrease from the prior year.



Fiscal Year 14/15

Elderly Applications Processed	123
Tax Deferrals	7
Additional Veterans Applications	52
Building Permits	291
New Dwellings	30
Certificate of Correction + Prorates*	970
Transfers	484
Reports Filed - State, Local	50
Motor Vehicle Priced (Regular)	13,270
Motor Vehicle Priced (Supplemental)	2,304
Personal Property Added	42
Farm, Forest, Open Space Applications	6
Disabled Applications Processed	53
Blind Applications Processed	2

* Some of the corrections were only address or other non-value changes.

Our office also implements exemption programs for the blind, disabled, elderly, veterans who served during wartime, and disabled veterans. Please contact our office for further information on any of the programs offered.

The blind and totally disabled programs have the same January 31st deadline for application. The blind exemption is \$3,000 and the totally disabled program is a \$1,000 exemption. These like the veterans exemption are off the assessment of the property owned and located in the Town of Coventry. It is not a tax credit!

Veterans must file their DD-214 no later than September 30th in the Town Clerks land records in order to receive the \$3,000 exemption. Veterans must also serve ninety (90) days active duty, not including training, during a time of conflict or war. The dates for this are in Connecticut General State Statutes and can be found in our office. There is also a state program for Additional Veterans. It is income qualified and the income limits change yearly. The filing dates are February 1st thru October 1st.

The Elderly and Disabled program is for anyone over the age of 65 or over the age of 18 and totally disabled by social security. This is a state program and has income limits that do change yearly. The filing dates are February 1st thru May 15th. The Town of Coventry also offers a local tax relief program which mirrors the state benefit. Unlike the state program it is a deferral, and a lien is filed on the Town Clerk's land records until it is paid or the property is sold at which time the deferred taxes must be paid.

Respectfully submitted,

Michael J. D'Amicol
Assessor
Town of Coventry

BOARD OF ASSESSMENT APPEALS

BOARD MEMBERS: ROBERT MCMAHON, CHARIMAN; ROBERT KRAMER AS SECRETARY; JOAN OROS AS ACTING SECRETARY; JILLIAN G. WOOD RICZKY; AND RONALD DEXTRADEUR.

The Board of Assessment Appeals met on September 17, 2014 to hear appeals for motor vehicles on the 2013 Grand List. A total of 11 cases were scheduled. All appellants were present for their scheduled appeal. The appeals resulted in 8 reductions and 3 denials. The total reduction for the September Board of Assessment Appeals was \$32,780.

BOARD MEMBERS: ROBERT MCMAHON, CHARIMAN; ROBERT KRAMER AS SECRETARY; JOAN OROS AS ACTING SECRETARY; JILLIAN G. WOOD RICZKY; AND RONALD DEXTRADEUR.

The Board of Assessment Appeals also met on the 5th, 11th and 19th of March of 2015 to hear appeals on the 2014 Grand List. A total of 22 applications were received. Of those 22, 2 failed to appear, 1 cancelled and 2 were denied a date and time. The appeals resulted in 6 reductions and 13 denials. The total reduction for the March Board of Assessment Appeals was \$407,900.

Respectfully submitted,

Robert McMahan, Chairman
Board of Assessment Appeals

AUDITORS' REPORT

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P.O. Box 272000
West Hartford, CT 06127-2000

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Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Coventry, 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 Coventry, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Coventry, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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 Coventry, Connecticut, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-3 through A-11, the budgetary comparison information on pages A-51 through A-54, and the pension schedules on pages A-55 through A-58 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, which 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 22, 2015

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

This discussion and analysis of the Town of Coventry, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

Financial Highlights

- The bond rating for the Town of Coventry was reviewed by Moody's in conjunction with a refunding in March. On March 4, 2015 the Town's bond rating was changed from AA3 to AA2, recognizing the work that the Town has done to strengthen and improve our financial position.
- Net position of the Town of Coventry's governmental activities increased by \$1.2 million. This increase is due to acceptance of roads and open space conveyances, acquisition of buildings and land through a tax sale, installation of sidewalks, construction of the Pucker St Bridge, preschool construction, and purchase of a dump truck and brush chipper. These additions are offset by depreciation on existing infrastructure.
- During the year, the Town had \$47.6 million in tax and other revenues for governmental programs (Table 2).
- Total cost of all of the Town's programs was \$46.4 million with no new programs added this year.
- The Town's total general obligation bonded debt decreased by \$1.6 million or 12%. The decrease was due to the annual payments made towards debt principal.
- The General Fund reports a GAAP fund balance this year of \$5,396,211 less an assigned balance for encumbrances of \$683,244, a non-spendable balance of \$417,456, a restricted balance of \$37,845, leaving an unassigned fund balance of \$4,257,666. The Fiscal Management policy of the Town Council sets a target of fund balance at 15%. At the close of the current fiscal year, unassigned fund balance for the General Fund when expressed as a percentage of approved budget appropriation is 10.9%.
- The State of Connecticut contributed \$2,370,613 on behalf of Coventry certified staff to the teachers' retirement fund. This amount is reflected in both expenditures and revenues.
- A new special revenue fund was created by Town Council resolution to account for revenues and expenditures for a Preschool program which will become active in the next fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and

expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's net position and changes in them. The Town's net position, defined as the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, human services, culture and recreation, insurance and sundry, and education. The Town has no business-type activities.

Fund Financial Statements

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

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

Government-Wide Financial Analysis

The Town's combined net position increased from a year ago. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
NET POSITION**

	Governmental Activities	
	2015	2014
Current assets	\$ 19,051,856	\$ 18,270,818
Capital assets, net of accumulated depreciation	118,102,332	118,667,351
Total assets	<u>137,154,188</u>	<u>136,938,169</u>
Deferred outflows of resources	<u>835,520</u>	<u>90,768</u>
Long-term liabilities outstanding	25,458,033	26,657,266
Other liabilities	2,278,987	1,460,663
Total liabilities	<u>27,737,020</u>	<u>28,117,929</u>
Deferred inflows of resources	<u>264,565</u>	<u>137,759</u>
Net Position:		
Net investment in capital assets	99,037,215	97,824,048
Restricted	3,994	4,010
Unrestricted	<u>10,946,914</u>	<u>10,945,191</u>
Total Net Position	<u>\$ 109,988,123</u>	<u>\$ 108,773,249</u>

Overall, net position increased by \$1.2 million or 1% over the prior year net position, as adjusted (\$110 million compared to \$108.8 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$10.945 million at June 30, 2014 to \$10.946 million at June 30, 2015. The largest portion of the Town of Coventry's net position (\$99 million or 90%) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, water systems and infrastructure) less related debt used to acquire those assets that is still outstanding. These capital assets are a fundamental part of our service delivery to our citizens but are not available for future spending since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in governmental net position can be explained as follows:

- Increase in current net position of \$1,214,874 as outlined in Exhibit II is explained by the increase in deferred outflows of resources (resulting from the deferred charge on refunding and the difference in pension investments – see Exhibit I) and a reduction in long-term liabilities.
- Total assets increased during the fiscal year. Current assets are detailed in Exhibit I. During the year major construction projects funded with grant monies included installation of sidewalks, roadway improvements, sewer improvements, lake gate replacement, and bridge construction. The Town took ownership of several properties through donation and foreclosure. Also included is the purchase of several larger ticket items; a large dump truck, a brush chipper, two pickup trucks and a police cruiser.
- Long-term and other liabilities decreased because a refunding of existing bonds. In addition, the annual debt service payment of 1.8 million was made against debt principal.

- Bonds, interest, and the Landfill postclosure liability all declined while Net pension liability, Net other post-employment benefit obligation, Bond premium, deferred inflows related to pension actuarial experience, capital leases and compensated absences increased.

