



## FINANCIAL

*Above: The winning team for the 300<sup>th</sup> Anniversary Amazing Race event on March 31, 2012. Teams competed to complete the race based on their knowledge of Coventry history. Left to right: Beth Bauer, Town Finance Director, Danielle Koch, Josh Jamaitus, Madison Jamaitus, Ellen Jamaitus, Robert Simmons.*



# FINANCE DIVISION

## Annual Report 2013



*Beth Bauer,  
Finance Director*

### 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  
Marcia Biase, 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 6/30/2013**

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 6/30/2012 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 five years. Annual audits, budget documents and other financial reports are available for review on the web at [www.coventryct.org](http://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](mailto: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 of Coventry entered into an innovative new arrangement on Health Insurance. We joined with several other Towns to form a Health Insurance Collaborative and are part of the first organization of its kind in Connecticut. This model is new in Connecticut but has proven itself in many other places including Rhode Island and Massachusetts. Joining this collaborative gives the Town the power to purchase on a larger scale and we have saved on the purchase of stop loss and been able to initiate Wellness programs. In addition, we have been able to convert from being fully-insured to being self-insured. This provides us with immediate savings as we no longer pay a 1.75% tax to the State, and in addition, it allows the Town to only fund actual expenses since all premiums dollars are used only to pay actual claims. The overhead from the insurance companies are known at the start of the year and can be budgeted with certainty.

A third goal is to take steps to ensure financial stability. In the year ending 6-30-2013 we are able to report several very positive benchmarks. The fund balance for the General Fund of the Town increased to 9.84%, just under the Town Council goal of 10%. Next, the Pension Plan funded liability rose to 74.1%, a significant increase over the previous year. 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. Finally, our Tax Collection rate for current year collections increased to 98.2%, an increase over the previous year of

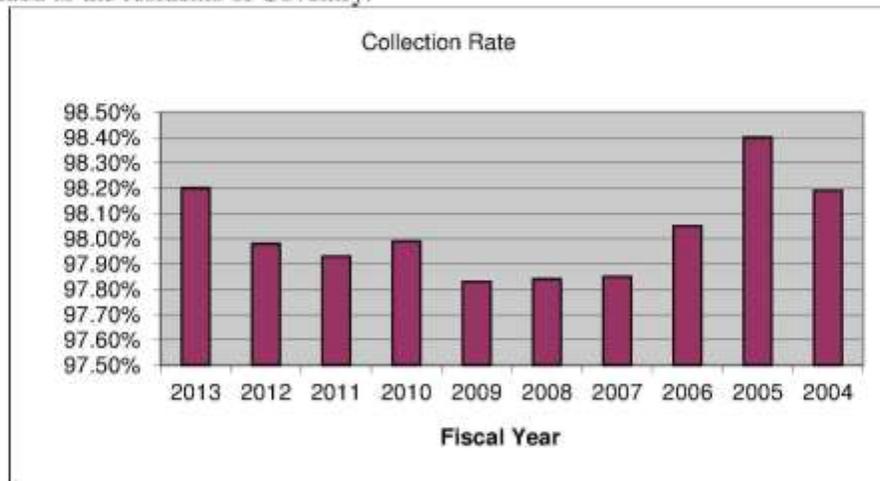
approximately .2% or \$100,000. This positive trend is an indication of good economic health for our residents.

Finally, the Finance office strives to maintain an efficient, responsive and accountable operation. To that end we have made several changes in our computer systems. We have completed the first year of payroll on our new financial system and were able to move from the old system to the new with minimal problems. We were able to accommodate the new State law which mandates sick leave for part-timers through the new software. In other areas, the Finance office has started to collect and deposit the funds that are solicited through the Human Services drives for the Clergy Fuel Fund and Holiday committee. This gives us the ability to report and monitor the status of these activities. Along that same vein, the Finance office is providing the treasurers function for the Lower Tolland County Service Unit of the Salvation Army.