**TABLE 2
CHANGE IN NET POSITION**

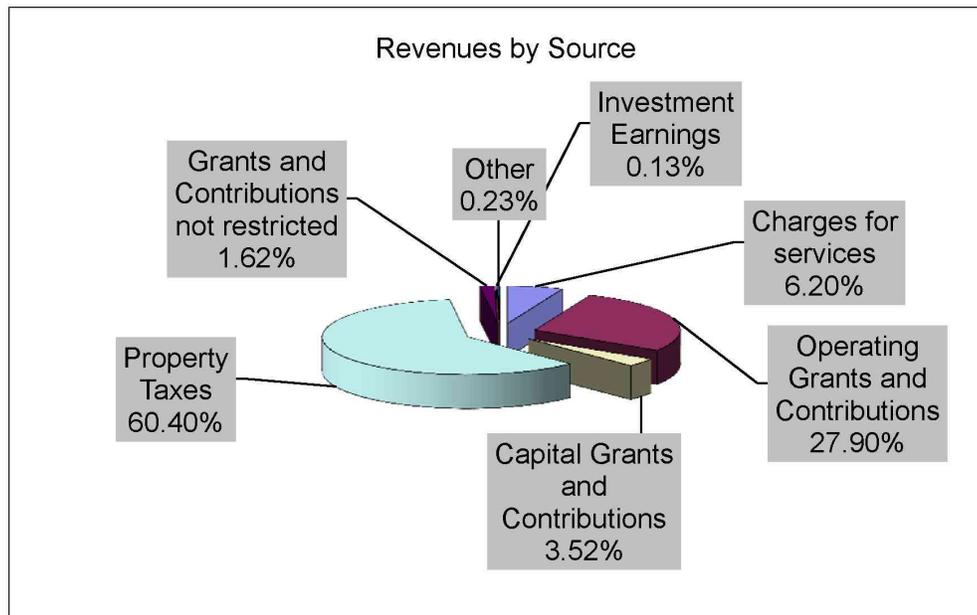
	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,951,728	\$ 3,163,016
Operating grants and contributions	13,316,734	14,342,879
Capital grants and contributions	1,674,190	2,829,999
General revenues:		
Property taxes	28,749,185	27,936,255
Grants and contributions not restricted to specific purposes	783,828	198,048
Unrestricted investment earnings	60,069	64,597
Other general revenues	111,575	40,087
Total revenues	<u>47,647,309</u>	<u>48,574,881</u>
Expenses:		
General government	2,484,135	1,858,886
Public safety	3,365,991	3,397,462
Public works	7,097,616	6,728,326
Human services	586,088	660,061
Culture and recreation	941,684	860,523
Education	31,327,868	31,847,323
Debt service	629,053	481,934
Total expenses	<u>46,432,435</u>	<u>45,834,515</u>
Increase in Net Position	1,214,874	2,740,366
Net Position July 1	<u>108,773,249</u>	<u>106,032,883</u>
Net Position June 30	<u>\$ 109,988,123</u>	<u>\$ 108,773,249</u>

Revenues

The Town's total revenues were \$47.6 million. Major revenue changes include the following:

- Program revenues: Charges for services decreased by .2 million or 6% due to a decreases in local revenues, in Sewer assessment payments and reductions in payments from the nonmajor governmental funds, specifically School Lunch, Police Special Duty, and COVRRRA. Operating grants and contributions decreased by 1 million or 7% due to a decrease in education and CDBG grant funding. Capital grants and contributions decreased by 1.2 million or 41% due to a lower level of donations in the year.
- General revenues: Property taxes increased over the previous year by .8 million. The mil rate increased by 1.8% with grand list growth of .48%. Unrestricted grants and contributions show an increase of .6 million due to a variety of small grants for projects to improve our parks, to support the arts community, to enhance our broadband connection, to control invasive species in our waterways, and improvements in the Main Street area. Investment earnings declined reflecting the continued low interest rate climate.

The following chart shows the breakdown of revenues by source:



Expenses

The total cost of all programs and services was \$46.4 million. The following is an explanation of the major changes:

- Net OPEB liability increased by \$431,201.
- Net Pension expense increased by \$750,145.
- Refunding bond issuance costs of \$99,498.
- Change in deferred inflow related to difference between expectations and pension actuarial experience \$126,054.
- Overall budget increase for General Government and Education at 1.8%
- Education expenses decreased by \$556,461 due to a reduction in the on-behalf pension payment made by the State of Connecticut

The following chart shows expenses by function:

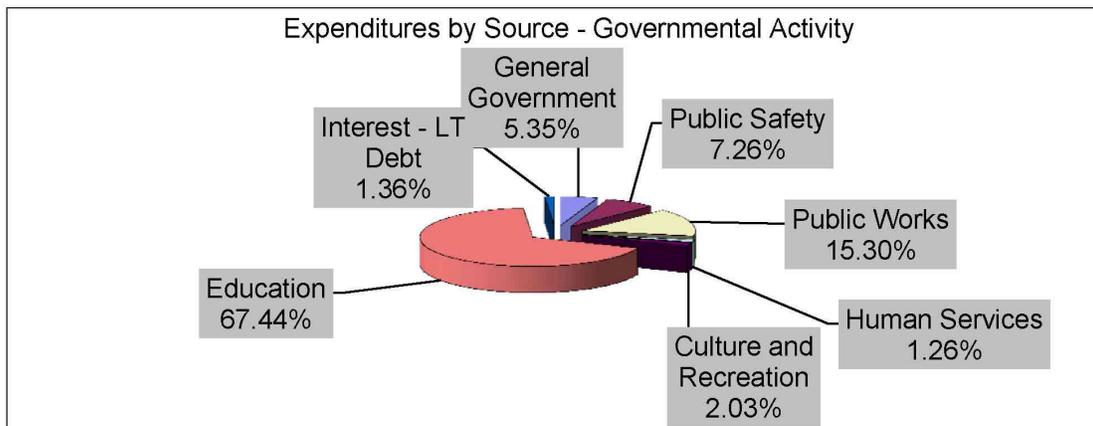


Table 3 presents the cost of each of the Town's programs - general government, public safety, public works, human services, culture and recreation, education and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

The General Government function includes costs related to overall governmental administration, and includes recording of legally required documents, computer system management, finance system management, assessment and collection of taxes, elections, land use planning and economic development.

Public Safety encompasses a full service police department, volunteer fire services and an ambulance service with contracted paramedic services.

Public Works includes the maintenance of Town roadways, repairs of the town fleet, maintenance at town parks and athletic facilities, management of the Town's cemeteries, code enforcement and engineering services. The solid waste and sewer operating programs are supported by user fees. This program is self-supporting and reduces the overall burden on the property tax.

Human Services include general family services, youth services and elderly services. In addition, this function incorporates the Community Development Block Grant program, which provides grants and no-interest loans for home improvement and community construction projects.

Culture and Recreation funds a grant to the Booth-Dimock Memorial Library and provides support for the full parks and recreation program. The General Fund provided 19% of the costs of recreation and park maintenance. The balance is supported by the fees charged for a variety of programs offered to Town residents, summer camps for youth, full waterfront services at Coventry Lake and miscellaneous programs offered at the Town parks.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General government	\$ 2,484,135	\$ 1,858,886	\$ (2,000,525)	\$ (1,295,176)
Public safety	3,365,991	3,397,462	(3,298,942)	(3,295,155)
Public works	7,097,616	6,728,326	(3,775,123)	(2,240,758)
Human services	586,088	660,061	(367,153)	(214,436)
Culture and recreation	941,684	860,523	(660,135)	(583,874)
Education	31,327,868	31,847,323	(17,758,852)	(17,387,288)
Debt service	629,053	481,934	(629,053)	(481,934)
Total	\$ 46,432,435	\$ 45,834,515	\$ (28,489,783)	\$ (25,498,621)

Town Funds Financial Analysis

Governmental Funds

At the close of the fiscal year the Town of Coventry reported (as presented in the balance sheet - Exhibit III) a combined fund balance of \$8.34 million, which is a decrease from last year's total of \$8.38 million. The changes are explained as follows:

- General Fund balance decreased by \$118,592 a 2.2% decrease. Within that balance is an increase in unassigned balance, and a decrease in assigned fund balance. Revenues exceeded original budget by \$228,782, and Expenditures exceeded original budget by \$122,404.
- Sewer Assessment fund balance decreased \$31,158 or 6.5%. Upon the completion of the sewer expansion project around the lake, increased debt service requirements will cause this fund to shrink until all assessments have been collected and all debt has been paid.
- CDBG fund balance increased \$14,417 or 57%. This fund uses grant monies to support its projects and only spends funds on hand.
- Capital Projects fund balance decreased by \$17,776 or 3.3%. A bond issue for Road and Hardscape repair was approved by the voters. Work on that project has begun. The Pucker Street Bridge is also approved for bonding. Work has begun and is expected to be completed in 2017-18.
- Non-major Governmental Funds fund balance increased \$117,887 or 6.5%. The major changes were as follows: Town Aid Road increased by 114% due to timing of grant receipt. Cemetery commission increased by 5.5% from sale of graves. COVRRRA increased by 9% as planned capital improvements have been delayed. Police Special Duty decreased by 94% due to a decrease in jobs. Miscellaneous Highway funds increased by 19% from sale of equipment. Land Acquisition increased by 20.8%, several planned purchases are waiting on grant approval. Education Facility Use decreased by 45% as monies from previous years were spent. Sewer Operating decreased by 6.5%. School Lunch decreased by 44.4% due to a reduction of revenues. Recreation decreased by 53.7%, reflecting higher than anticipated expenditures.

The most significant expenditures were:

Pucker St Bridge – Hop River	\$ 870,665
Summer Road Program	564,565
Sidewalks	339,706
BOE Computers	247,708
Dump Truck	179,155

Preschool construction	138,780
Revaluation	88,523
Cross-Lake St Engineering Design	63,915
Pickup F350 with Lift Gate	59,808
Brush Chipper	43,794

General Fund Budget Highlights

Overall, revenues exceeded original budget appropriation by \$228,782. Taxes exceeded estimates by \$47,694. Local Revenues for building permits exceeded estimates by \$34,436. Unanticipated revenues were high by \$104,773, \$91,252 was received from FEMA, and tuition/Medicare revenue was high by \$66,729. These increases were offset by a reduction to the sale of land account in the amount of \$150,000.

Expenditures were within final budget authorization. Throughout the fiscal year the Town Council approved appropriation increases of \$345,519 split between \$66,728 from unanticipated education revenues and transfers, and \$278,792 for General Fund appropriation increases. Appropriations were increased for engineering design for the Lake-Cross St road improvements, demolition of a blighted property, snow removal costs, repairs to fire equipment and parking lot drainage, emergency repairs to a generator and to a truck, legal expenses, a grant match for the invasive species project and the preschool construction. Actual budgetary expenditures of \$39,210,608 were under the final budget appropriation by \$223,116.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the Town had \$118.1 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads and bridges as shown in Table 4. This amount represents a net decrease (including additions and deductions) of \$.6 million, or .5%, over last year.

**TABLE 4
CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$ 3,166,011	\$ 2,870,926
Buildings	37,921,885	38,641,605
Improvements other than buildings	1,656,674	1,710,101
Equipment	3,599,160	3,642,377
Infrastructure	70,525,113	71,620,499
Construction in progress	1,233,489	181,843
Total	\$ 118,102,332	\$ 118,667,351

This year's major additions included:

- Side walk installation
- Pucker St Bridge construction
- Preschool design/construction

- Police Cruiser
- Pickup Trucks (3)
- Brush Chipper
- Dump Truck
- Donation of land and roadways

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

At June 30, 2015, the Town had \$11,960,000 in general obligation bonds outstanding versus \$13,570,000 last year - a decrease of \$1,610,000. Clean Water Fund Loans of \$5,887,974 are a reduction of \$429,143 from the last fiscal year balance of \$6,307,117.

The Town's general obligation bond rating was upgraded to Aa2 from Aa3 in March 2015. The Town had held the Aa3 rating since May of 2010. The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016 budget tax rates. The relatively low ratio of commercial to residential property places a high burden on the residential taxpayer. Opportunities to relieve this burden through the implementation of fees or the application for grant monies are always pursued. The per capita taxes for the Town as reported in the Municipal Fiscal Indicators 2009-2013 by OPM are \$2,149 compared to the state average of \$2,632. Education spending per pupil is \$13,842 while the state average is \$14,506.

During the budget process the Town Council considered the uncertainty of State aid to municipalities, an improving real estate market, the low interest rate environment, and general taxpayer sentiment when adopting the General Fund budget for 2016-16. The final proposed budget had a 3.17% increase for General Government, 1.1% for Education, a 14.16% increase in Capital and a 1.63% decrease for Debt Service. The adopted budget General Fund budget is \$39,088,204. The property tax revenue increase needed was 2.5% from the previous year to fund this budget. The mil rate increased from 28.47 to 31.2. The budget was approved by the voters at the second adjourned Town meeting.

The Town will use budget revenues to finance programs currently offered. No new programs are proposed. The adopted budget for 2015-16 includes no transfer of funds from fund balance to offset expenditures. Council policy has established a goal for an unassigned general fund balance of 10% of expenditures. General Fund balance as of 6/30/15 is 10.9%.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, Town of Coventry, 1712 Main Street, Coventry, Connecticut, 06238.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 8,379,370
Investments	3,179
Receivables, net	8,225,196
Inventory	10,783
Prepaid items	417,456
Advance to plan administrator	2,015,872
Capital assets not being depreciated	4,399,500
Capital assets being depreciated, net of accumulated depreciation	<u>113,702,832</u>
Total assets	<u>137,154,188</u>
Deferred Outflows of Resources:	
Difference between projected and actual earnings on pension plan investments	634,862
Deferred charge on refunding	<u>200,658</u>
Total deferred outflows of resources	<u>835,520</u>
Liabilities:	
Accounts payable and accrued liabilities	1,715,414
Unearned revenue	563,573
Noncurrent liabilities:	
Due within one year	2,203,167
Due in more than one year	<u>23,254,866</u>
Total liabilities	<u>27,737,020</u>
Deferred Inflows of Resources:	
Difference between expected and actual pension plan experience	126,054
Advanced property tax collections	39,151
Advanced fee collections	<u>99,360</u>
Total deferred inflows of resources	<u>264,565</u>
Net Position:	
Net investment in capital assets	99,037,215
Restricted for:	
Trust purposes - nonexpendable	1,524
Trust purposes - expendable	2,470
Unrestricted	<u>10,946,914</u>
Total Net Position	\$ <u>109,988,123</u>

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT II

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,484,135	\$ 478,610	\$ 5,000	\$	\$ (2,000,525)
Public safety	3,365,991	60,840	6,209		(3,298,942)
Public works	7,097,616	1,557,051	91,252	1,674,190	(3,775,123)
Human services	586,088	135,636	83,299		(367,153)
Culture and recreation	941,684	263,029	18,520		(660,135)
Education	31,327,868	456,562	13,112,454		(17,758,852)
Interest on long-term debt	629,053				(629,053)
Total	\$ 46,432,435	\$ 2,951,728	\$ 13,316,734	\$ 1,674,190	(28,489,783)
General revenues:					
Property taxes					28,749,185
Grants and contributions not restricted to specific programs					783,828
Unrestricted investment earnings					60,069
Miscellaneous					111,575
Total general revenues					<u>29,704,657</u>
Change in net position					1,214,874
Net Position at Beginning of Year, as Restated					<u>108,773,249</u>
Net Position at End of Year					<u>\$ 109,988,123</u>

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Sewer Assessment	CDBG Grant	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,129,249	\$ 446,759	\$ 54,085	\$ 82,922	\$ 2,447,171	\$ 8,160,186
Investments					3,179	3,179
Receivables, net	931,035	3,265,924	2,275,499	1,077,902	674,836	8,225,196
Other	417,456					417,456
Inventories					10,783	10,783
Total Assets	<u>\$ 6,477,740</u>	<u>\$ 3,712,683</u>	<u>\$ 2,329,584</u>	<u>\$ 1,160,824</u>	<u>\$ 3,135,969</u>	<u>\$ 16,816,800</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 327,403	\$	\$ 14,415	\$ 552,663	\$ 232,466	\$ 1,126,947
Unearned revenue	17,596			88,808	457,169	563,573
Total liabilities	<u>344,999</u>	<u>-</u>	<u>14,415</u>	<u>641,471</u>	<u>689,635</u>	<u>1,690,520</u>
Deferred inflows of resources:						
Unavailable revenue:						
Property taxes	697,379					697,379
Special assessments		3,265,924				3,265,924
Sewer receivable					122,496	122,496
COVRRA receivable					283,559	283,559
Loans receivable			2,275,499			2,275,499
Advance fee collections					99,360	99,360
Advance property tax collections	39,151					39,151
Total deferred inflows of resources	<u>736,530</u>	<u>3,265,924</u>	<u>2,275,499</u>	<u>-</u>	<u>505,415</u>	<u>6,783,368</u>
Fund balances:						
Nonspendable	417,456				12,307	429,763
Restricted	37,845	446,759	39,670	5,501,422	367,324	6,393,020
Committed					1,561,288	1,561,288
Assigned	683,244					683,244
Unassigned	4,257,666			(4,982,069)		(724,403)
Total fund balances	<u>5,396,211</u>	<u>446,759</u>	<u>39,670</u>	<u>519,353</u>	<u>1,940,919</u>	<u>8,342,912</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,477,740</u>	<u>\$ 3,712,683</u>	<u>\$ 2,329,584</u>	<u>\$ 1,160,824</u>	<u>\$ 3,135,969</u>	<u>\$ 16,816,800</u>

(Continued on next page)

TOWN OF COVENTRY, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 8,342,912
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 161,995,103	
Less accumulated depreciation	<u>(43,892,771)</u>	
Net capital assets		118,102,332

Other long-term assets are not available to pay for
current-period expenditures and, therefore, are recorded as
deferred inflows of resources in the funds:

Property tax receivables greater than 60 days	613,695
Interest receivable on property taxes	83,684
Assessments receivable	3,265,924
Sewer use receivable	122,496
Mortgage loans	2,275,499
COVRA receivables	283,559
Deferred outflow related to changes in projected investments earnings	634,862