### General Overview

#### *Revenue Collection – 860-742-4066*

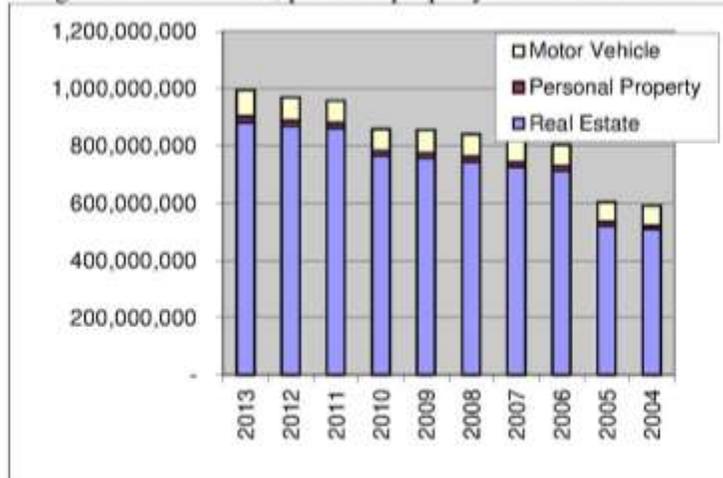
This office collects all revenues received by the Town of Coventry. The major component of General Fund revenues is the property tax, and the collection of current and delinquent taxes is the primary focus of the office staff. During the fiscal year ending 6/30/13, the percentage of current year property taxes collected was 98.2%. The collection of taxes provided 61% of the overall amount needed to support the services provided to the residents of Coventry.



#### *Assessor – 860-742-4067*

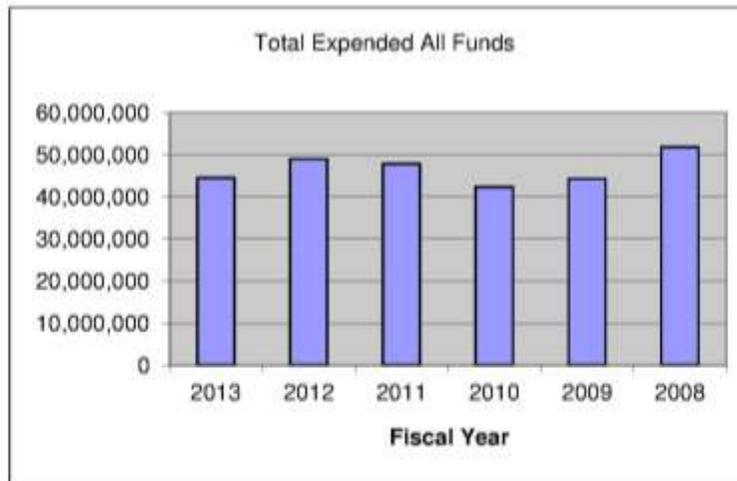
The maintenance of property valuations and proper application of exemptions is performed by the office of the Assessor. The importance of the work of this office can not be overstated. The grand list valuations are the base upon which tax revenues are set and are revalued every 5 years. The last revaluation occurred on the grand list of 2009 which was the base for taxes in the fiscal year ending 6/30/10. The following chart

shows the grand list growth over the past ten year, and the distribution of property values between the categories of real estate, personal property and motor vehicle.



*Accounting – 860-742-3528*

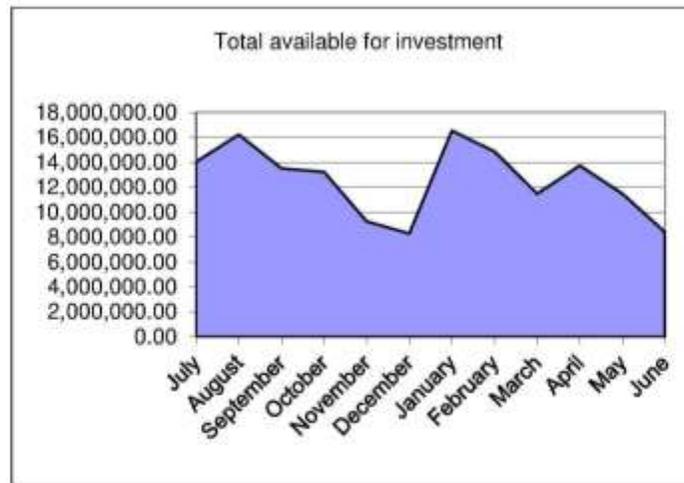
Supervision of the disbursement of money, payroll and accounts payable is performed by the staff of the accounting office. All financial records, revenue and general ledger accounts are maintained. In addition the staff is responsible for monitoring grants, administration of health and property insurance, and fixed asset inventory maintenance. In the fiscal year ending 6/30/2013 the total dollars expended was 44.5 million, a decrease from the prior year of 4.4 million. This decrease is due to the completion of several capital projects which were ongoing in the 2012 fiscal year. The Chart below shows the total annual expenditures for the last six years.