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.	1,818,645
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Net pension liability	(1,937,137)
Bonds and notes payable	(17,837,974)
Interest payable on bonds and notes	(172,056)
Compensated absences	(1,003,419)
Capital lease	(784,040)
Bond premium	(643,761)
Net other post employment benefit obligation	(3,070,802)
Deferred charge on refunding	200,658
Landfill postclosure liability	(180,900)
Deferred inflows related to pension actuarial experience	<u>(126,054)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 109,988,123</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Sewer Assessments</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 28,619,356	\$	\$	\$	\$	\$ 28,619,356
Intergovernmental	12,421,409		95,710	1,150,309	1,709,667	15,377,095
Charges for services	500,060	449,114	128,813	5,697	2,233,320	3,317,004
Investment earnings	43,669	560		2,047	10,901	57,177
Miscellaneous				58,253	77,846	136,099
Total revenues	<u>41,584,494</u>	<u>449,674</u>	<u>224,523</u>	<u>1,216,306</u>	<u>4,031,734</u>	<u>47,506,731</u>
Expenditures:						
Current:						
General government	1,555,834				6,464	1,562,298
Public safety	2,126,359				59,005	2,185,364
Public works	2,292,857				1,828,854	4,121,711
Human services	252,018		210,106		40,989	503,113
Culture and recreation	488,131				417,967	906,098
Insurance and sundry	2,289,975					2,289,975
Education	29,541,973			4,750	1,465,176	31,011,899
Debt service	2,780,503					2,780,503
Capital outlay	511,956			1,964,063	43,439	2,519,458
Total expenditures	<u>41,839,606</u>	<u>-</u>	<u>210,106</u>	<u>1,968,813</u>	<u>3,861,894</u>	<u>47,880,419</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(255,112)</u>	<u>449,674</u>	<u>14,417</u>	<u>(752,507)</u>	<u>169,840</u>	<u>(373,688)</u>
Other Financing Sources (Uses):						
Issuance of refunding bonds	4,275,000					4,275,000
Bond premium	378,124					378,124
Payment to refunded escrow agent	(4,553,626)					(4,553,626)
Issuance of capital lease				238,968		238,968
Transfers in	598,135	100,000		495,763	65,350	1,259,248
Transfers out	(561,113)	(580,832)			(117,303)	(1,259,248)
Total other financing sources (uses)	<u>136,520</u>	<u>(480,832)</u>	<u>-</u>	<u>734,731</u>	<u>(51,953)</u>	<u>338,466</u>
Net Change in Fund Balances	(118,592)	(31,158)	14,417	(17,776)	117,887	(35,222)
Fund Balances at Beginning of Year	<u>5,514,803</u>	<u>477,917</u>	<u>25,253</u>	<u>537,129</u>	<u>1,823,032</u>	<u>8,378,134</u>
Fund Balances at End of Year	<u>\$ 5,396,211</u>	<u>\$ 446,759</u>	<u>\$ 39,670</u>	<u>\$ 519,353</u>	<u>\$ 1,940,919</u>	<u>\$ 8,342,912</u>

(Continued on next page)

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV) \$ (35,222)

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

Capital outlay 1,872,139
Depreciation expense (2,698,922)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 383,788

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. (122,024)

Change in deferred outflow related to changes in projected investment earnings 634,862

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

School building grant receipts
Property tax receivable - accrual basis change 75,118
Property tax interest and lien revenue - accrual basis change 54,711
Sewer use and assessment receivable - accrual basis change (409,117)
Loans and other receivables - accrual basis change 6,823
Amortization of bond premiums 55,799
Other receivables 37,018

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

Bond and note principal payments 1,889,143
Capital lease payments 190,456
Capital lease financing (238,968)
Refunding bonds issued (4,275,000)
Payments to bond refunding agent 4,553,624
Premium on bond issuance (378,124)

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 funds:

Compensated absences (25,140)
Accrued interest 34,786
Amortization of deferred charge on refunding (18,734)
Net other post employment benefit expense (431,201)
Net pension expense (379,742)
Change in deferred inflow related to the difference between expectations and pension actuarial experience (126,054)
Landfill postclosure care 20,100

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities. 544,755

Change in Net Position of Governmental Activities (Exhibit II) \$ 1,214,874

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 JUNE 30, 2015

	<u>Governmental Activities Internal Service Funds</u>
Current assets:	
Current:	
Cash and cash equivalents	\$ 219,184
Advance to plan administrator	<u>2,015,872</u>
Total Assets	<u>2,235,056</u>
Current liabilities:	
Claims payable	<u>416,411</u>
Net Position:	
Unrestricted	<u>\$ 1,818,645</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Employer contributions	\$ <u>5,768,757</u>
Operating Expenses:	
Administrative expense	423,884
Employee benefits	<u>4,803,010</u>
Total operating expenses	<u>5,226,894</u>
Operating Income	<u>541,863</u>
Nonoperating Revenue:	
Investment income	<u>2,892</u>
Change in Net Position	544,755
Net Position at Beginning of Year	<u>1,273,890</u>
Net Position at End of Year	<u>\$ <u>1,818,645</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash received from users	\$ 5,768,757
Cash payments to providers of benefits	<u>(5,912,787)</u>
Net cash used in operating activities	<u>(144,030)</u>
Cash Flows from Investing Activities:	
Investment income	<u>2,892</u>
Net Decrease in Cash and Cash Equivalents	(141,138)
Cash and Cash Equivalents at Beginning of Year	<u>360,322</u>
Cash and Cash Equivalents at End of Year	<u>\$ 219,184</u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating income	\$ 541,863
Adjustments to reconcile operating income to net cash used in operating activities	
Increase in advance to plan administrator	(770,305)
Increase in claims payable	<u>84,412</u>
Net Cash Used in Operating Activities	<u>\$ (144,030)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2015

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 27,881	\$ 858,165
Mutual funds	<u>12,579,104</u>	
Total Assets	12,606,985	<u>\$ 858,165</u>
Liabilities:		
Due to others		<u>\$ 858,165</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 12,606,985</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Additions:	
Contributions:	
Employer	\$ 673,765
Plan members	239,053
Total contributions	<u>912,818</u>
Investment income:	
Investment income	205,498
Investment expense	<u>(45,820)</u>
Net investment income	<u>159,678</u>
Total additions	<u>1,072,496</u>
Deductions:	
Benefits	1,409,674
Administration	<u>28,694</u>
Total deductions	<u>1,438,368</u>
Change in Net Position	(365,872)
Net Position at Beginning of Year	<u>12,972,857</u>
Net Position at End of Year	<u>\$ 12,606,985</u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1712 and operates under a Council/Manager form of government adopted by Charter in 1967. The seven-member Town Council is the legislative body responsible for enacting ordinances, budget preparation and establishing a property tax mill rate. The Town Manager serves as the Chief Executive Officer in charge of the daily operation of the Town organization in accordance with Council policy and regulation. A seven-member Board of Education, a separately elected body, is responsible for the educational policy of the Coventry Public School system.

The Town provides the following services: general government, public safety, public works, human services, culture and recreation, and education.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, 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.

Agency funds use the accrual basis of accounting, but have no measurement focus since they report only assets and liabilities.

The Town reports the following major governmental funds:

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

The *Sewer Assessment Fund* accounts for the extension and maintenance of sewer lines. The major source of revenue for this fund is sewer assessment charges.

The *CDBG Grant Fund* accounts for the Community Development Block Grant program grants and loans. The major sources of revenue for this fund are capital grants and repayments on loans.

The *Capital Projects Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment. The major sources of financing for this fund are the issuance of general obligation bonds and capital grants.

Additionally, the Town reports the following fiduciary fund types:

The *Internal Service Fund* accounts for the self-insured activities of the Town.

The *Pension Trust Fund* accounts for resources held in trust for the members and beneficiaries of the Town of Coventry Retirement System.

The *Agency Funds* account for resources held by the Town in a purely custodial capacity. The Town maintains two agency funds, the School Activities Fund and the Escrow Deposit Fund.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All property tax receivables are shown net of an allowance for uncollectibles. An amount of \$325,405 has been established as an allowance for uncollectible taxes. At June 30, 2015, this represents 30.38% of all property taxes receivable.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate taxes are billed on July 1 and are payable in semiannual installments on July 1 and January 1. Personal property and motor vehicle taxes are billed and due July 1, and motor vehicle supplement taxes are billed and due January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

Upon completion of projects, sewer assessments are levied and assessed to the users each October. Usage charges are billed in May and November. Assessments and user charges are due and payable within 30 days, and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

F. Inventories and Prepaid Items

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

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

G. Capital Assets

Capital assets, which include property, 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 \$10,000 for land, \$5,000 for furniture and equipment, and \$100,000 for infrastructure. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
System infrastructure	40-75
Furniture and equipment	3-20

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and advance fee collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections and advance fee collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also in the government-side statement of net position, the Town reports deferred inflows of resources related to pensions. A deferred inflow of resources related to pension results from differences between expected and actual

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). In addition, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments, sewer receivables, COVRRRA receivables and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

Town and Board of Education employees earn vacation and sick time based upon years of service and the terms of various union contracts.

All compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

K. Equity

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Unrestricted Net Position

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Coventry Town Council). The Town Council may commit resources, when a member puts forth a resolution and this resolution is passed by the Council, prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by the Town Manager who has been delegated authority to assign amounts by the Town Charter.