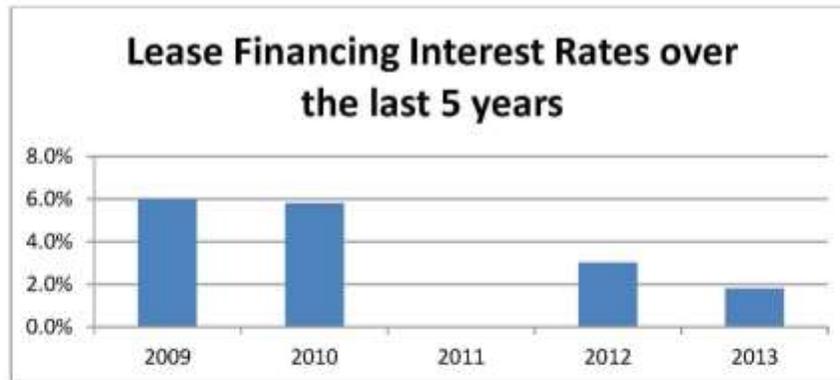
*Treasurer – 860-742-3528*

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 8.4 to 16.5 million during the last fiscal year. Interest rates available to the Town averaged .36% in the last fiscal year.



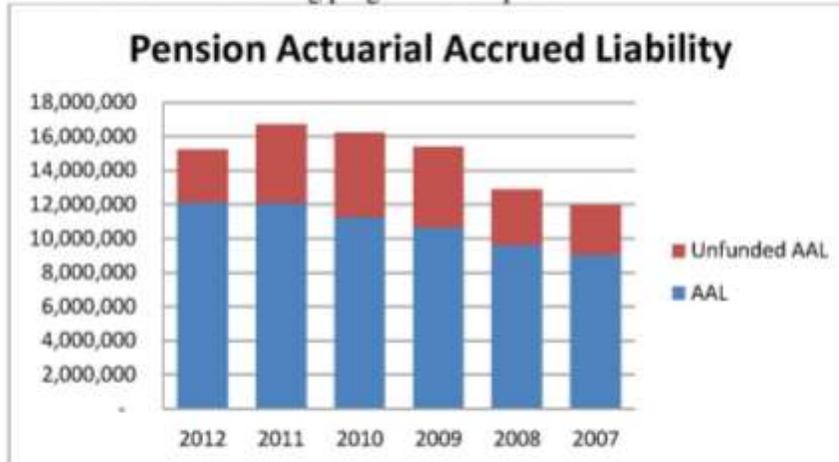
The Town did not enter into any new bonding during the year, however the Town did enter into a 5 year lease financing for a dump truck and a 10 year lease financing for a Fire Rescue Truck. This financing was obtained at a rate of 1.81%. Previously equipment purchases this large have been financed with bond funds. By making the change to lease purchase we were able to avoid the expenses that are part of every bond issue, and we were able to achieve a very low interest rate. 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 6-30-2013 pensions were processed for 13 employees, 8 active and 5 deferred. Pension assets are invested with a target of 60% in equities and 40% in fixed investments. The chart below shows the funding progress of the plan.



*Information Technology – 860-742-3528*

For the year ending 6-30-2013 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 an Alpha 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 6/30/13 averaged .36% 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:**

2003-2004	82,318
2004-2005	96,602
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

# 2012 Annual Report

## ASSESSOR'S OFFICE

Pat Alessi (Interim Assessor)

Rachel Lewandowski (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 is conducting its next 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 a slight decreases in the number of accounts but a growth in the total for this year's grand list.

The 2012 Grand List indicates 6,369 real property accounts, 782 personal property accounts, and 13,275 registered motor vehicles.

It is our responsibility to update the property cards when any changes occur. On the 2012 Grand List, there were numerous changes in both ownership and condition. Even though new home development has decreased in the past couple of years our office has completed approximately 342 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.

### 2011 Adjusted Grand List

Motor Vehicle's	\$ 84,883,640
Personal Property	\$ 21,596,665
Real Estate	<u>\$875,913,020</u>
Totals	\$982,393,325

### 2012 Adjusted Grand List

Motor Vehicles	\$ 91,608,910
Personal Property	\$ 21,353,685
Real Estate	<u>\$882,011,200</u>
Totals	\$994,973,795

The difference in last year's grand list equates to a 1.16 percent increase over the prior year.



Fiscal Year 12/13

Elderly Applications Processed	107
Tax Deferrals	13
Additional Veterans Applications	61
Building Permits	352
New Dwellings	13
Certificate of Correction + Prorates	2168
Transfers	341
Reports Filed State, Local	50
Motor Vehicle Priced (Regular)	13,275
Motor Vehicle Priced (Supplemental)	2,195
Personal Property Added	16
Farm, Forest, Open Space Applications	8
Disabled Applications Processed	65
Blind Applications Processed	8

Our office also implements exemption programs for the blind, disabled, elderly, veterans who served during wartime, and disabled veterans. Veterans must file their DD-214 no later than October 1<sup>st</sup> 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.

The blind and totally disabled programs have the same January 31<sup>st</sup> 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!

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 is income qualified. The filing dates are February 1<sup>st</sup> thru May 15<sup>th</sup> and the income limits change yearly so contact our office for further information regarding any of the above mentioned programs. 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; AND RONALD DEXTRADEUR.**

The Board of Assessment Appeals met September 12, 2012 to hear appeals for motor vehicles on the 2011 Grand List. A total of 11 cases were scheduled. Of those 11, 6 failed to appear. The remaining appeals resulted in 5 reductions and no denials. The total reduction for the September Board of Assessment Appeals was \$43,030.

**BOARD MEMBERS: ROBERT MCMAHON, CHAIRMAN; ROBERT KRAMER; JILLIAN WOOD; RONALD DEXTRADEUR.**

The Board of Assessment Appeals also met the 6<sup>th</sup> and 11th of March of 2013 to hear appeals of the 2012 Grand List. A total of 22 cases were scheduled. The appeals resulted in 2 No Show, 11 reductions and 9 denials. The total reduction for the March Board of Assessment Appeals was \$384,563.

Respectfully submitted,

Robert McMahan, Chairman  
Board of Assessment Appeals

# COLLECTOR OF REVENUE

The Collector of Revenue is responsible for collecting all tax money owed the town on the various 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 2011 Grand List bills for Real Estate (6,343), Personal Property (789), Supplemental Motor Vehicle (2,023), and COVRRRA (4,675) 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 (498) and Sewer Use (856) 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. The DMV provides this service to Coventry at a cost of approximately \$2,860 per year. Each town, in the state, is billed proportionately by the Department of Motor Vehicles for this service.

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 Marshal in the form of an Alias Tax Warrant for collection. Notices of intent to lien on 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. Unpaid Real Estate accounts were liened in May.

The first Tax Sale in years took place on June 21, 2013. The process began in February with the top twenty delinquent properties listed. Thirteen properties had been redeemed by mid-June and removed from the sale. The final seven properties were sold the day of the sale.

The number of taxpayers paying on-line continues to increase. This convenience is greatly appreciated by those taxpayers living 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 GOVERTY COLLECTORS'S REPORT  
 FISCAL YEAR 2012 - 2013  
 COLLECTIONS THROUGH 30-JUN-2013