Unassigned Fund Balance

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The Town has a minimum fund balance policy that establishes a goal for unassigned fund balance in the General Fund at 10% of the General Fund expenditures.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements:

- The Town Manager prepares an operating, capital and debt service budget from information provided by various Town departments. The Board of Education also prepares an operating budget. The budget includes the proposed expenditures and the means to finance them.
- These budgets are presented at a public hearing before being amended and adopted by the Town Council. The Council’s operating or General Fund budget is submitted to a Town meeting that approves, rejects or reduces the budget, which is subsequently adjourned to a referendum for ratification.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Upon request, the Town Council may, by resolution, transfer any unencumbered appropriation, balance or portion thereof from one department, commission, board or office to another. No transfer shall be made from any appropriations for debt service and other statutory charges. Transfers between line items within a department may be made with the approval of the Town Manager.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

- The Town Council can make additional appropriations, subject to fund balance availability and other restrictions, up to 1.5% of the current year's property tax levy. Additional appropriations can be made when unanticipated revenue is made available for specific purposes. Additional appropriations during the year were \$345,520, of which \$278,792 came from fund balance and \$66,728 came from unanticipated revenue. All additional appropriations were made in accordance with Charter provisions.
- Appropriations not encumbered at the end of the fiscal year lapse. Encumbrances for capital additions lapse at the end of three years (if there is no activity), and all other encumbrances lapse at the end of one year.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The General Fund budget is prepared on a modified accrual basis of accounting except for encumbrances, which are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. Encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. Additionally, the Town does not budget for revenues or expenditures associated with pension contributions made by the State of Connecticut on behalf of Town of Coventry teachers or for expenditures reimbursed by the State of Connecticut for excess costs related to certain special education students.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank" as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

A. Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$7,827,244 of the Town's bank balance of \$9,270,845 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,944,520
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>882,724</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 7,827,244</u>

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

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, 2015, the Town's cash equivalents amounted to \$740,231. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard & Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm

B. Investments

Investments as of June 30, 2015 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Other investments:	
Common stock	\$ 3,179
Pooled open-end mutual fund accounts:	
Pension investments held by administrator	<u>12,579,104</u>
Total	<u>\$ 12,582,283</u>

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Interest Rate Risk

The Town's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments

As indicated above, State Statutes limit the investment options of cities and towns. The Town's investment policy provides investment guidelines and lists prohibited investments.

Concentration of Credit Risk

The Town's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Town's total investments.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2015, the Town had \$3,179 in uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

Receivables as of year end for the Town's individual major funds, and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Sewer Assessment</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Interest	\$ 490,763	\$	\$	\$	\$	\$ 490,763
Taxes	1,071,011					1,071,011
Accounts	101,745				413,098	514,843
Intergovernmental				1,077,902	261,738	1,339,640
Special assessments		3,265,924				3,265,924
Loans			2,275,499			2,275,499
Gross receivables	<u>1,663,519</u>	<u>3,265,924</u>	<u>2,275,499</u>	<u>1,077,902</u>	<u>674,836</u>	<u>8,957,680</u>
Less allowance for uncollectibles:						
Taxes	(325,405)					(325,405)
Delinquent interest	<u>(407,079)</u>					<u>(407,079)</u>
Net Total Receivables	<u>\$ 931,035</u>	<u>\$ 3,265,924</u>	<u>\$ 2,275,499</u>	<u>\$ 1,077,902</u>	<u>\$ 674,836</u>	<u>\$ 8,225,196</u>

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,870,926	\$ 295,085	\$	\$ 3,166,011
Construction in progress	181,843	1,051,646		1,233,489
Total capital assets not being depreciated	<u>3,052,769</u>	<u>1,346,731</u>	<u>-</u>	<u>4,399,500</u>
Capital assets being depreciated:				
Buildings	52,080,577	86,900		52,167,477
Improvements other than buildings	1,945,384			1,945,384
Furniture and equipment	7,567,128	480,787	(1,048,535)	6,999,380
Infrastructure	96,141,853	341,509		96,483,362
Total capital assets being depreciated	<u>157,734,942</u>	<u>909,196</u>	<u>(1,048,535)</u>	<u>157,595,603</u>
Less accumulated depreciation for:				
Buildings	(13,438,972)	(806,620)		(14,245,592)
Improvements other than buildings	(235,283)	(53,427)		(288,710)
Furniture and equipment	(3,924,751)	(401,980)	926,511	(3,400,220)
Infrastructure	(24,521,354)	(1,436,895)		(25,958,249)
Total accumulated depreciation	<u>(42,120,360)</u>	<u>(2,698,922)</u>	<u>926,511</u>	<u>(43,892,771)</u>
Total capital assets being depreciated, net	<u>115,614,582</u>	<u>(1,789,726)</u>	<u>(122,024)</u>	<u>113,702,832</u>
Governmental Activities Capital Assets, Net	<u>\$ 118,667,351</u>	<u>\$ (442,995)</u>	<u>\$ (122,024)</u>	<u>\$ 118,102,332</u>

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 44,858
Public safety	214,590
Public works	1,817,071
Culture and recreation	51,609
Education	<u>570,794</u>
Total Depreciation and Amortization Expense - Governmental Activities	<u>\$ 2,698,922</u>

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. FUND BALANCES

The components of fund balances for the governmental funds at June 30, 2015 are as follows:

	Major Funds				Nonmajor Governmental Funds	Total
	General Fund	Sewer Assessments	CDBG Grant	Capital Projects		
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 10,783	\$ 10,783
Prepaid items	417,456					417,456
Permanent fund principal					1,524	1,524
Restricted for:						
Sewer projects		446,759				446,759
Unspent grant balances			39,670		278,992	318,662
Special assessment project				5,501,422		5,501,422
Health insurance	37,845					37,845
Cemeteries					83,941	83,941
Police services					1,921	1,921
Permanent funds					2,470	2,470
Committed to:						
Police services					2,795	2,795
Land acquisition					266,300	266,300
Recreation					37,550	37,550
Sewer					548,115	548,115
Trash					534,282	534,282
Foodbank					29,832	29,832
Highway projects					77,965	77,965
Food service					52,994	52,994
Education					11,455	11,455
Assigned to:						
Purchases on order	683,244					683,244
Unassigned	4,257,666			(4,982,069)		(724,403)
Total Fund Balances	\$ 5,396,211	\$ 446,759	\$ 39,670	\$ 519,353	\$ 1,940,919	\$ 8,342,912

Encumbrances of \$683,244, \$1,722,947 and \$316,446 at June 30, 2015 are contained in the above table in the assigned category of the General Fund, the restricted category of the Capital Projects fund, and the restricted and committed categories of the Nonmajor Governmental funds, respectively.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015 consisted of the following:

	Transfers In				Total
	General Fund	Capital Projects	Nonmajor Governmental	Sewer Assessment	
Transfers out:					
General Fund	\$	\$ 495,763	\$ 65,350	\$	\$ 561,113
Sewer Assessment	580,832				580,832
Nonmajor governmental funds	17,303			100,000	117,303
	<u>\$ 598,135</u>	<u>\$ 495,763</u>	<u>\$ 65,350</u>	<u>\$ 100,000</u>	<u>\$ 1,259,248</u>

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

8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and loans payable:					
General obligation bonds	\$ 13,570,000	\$ 4,275,000	\$ 5,885,000	\$ 11,960,000	\$ 1,455,000
Premium on issuance	321,436	378,124	55,799	643,761	
Loans payable - Clean Water Fund	6,307,117		429,143	5,877,974	437,805
	<u>20,198,553</u>	<u>4,653,124</u>	<u>6,369,942</u>	<u>18,481,735</u>	<u>1,892,805</u>
Other liabilities:					
Capital leases	735,528	238,968	190,456	784,040	193,048
Landfill postclosure	201,000		20,100	180,900	20,100
Net OPEB obligation	2,639,601	431,201		3,070,802	
Net pension liability	1,557,395	379,742		1,937,137	
Compensated absences	978,279	110,896	85,756	1,003,419	97,214
Total Governmental Activities Long-Term Liabilities	<u>\$ 26,310,356</u>	<u>\$ 5,813,931</u>	<u>\$ 6,666,254</u>	<u>\$ 25,458,033</u>	<u>\$ 2,203,167</u>

General obligation bonds allocable to sewer projects are secured by the full faith and credit of the Town but are substantially liquidated by sewer assessments. The remaining liabilities above have typically been liquidated by the General Fund.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2015 is as follows:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2015
2002 Refunding Bonds	12/1/2002	2022	3.25%-4.9%	\$ 1,350,000	\$ 185,000
2010 Refunding Bonds Series A	2/9/2010	2025	1%-3.5%	2,500,000	960,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,438,000	1,269,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	57,000	20,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,105,000	1,246,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	2,605,000	1,490,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	1,200,000	770,000
2015 Refunding General Obligation	3/24/2015	2025	2.00%	100,000	66,000
2015 Refunding NCFD GO	3/24/2015	2032	2.88%	1,675,000	1,495,000
2015 Refunding Parker Bridge GO	3/24/2015	2025	2.34%	215,000	137,000
2015 Refunding PW garage GO	3/24/2015	2031	2.34%	3,350,000	2,495,000
2015 Refunding School Asbestos GO	3/24/2015	2025	2.34%	465,000	294,000
2015 Refunding School Roof GO	3/24/2015	2031	3.55%	1,600,000	1,240,000
2015 Refunding Water System GO	3/24/2015	2025	2.00%	455,000	293,000
					<u>\$ 11,960,000</u>

Clean Water Fund Loan Payable

The Town is currently participating in the State of Connecticut Clean Water Fund Loan program. The loan matures on June 30, 2027, has an outstanding balance as of June 30, 2015 of \$5,877,974 and is payable monthly with interest at 2%.

Bonds and Notes Payable

Annual debt service requirements to maturity on general obligation bonds and Clean Water Fund loans are as follows as of June 30, 2015:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,892,805	\$ 501,920	\$ 2,394,725
2017	1,891,642	442,915	2,334,557
2018	1,920,657	384,205	2,304,862
2019	1,919,854	325,262	2,245,116
2020	1,294,237	278,126	1,572,363
2021-2025	5,723,692	894,518	6,618,210
2026-2030	2,795,087	255,082	3,050,169
2031-2032	400,000	13,100	413,100
	<u>\$ 17,837,974</u>	<u>\$ 3,095,128</u>	<u>\$ 20,933,102</u>

**TOWN OF COVENTRY, CONNECTICUT
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The Town's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General purpose	\$ 64,361,068	\$ 8,568,000	\$ 55,793,068
Schools	128,722,136	6,499,000	122,223,136
Sewers	107,268,446	2,703,649	104,564,797
Urban renewal	92,965,987		92,965,987
Pension deficit	85,814,757		85,814,757

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$200,234,433.

Amounts above do not include \$293,000 of Water System Improvement bonds issued, which are excluded from the Town's statutory debt limit pursuant to Connecticut General Statutes.

Bond Authorizations

At June 30, 2015, debt authorized but unissued is as follows:

<u>Project</u>	<u>Appropriation/ Authorization</u>	<u>Prior Bonds Issued</u>	<u>Paydown Grants Expected/ Received</u>	<u>Authorized But Unissued Debt</u>
Sewers				
Wangumbaug Lake Sewer Extension	\$ 17,800,000	\$ 9,815,810	\$ 7,892,591	\$ 91,599
General Purpose				
Replacement or Rehabilitation of Parker Bridge Road Bridge	2,400,000		2,000,000	400,000

Capital Leases

A summary of assets acquired through capital leases is as follows as of June 30, 2015:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 1,288,141
Less accumulated amortization	<u>(251,887)</u>
	<u>\$ 1,036,254</u>

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2016	\$ 204,166
2017	170,692
2018	145,893
2019	114,599
2020	64,994
Thereafter	129,988
Total minimum lease payments	<u>830,332</u>
Less amount representing interest	<u>(46,292)</u>
Present Value of Minimum Lease Payments	<u>\$ 784,040</u>

Landfill Postclosure

State and federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Town's landfill has stopped accepting waste, closure has been completed and monitoring is continuing. The remaining postclosure costs are estimated to be \$180,900 over the next 9 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Town will appropriate the costs of monitoring on an ongoing basis through the General Fund budget.

9. PENSION PLANS

A. Defined Benefit Plan

Plan Description

The Town of Coventry Employee Retirement System (CERS or the Plan) is a single-employer retirement system established and administered by the Town to provide pension benefits to substantially all Town and Board of Education employees, except for professional employees of the Board of Education who are covered under the State of Connecticut Teachers Retirement System. The CERS is a defined benefit plan. The CERS is considered to be a part of the Town's financial reporting entity and is included in the Town's basic financial statements as a pension trust fund. Contribution provisions and benefit provisions of the CERS are established by and can be amended by the Town Council subject to ratification of various bargaining units. A separate stand-alone financial report for the CERS is not issued by the Town.

Management of the plan rests with the Pension Committee, which consists of no fewer than three, nor more than five, members all appointed by the Town Council.

**TOWN OF COVENTRY, CONNECTICUT
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All employees except for sworn officers of the police department are included as participants in the Plan on the first July 1 following the attainment of age 21 and the completion of two years of service. Sworn officers of the police department are included on their dates of hire. No employees are included before the effective date. Police and nonunion employees are vested 100% after 5 years, and all other employees are vested after 10 years.

Benefits are calculated on a percentage of earnings times years of service. The percentage varies by group. The Plan also provides for early retirement, deferred retirement and disability retirement. Participants have a nonforfeitable right to accrued benefits at the date of termination of employment provided that they have completed the years required for 100% vesting. Normal retirement age varies from 45 to 62 based on the bargaining unit.

The accrued benefit is paid in the form of a monthly life annuity. Benefits will be actuarially adjusted to reflect any other form of annuity payable. Administrative costs for the plan are paid from the plan investment earnings.

The membership of the Plan consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

Retired members	18
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members	<u>134</u>
Total	<u><u>178</u></u>

Summary of Significant Accounting Policies

Plan financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which employee services are performed. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Investments

Investment Policy

The Pension Committee recommended the adoption of an investment policy to the Town Council. The current policy was adopted in August of 2007. The goals of the policy are to create a framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Town. The following was the adopted asset allocation as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Large Cap	6.00%
U.S. Large Cap Value	9.54%
U.S. Small Value	6.00%
U.S. Micro Cap	6.00%
International Large Value	6.00%
International Small	8.40%
Emerging Large	3.00%
Emerging Small	6.00%
U.S. REITS	4.50%
International REITS	4.50%
Cash	0.06%
Fixed Income	<u>40.00%</u>
 Total	 <u><u>100.00%</u></u>

Concentrations

The pension plan held fixed income investments of \$4,372,464 with Metlife representing 5% or more of the pension trust fund's fiduciary net position as of June 30, 2015.

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2015 were as follows:

Total pension liability	\$ 14,544,122
Plan fiduciary net position	<u>12,606,985</u>
 Net Pension Liability	 <u><u>\$ 1,937,137</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 86.68%

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Pre-retirement mortality rates were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for nonannuitants and annuitants, projected to the valuation date with Scale BB. Post-retirement mortality rates were based on IRS 417(e) applicable mortality.

The actuarial assumptions used in the July 1, 2014 valuation were based on standard tables adjusted for certain plan features.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	7.60%
U.S. Large Cap Value	7.95%
U.S. Small Value	9.00%
U.S. Micro Cap	9.25%
International Large Value	9.10%
International Small	9.50%
Emerging Large	11.40%
Emerging Small	11.75%
U.S. REITS	8.17%
International REITS	7.93%
Cash	0.00%
Fixed Income	3.00%

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 14,530,252	\$ 12,972,857	\$ 1,557,395
Changes for the year:			
Service cost	494,424		494,424
Interest on total pension liability	1,073,988		1,073,988
Differences between expected and actual experience	(144,868)		(144,868)
Employer contributions		673,765	(673,765)
Member contributions		239,053	(239,053)
Net investment income		159,678	(159,678)
Benefit payments, including refund to employee contributions	(1,409,674)	(1,409,674)	-
Administrative expenses		(28,694)	28,694
Net changes	<u>13,870</u>	<u>(365,872)</u>	<u>379,742</u>
Balances as of June 30, 2015	<u>\$ 14,544,122</u>	<u>\$ 12,606,985</u>	<u>\$ 1,937,137</u>

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 2,751,621	\$ 1,937,137	\$ 1,202,092

**TOWN OF COVENTRY, CONNECTICUT
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$1,484,188. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 126,054
Net difference between projected and actual earning on pension plan investments	<u>634,862</u>	<u> </u>
Total	<u>\$ 634,862</u>	<u>\$ 126,054</u>

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

Year Ending June 30

2016	\$	139,902
2017		139,902
2018		139,902
2019		139,900
2020		(18,814)
Thereafter		(31,984)

Funding Policy

The Town's funding policy provides for periodic contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rate for normal costs of the Plan was determined using the projected unit credit method. Town employees contribute 1.75% of covered payroll, except for police employees who are required to contribute a rate equal to 6.5% of covered payroll. For the year ended June 30, 2015, the Town contributed \$673,765 to the Plan.

B. Teachers' Retirement System

Plan Description

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

**TOWN OF COVENTRY, CONNECTICUT
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Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

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

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>31,555,211</u>
Total	<u>\$ 31,555,211</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$2,370,613 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.0%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

10. OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses, under a single employer plan. The Post-Retirement Medical Program (RMP) covers Town and Board of Education employees. All Town of Coventry employees are eligible to purchase medical insurance. The benefits include individual, two-person or family coverage under the Blue Cross Health Plan (or equivalent), including hospitalization, surgical, prescriptions, dental and major medical. Employees who choose to participate must pay the full premium cost. Board of Education employees may also purchase life insurance at the full premium cost. Spouses can continue coverage after the retiree's death. The Town does not issue a separate stand-alone financial statement for this program.