YEAR	BEARING COLLECTIBLE	ADDITIONS	DEDUCTIONS	TO SUSP	FROM SUSP	NET COLLECTIBLE	COLLECTIONS						TAXES UNCOLLECTED	SUSPENSE BALANCE		
							TAXES	RETURNS	INTEREST	LIN	PENALTY	NEE BAL			TOTAL PAID	
2011	26,753,759.00	30,516.72	-122,005.14	.00	.00	26,670,270.58	26,225,443.97	-44,240.80	90,294.44	1,224.00	6.00	-7,127.14	26,280,717.61	489,067.41	.00	
2010	540,757.24	1,079.03	-6,015.79	.00	.00	535,816.48	302,509.46	-4,505.49	70,828.96	2,256.00	.00	-48.20	371,088.93	237,812.51	.00	
2009	265,689.82	1,050.62	-1,059.54	.00	.00	227,267.07	127,109.57	-1,426.02	49,316.41	1,032.00	.00	.00	176,033.96	101,583.52	37,613.83	
2008	154,930.30	750.00	-412.12	.00	.00	6,866.59	3,744.95	152,156.54	90,348.87	.00	51,143.49	792.80	.00	142,284.36	61,007.67	40,320.78
2007	87,897.82	750.00	-540.74	.00	.00	1,586.09	2,670.42	89,191.41	69,856.00	.00	43,307.00	456.00	.00	103,619.00	29,326.41	45,825.37
2006	50,572.94	.00	-531.12	.00	.00	573.59	2,608.47	52,076.70	26,533.65	.00	26,074.18	208.00	.00	54,895.83	23,543.95	41,758.10
2005	37,319.80	.00	.00	.00	.00	83.85	588.13	37,801.08	18,218.56	.00	21,629.52	122.00	.00	40,040.08	19,607.52	36,778.63
2004	23,557.97	.00	.00	.00	.00	412.26	23,970.23	14,622.82	.00	10,644.15	144.00	.00	-6,137.53	33,410.97	9,347.43	36,710.21
2003	21,620.92	.00	.00	.00	.00	215.27	21,842.19	10,100.31	.00	15,923.42	96.80	.00	-806.57	26,119.73	11,741.88	43,240.51
2002	11,880.57	.00	.00	.00	.00	195.15	12,075.72	6,547.05	.00	11,959.72	144.00	.00	-5,026.99	18,650.77	5,528.67	34,283.44
2001	4,262.26	.00	.00	.00	.00	189.79	4,448.05	3,915.62	.00	6,664.34	72.00	.00	-8,712.90	10,651.96	532.43	37,387.90
2000	4,895.25	.00	-36.55	.00	.00	981.80	5,840.50	2,613.39	.00	5,368.47	72.00	.00	-3,956.02	8,053.86	3,227.11	36,233.81
1999	-761.63	.00	.00	.00	.00	-761.63	50.25	.00	99.16	48.00	.00	-4,942.23	197.42	-811.89	25,833.75	
1998	-4,821.52	.00	.00	.00	.00	46.50	-5,001.02	64.00	.00	156.13	24.00	.00	-8,780.12	244.13	-5,066.02	20,422.35
1997	-4,203.68	.00	.00	.00	.00	49.69	-4,154.00	66.48	.00	174.25	24.00	.00	-7,765.28	264.73	-4,220.48	19,285.62
<hr/>																
	27,947,363.06	42,146.37	-131,405.00	46,939.95	11,695.42	27,822,869.90	26,890,000.01	-50,172.31	419,575.64	6,964.00	6.00	-51,382.98	27,266,273.34	983,032.20	483,694.50	

# TOP DELINQUENT TAXPAYERS as of 6/30/13

TAXPAYER	DUE
1 DECEW BARBARA	39,996.42
2 CARLSON DAVID E & MARGARET A	33,013.78
3 BRAGG CAROL	32,869.05
4 SAMUELS DAVID V JR & SHARON	23,142.08
5 BIDWELL VILLAGE LLC	21,735.00
6 DAYTON BIRGEL & ISABELLE M	19,779.15
7 GRAY RAYMOND S	19,387.53
8 HAYNARD JUNE E	18,401.35
9 A & A ASPHALT LLC	17,419.03
10 RYBA EDWARD J	16,598.98

# AUDITORS' REPORT

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## 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, 2013 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, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-3 through A-11 and the budgetary comparison information on pages A-43 through A-46 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 12, 2013

**TOWN OF COVENTRY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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, 2013. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

**Financial Highlights**

- Net position of the Town of Coventry's governmental activities increased by \$.3 million. This increase is attributable to an increase in tax revenue collections as a result of a tax sale, unanticipated FEMA reimbursements, acceptance of several roadways, and installation of football field lights.
- During the year, the Town had \$44.9 million in tax and other revenues for governmental programs (Table 2).
- Total cost of all of the Town's programs was \$44.6 million with no new programs added this year.
- The Town's total general obligation bonded debt decreased by \$1.5 million or 9%. The decrease was due to the annual payments made towards debt principal.
- The General Fund reports a GAAP fund balance this year of \$4,760,615 less an assigned balance for encumbrances of \$637,789, a non-spendable balance of \$414,312, a restricted balance of \$40,054, a reserve for prepaid items and committed balance of \$2,363 for matching funds, leaving an unassigned fund balance of \$3,666,097. The Fiscal Management policy of the Town Council sets a target of fund balance at 10%. 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 9.84%.
- The State of Connecticut contributed \$2,425,632 on behalf of Coventry certified staff to the teachers' retirement fund. This amount is reflected in both expenditures and revenues.