At July 1, 2012, plan membership consisted of the following:

	<u>Post-Retirement Medical Program</u>
Retired participants and spouses	27
Active plan members	<u>350</u>
Total	<u><u>377</u></u>

B. Funding Policy

The Town funding and payment of post employment benefits are accounted for in the General Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with post employment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of post employment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town's funding strategy for post employment obligations are based upon characteristics of benefits on four distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

Teachers

- Eligible for Medical, Dental and Life Coverage if age 50 with 25 years of service or age 55 with 20 years of service or age 60 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

Police

- Eligible for Medical and Dental Coverage if age 45 and 20 years for Sworn Police, and rule of 85 for nonsworn employees.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

**TOWN OF COVENTRY, CONNECTICUT
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Town Employees (non-Police)

- Eligible for Medical and Dental Coverage if age 62 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

Board of Education (other than Teachers)

- Eligible for Dental and Life Coverage if age 62 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

C. Annual OPEB Cost and Net OPEB Obligations

The Town of Coventry's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

	<u>Post-Retirement Medical Program</u>
Annual required contribution (ARC)	\$ 579,000
Interest on net OPEB obligation	105,584
Adjustment to annual required contribution	<u>(114,383)</u>
Annual OPEB cost	570,201
Contributions made	<u>139,000</u>
Increase in net OPEB obligation	431,201
Net OPEB obligation, beginning of year	<u>2,639,601</u>
Net OPEB Obligation, End of Year	<u>\$ 3,070,802</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2015, 2014 and 2013 is presented below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 587,000	\$ 164,000	27.94%	\$ 2,253,206
6/30/2014	535,395	149,000	27.83%	2,639,601
6/30/2015	570,201	139,000	24.38%	3,070,802

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2010	\$	\$ 4,808,000	\$ 4,808,000	0.00%	\$ 18,651,867	26%
7/1/2012		4,777,000	4,777,000	0.00%	18,002,000	27%
7/1/2014		5,140,000	5,140,000	0.00%	18,728,000	27%

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2013	\$ 587,000	\$ 164,000	28%
6/30/2014	539,000	149,000	28%
6/30/2015	579,000	139,000	24%

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The initial healthcare cost inflation rate, including overall inflation assumptions, is calculated at 7.1% with an ultimate healthcare cost inflation rate, including overall inflation assumptions, of 4.70%. Salary increases as well as the discount rate is set at 4%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized on a level dollar basis with a remaining closed amortization period at July 1, 2014 at 27 years.

11. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees or natural disasters. The Town purchases commercial insurance for all risks of loss. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Dental Insurance Internal Service Fund

The Town's dental self-insurance fund is used to account for dental insurance coverage for Town employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2014 and 2015, is presented below:

		<u>Claims Payable July 1</u>		<u>Claims and Changes in Estimates</u>		<u>Claims Paid</u>		<u>Claims Payable June 30</u>
2013-2014	\$	-	\$	195,920	\$	195,920	\$	-
2014-2015		-		207,693		207,693		-

Health Insurance Internal Service Fund

The Coventry Health Insurance Fund (the Fund), which has been recorded as an Internal Service Fund, was established to provide medical and dental health coverage for all eligible Town and Board of Education employees. The Fund is substantially funded by the Town's General Fund based upon estimates for the number of employees and type of coverage (single or family) as well as trends in the costs of coverage and costs of administration. The program's general objectives are to provide the members of the health insurance program with lower costs for coverage and to develop a systematic method to control health costs through wellness initiatives.

The Town and Board of Education participate in the Eastern Connecticut Health Insurance Program. This group consists of five entities, the Towns and Boards of Education of Coventry, Tolland, Plainfield and Putnam and also including EASTCONN, a regional educational service center. This partnership is the first in the state of Connecticut and was formed with a goal to reduce costs through collaboration. A third party administers the plan for which the Fund pays a fee. The Fund has purchased individual stop loss coverage of \$150,000 per claim.

The Town's health self-insurance fund is used to account for medical insurance coverage for Town and Board of Education employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2014 and 2015, is presented below:

		<u>Claims Payable July 1</u>		<u>Claims and Changes in Estimates</u>		<u>Claims Paid</u>		<u>Claims Payable June 30</u>
2013-2014	\$	215,457	\$	4,173,937	\$	4,057,395	\$	331,999
2014-2015		331,999		4,263,318		4,178,906		416,411

TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

12. COMMITMENTS AND CONTINGENCIES

The Town is currently a defendant in a number of lawsuits. The outcome and eventual liability to the Town, if any, in these matters is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

13. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

Net position balance at June 30, 2014, as previously reported	\$ 110,677,554
Adjustments:	
Eliminate net pension asset reported per GASB No. 27	(346,910)
Record starting net pension liability per GASB No. 68	<u>(1,557,395)</u>
Net Position Balance at July 1, 2014, as Restated	<u>\$ 108,773,249</u>

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Property Taxes:				
Current taxes	\$ 27,896,662	\$ 27,896,662	\$ 27,893,207	\$ (3,455)
Delinquent taxes	300,000	300,000	275,676	(24,324)
Interest and penalties	150,000	150,000	179,131	29,131
Supplemental motor vehicles	225,000	225,000	271,342	46,342
Total property taxes	<u>28,571,662</u>	<u>28,571,662</u>	<u>28,619,356</u>	<u>47,694</u>
Intergovernmental:				
General Government:				
Elderly circuit breaker	70,670	70,670	65,449	(5,221)
Disability exemption	1,500	1,500	1,725	225
Grant in lieu of taxes	51,508	51,508	51,559	51
Veterans additional tax relief	8,700	8,700	6,124	(2,576)
Emergency Management Performance	6,209	6,209	6,209	-
Telephone access grant	20,000	20,000	26,927	6,927
Youth services grant	14,500	14,500	14,520	20
Pequot State Property	48,303	48,303	48,216	(87)
Municipal revenue sharing	9,906	9,906	9,906	-
FEMA			91,252	91,252
Total general government	<u>231,296</u>	<u>231,296</u>	<u>321,887</u>	<u>90,591</u>
Education:				
Education cost sharing grant	8,935,142	8,935,142	8,926,913	(8,229)
Transportation	149,885	149,885	148,039	(1,846)
Adult education	11,935	11,935	12,091	156
Tuition		66,728	66,729	1
Total education	<u>9,096,962</u>	<u>9,163,690</u>	<u>9,153,772</u>	<u>(9,918)</u>
Investment Earnings	<u>50,000</u>	<u>50,000</u>	<u>43,669</u>	<u>(6,331)</u>
Local Revenues:				
Housing Authority PILOT	18,000	18,000	18,467	467
Finance:				
Insurance reimbursement and claims			90	90
Sale of tax sale property	150,000	150,000		(150,000)
Conveyance tax	94,000	94,000	120,509	26,509
Town clerk:				
Office receipts	95,000	95,000	95,939	939
Assessor:				
Copy charges	1,200	1,200	818	(382)

(Continued on next page)

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Development/Planning:				
Zoning permits	\$ 10,000	\$ 10,000	\$ 11,100	\$ 1,100
Planning and zoning	3,500	3,500	4,775	1,275
Zoning board of appeals	2,000	2,000	3,678	1,678
Inland wetlands	3,000	3,000	2,135	(865)
Regulations and maps	1,000	1,000	88	(912)
Permits	100	100	86	(14)
Building Department:				
Building permits	130,000	130,000	164,351	34,351
Fire inspection	1,500	1,500	1,735	235
Blasting permit	50	50		(50)
Penalty fees	100	100		(100)
Police Services:				
Warden receipts	1,000	1,000	955	(45)
Dog license	9,500	9,500	9,887	387
Fingerprinting	800	800	1,291	491
Local parking fines	300	300	80	(220)
Permits	4,000	4,000	8,394	4,394
Other	400	400	212	(188)
Municipal surcharge	3,000	3,000	4,804	1,804
Miscellaneous:				
Miscellaneous unanticipated			103,546	103,546
Rents	26,000	26,000	27,227	1,227
Total local revenues	<u>554,450</u>	<u>554,450</u>	<u>580,167</u>	<u>25,717</u>
Total revenues	<u>38,504,370</u>	<u>38,571,098</u>	<u>38,718,851</u>	<u>147,753</u>
Other Financing Sources:				
Transfers in:				
Sewer Assessment Fund	580,834	580,834	580,832	(2)
Police Special Services	3,000	3,000	17,303	14,303
Total other financing sources	<u>583,834</u>	<u>583,834</u>	<u>598,135</u>	<u>14,301</u>
Total Revenues and Other Financing Sources	<u>\$ 39,088,204</u>	<u>\$ 39,154,932</u>	39,316,986	<u>\$ 162,054</u>
Budgetary revenues are different from GAAP revenues because:				
Cancellation of prior year encumbrances are recognized as budgetary revenue			(80,107)	
Excess cost grants are netted for budgetary reporting			575,137	
The town does not budget for refunding bond issuance			4,275,000	
The town does not budget for premiums on bond issuance			378,124	
State on-behalf payments			<u>2,370,613</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 46,835,753</u>	

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
General Government:				
Town Council	\$ 31,369	\$ 31,369	\$ 29,971	\$ 1,398
Town Manager	201,700	205,700	203,454	2,246
Finance Administration	110,598	109,398	108,653	745
Accounting	114,620	103,120	102,687	433
Tax Collector	110,516	113,805	112,895	910
Assessor	132,989	120,980	117,525	3,455
Assessment Appeals	1,150	1,132	378	754
Treasurer	24,371	24,481	23,784	697
Planning	113,685	129,085	126,108	2,977
Zoning Board of Appeals	134,870	136,075	133,572	2,503
Conservation	22,851	22,851	21,690	1,161
Economic Development	1,760	1,760	741	1,019
Regional grants	13,641	13,539	12,774	765
Inland Wetlands	44,694	43,494	43,114	380
Planning and Zoning Commission	4,550	4,792	4,579	213
Legal counsel	85,000	148,350	145,389	2,961
Probate court	6,755	6,755	6,755	-
Recording/licensing	156,432	159,152	156,531	2,621
Elections	42,560	48,712	44,678	4,034
Town Office building	77,560	95,710	93,896	1,814
Surety Bond Reimbursement			24,104	(24,104)
Central services	59,751	59,751	44,027	15,724
Total general government	<u>1,491,422</u>	<u>1,580,011</u>	<u>1,557,305</u>	<u>22,706</u>
Public Safety:				
Police Administration	180,713	179,155	178,329	826
Police Operations	1,195,818	1,125,115	1,097,895	27,220
Police supportive services	315,080	319,173	314,787	4,386
Police marine patrol	8,450	8,450	8,266	184
Police station	58,390	54,358	49,070	5,288
Fire Marshal	28,617	28,667	28,398	269
Coventry Volunteer Fire Association	110,874	105,608	98,403	7,205
North Coventry Volunteer Fire Department	105,979	112,979	107,083	5,896
N. Coventry substation	9,600	9,600	9,254	346
Joint Fire Budget	177,993	177,093	167,705	9,388
CVFA South Street Substation	15,205	20,471	16,899	3,572
Civil Emergency Preparedness	25,965	27,065	26,957	108
Animal Control	69,442	69,342	68,430	912
Total public safety	<u>2,302,126</u>	<u>2,237,076</u>	<u>2,171,476</u>	<u>65,600</u>
Public Works:				
Roads and drainage	538,398	521,777	518,922	2,855
Public works building	56,320	63,570	61,639	1,931
Snow removal	269,000	379,597	379,158	439
Facilities maintenance	253,932	258,587	258,124	463
Public works administration	242,604	228,554	223,090	5,464
Fleet maintenance	448,171	460,607	458,147	2,460
Street lights	41,550	41,950	41,950	-
Cemetery Commission	25,698	25,698	21,954	3,744
Tree Warden	23,000	23,000	22,905	95
Engineering	75,303	75,303	73,601	1,702
Building inspection	153,162	155,422	154,642	780
Building code	45	45	45	-
Health Department	59,950	59,950	59,950	-
Total public works	<u>2,187,133</u>	<u>2,294,060</u>	<u>2,274,127</u>	<u>19,933</u>

(Continued on next page)

TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Human Services:				
Visiting nurses	\$ 3,000	\$ 3,000	\$ 2,269	\$ 731
Human services/general administration	172,060	180,394	179,815	579
Elderly services	77,620	76,076	68,279	7,797
Total human services	<u>252,680</u>	<u>259,470</u>	<u>250,363</u>	<u>9,107</u>
Culture and Recreation:				
Booth/Dimock Library	423,134	423,134	423,134	-
Parks and recreation, supervision	63,566	63,723	63,723	-
Memorial Day	3,175	3,175	2,272	903
Total culture and recreation	<u>489,875</u>	<u>490,032</u>	<u>489,129</u>	<u>903</u>
Insurance and Sundry:				
Municipal insurance	372,740	357,079	346,937	10,142
Pension/Social Security	923,954	925,154	880,297	44,857
Health insurance	1,084,862	1,069,160	1,025,502	43,658
Contingency	10,000			-
Claims and losses	40,000	45,000	44,865	135
Total insurance and sundry	<u>2,431,556</u>	<u>2,396,393</u>	<u>2,297,601</u>	<u>98,792</u>
Education	<u>26,438,064</u>	<u>26,504,792</u>	<u>26,500,456</u>	<u>4,336</u>
Capital Outlay	<u>250,278</u>	<u>426,819</u>	<u>426,784</u>	<u>35</u>
Debt Service	<u>2,682,708</u>	<u>2,682,708</u>	<u>2,681,005</u>	<u>1,703</u>
Total budgetary expenditures	<u>38,525,842</u>	<u>38,871,362</u>	<u>38,648,246</u>	<u>223,116</u>
Other Financing Uses:				
Transfers out:				
Matching funds	1,500	1,500	1,500	-
Parks and recreation fund	34,850	34,850	34,850	-
Capital projects	390,762	390,762	390,762	-
BOE Capital Projects	80,000	80,000	80,000	-
Land acquisition fund	30,000	30,000	30,000	-
Misc highway	250	250	250	-
CNREF	25,000	25,000	25,000	-
Total other financing uses	<u>562,362</u>	<u>562,362</u>	<u>562,362</u>	<u>-</u>
Total	<u>\$ 39,088,204</u>	<u>\$ 39,433,724</u>	39,210,608	<u>\$ 223,116</u>
Budgetary expenditures are different from GAAP expenditures because:				
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			146,094	
Reserve for matching fund expenditures and transfers, net			(1,231)	
Payment to refunded escrow agent			4,553,626	
Refunding bond issuance costs			99,498	
Excess cost grants are netted for budgetary reporting			575,137	
State on-behalf payments			<u>2,370,613</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 46,954,345</u>	

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 494,424	\$ 472,429
Interest	1,073,988	1,035,694
Differences between expected and actual experience	(144,868)	
Benefit payments, including refunds of member contributions	<u>(1,409,674)</u>	<u>(618,211)</u>
Net change in total pension liability	13,870	889,912
Total pension liability - beginning	<u>14,530,252</u>	<u>13,640,340</u>
Total pension liability - ending	<u>14,544,122</u>	<u>14,530,252</u>
Plan fiduciary net position:		
Contributions - employer	673,765	1,097,988
Contributions - member	239,053	221,335
Net investment income	159,678	1,768,049
Benefit payments, including refunds of member contributions	(1,409,674)	(618,211)
Administrative expense	<u>(28,694)</u>	<u>(34,485)</u>
Net change in plan fiduciary net position	(365,872)	2,434,676
Plan fiduciary net position - beginning	<u>12,972,857</u>	<u>10,538,181</u>
Plan fiduciary net position - ending	<u>12,606,985</u>	<u>12,972,857</u>
Net Pension Liability - Ending	<u>\$ 1,937,137</u>	<u>\$ 1,557,395</u>
Plan fiduciary net position as a percentage of the total pension liability	86.68%	89.28%
Covered-employee payroll	\$ 5,828,844	\$ 5,849,479
Net pension liability as a percentage of covered-employee payroll	33.23%	26.62%

TOWN OF COVENTRY, CONNECTICUT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST TEN FISCAL YEARS

RS14

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ 630,801	\$ 693,822	\$ 736,564	\$ 765,258	\$ 832,855	\$ 1,040,895	\$ 1,097,988	\$ 1,079,026	\$ 728,299	\$ 673,765
Contributions in relation to the actuarial determined contribution	693,822	736,564	790,404		832,855	1,139,895	1,267,988	1,097,988	1,097,988	673,765
Contribution Deficiency (Excess)	\$ 63,021	\$ 42,742	\$ 53,840	\$ (765,258)	\$ -	\$ 99,000	\$ 170,000	\$ 18,962	\$ 369,689	\$ -
Covered-employee payroll	\$ 5,254,769	\$ 5,335,878	\$ 5,519,736	\$ 5,707,527	\$ 6,161,861	\$ 6,183,478	\$ 5,811,077	\$ 5,811,077	\$ 5,849,479	\$ 5,828,844
Contributions as a percentage of covered-employee payroll	13.20%	13.80%	14.32%	0.00%	13.52%	18.43%	21.82%	18.89%	18.77%	11.56%

Notes to Schedule

Valuation Date: July 1, 2013
 Measurement Date: June 30, 2015

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal
- Amortization method: Level percentage of salary - open
- Remaining amortization period: 15 Years
- Asset valuation method: Asset gains and losses are recognized over a four-year period at 25% per year.
- Inflation: 3.00%
- Salary increases: 3.00%
- Investment rate of return: 7.50%
- Retirement age: Police Sworn: 45/20

Mortality

- Non-Uniformed Police: Rule of 85
- Non Police Bargaining Unit Employees: 65/10
- Non Bargaining Unit Employees: 62/5
- Pre-retirement: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for nonannuitants and annuitants, projected to the valuation date with Scale BB.
- Post-retirement: Current: IRS 417(e) applicable mortality (IRS Revenue Ruling 2007-67)

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.25%	15.71%

**TOWN OF COVENTRY, CONNECTICUT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS RETIREMENT PLAN
 LAST FISCAL YEAR**

Town's proportion of the net pension liability		0.00%
Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>31,555,211</u>
Total	\$	<u><u>31,555,211</u></u>
Town's covered-employee payroll	\$	5,828,844
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll		0.00%
Plan fiduciary net position as a percentage of the total pension liability		61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