**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, are 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**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Current assets	\$ 18,585,373	\$ 17,304,327
Capital assets, net of accumulated depreciation	117,600,613	119,255,338
Total assets	<u>136,185,986</u>	<u>136,559,665</u>
Long-term liabilities outstanding	25,717,553	27,343,797
Other liabilities	2,531,245	1,586,572
Total liabilities	<u>28,248,798</u>	<u>28,930,369</u>
Net Position:		
Net investment in capital assets	95,361,924	95,163,804
Restricted	3,536	3,562
Unrestricted	<u>12,571,728</u>	<u>12,461,930</u>
Total Net Position	<u>\$ 107,937,188</u>	<u>\$ 107,629,296</u>

Overall, net position increased by \$.3 million or .29% over the prior year net position, as adjusted (\$107.9 million compared to \$107.6 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 \$12.462 million at June 30, 2012 to \$12.572 million at the end of this year. The largest portion of the Town of Coventry's net position (\$95.4 million or 88%) 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 \$307,892 as outlined in Exhibit II is due to an increase in the value of current assets and a reduction in long-term liabilities.
- Capital assets decreased during the fiscal year because depreciation exceeded the additions. Current assets increased 1.3 million. Current assets consist of all but the capital assets found in Exhibit I. The increase is due to higher cash balances of .4 million, as a result of better than expected tax collections, an improving real estate market, and unanticipated FEMA reimbursements.
- Long-term and other liabilities decreased because no new bonds were issued during the year, and the annual debt service payment of 1.8 million was made against debt principal.
- Bonds, Bond premium, interest, capital leases, net pension obligation, and the Landfill Postclosure Liability all declined. These decreases offset the increase to the Net Other Post Employment Benefit Obligation and compensated absences.

**TABLE 2  
CHANGE IN NET POSITION**

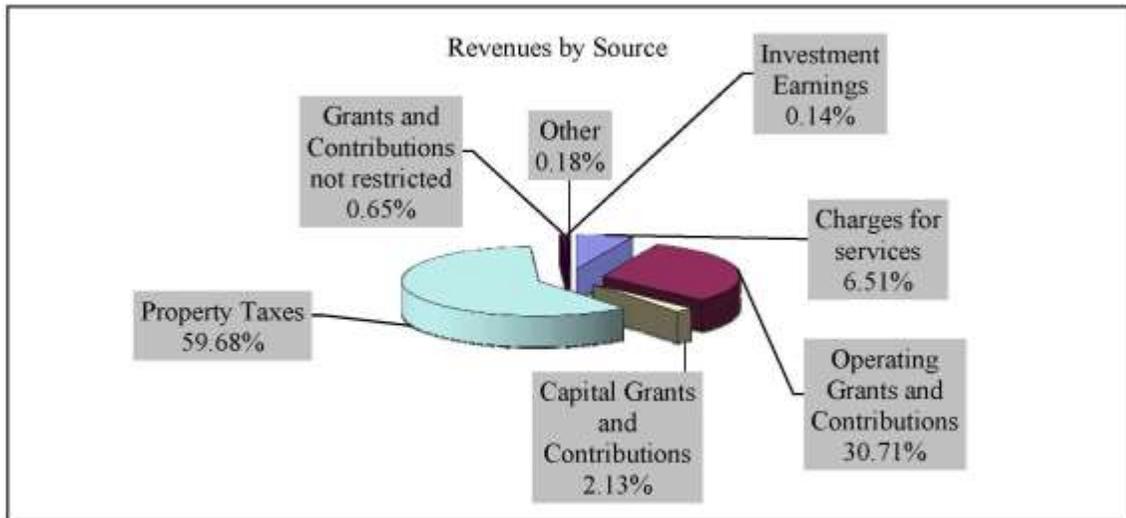
	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Revenues:		
Program revenues:		
Charges for services	\$ 2,922,254	\$ 3,057,652
Operating grants and contributions	13,786,749	13,573,801
Capital grants and contributions	956,970	2,874,151
General revenues:		
Property taxes	26,794,847	26,656,212
Grants and contributions not restricted to specific purposes	293,912	338,568
Unrestricted investment earnings	61,357	89,170
Other general revenues	81,861	30,810
Total revenues	44,897,950	46,620,364
Expenses:		
General government	1,984,348	1,986,777
Public safety	3,283,643	3,407,329
Public works	6,662,087	6,120,802
Human services	413,873	456,821
Culture and recreation	836,915	782,877
Sundry		
Education	30,666,316	32,255,787
Debt service	742,876	851,390
Total expenses	44,590,058	45,861,783
Increase in Net Position	307,892	758,581
Net Position July 1	107,629,296	106,870,715
Net Position June 30	\$ 107,937,188	\$ 107,629,296

**Revenues**

The Town's total revenues were \$44.9 million. Major revenue changes include the following:

- Program revenues: Charges for services declined by .1 million or 5% due to a reduction in CBDG funding. Operating grants and contributions increased by .2 million or 1% due to an increase in education funding. Capital grants and contributions declined by 1.9 million or 67% due to the completion of the construction of the North Coventry Fire Station, the Public Works Garage and the School roofing project.
- General revenues: Property taxes increased over the previous year by .1 million. A tax sale was held generating higher than normal payments. Grants declined reflecting lower award levels and investment earnings also declined reflecting the lower interest rates available.

The following chart shows the breakdown of revenues by source:



### Expenditures

The total cost of all programs and services was \$44.6 million. The following is an explanation of the major changes:

- Net OPEB liability increased by \$423,000.
- Education expenditures decreased by \$1,589,471 reflecting completion of the school roof building project in the prior year.
- Public Safety decreased by \$123,686 following the completion of the North Coventry Fire House in FY 2012.
- Public Works increased by \$541,285 over the prior year primarily due to an increase in expenditures from Town Aid and LoCIP funds. In addition, snow removal expenditures were more than double the FY 2012 levels.
- Human Services decreased by \$42,948 due to reduced CDBG expenditures.
- Civic and Cultural increased by \$54,038. In addition to some major capital repairs in the parks, the Town of Coventry celebrated its 300<sup>th</sup> anniversary in 2012 and many activities were planned and sponsored.

The following chart shows expenditures by function:

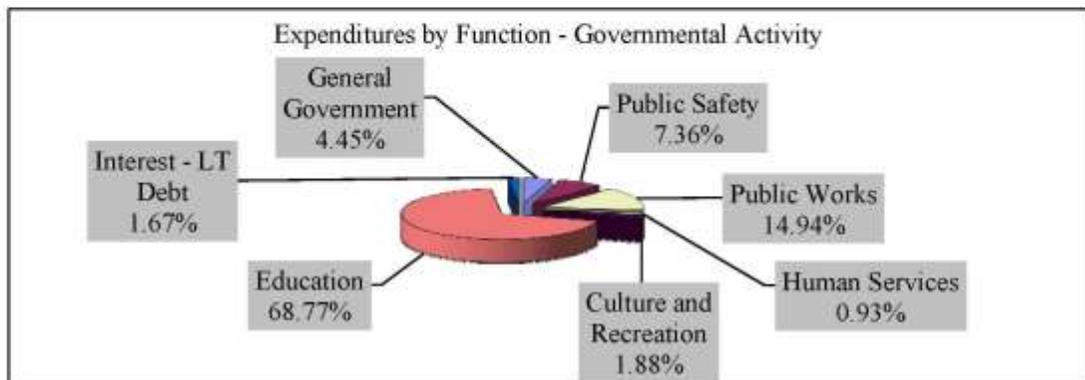


Table 3 presents the cost of each of the Town's programs - general government, public safety, public works, human services, culture and recreation, education and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial 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 program is 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 27% 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General government	\$ 1,984,348	\$ 1,986,777	\$ (1,436,626)	\$ (1,535,877)
Public safety	3,283,643	3,407,329	(3,235,751)	(2,928,222)
Public works	6,662,087	6,120,802	(4,036,833)	(3,080,933)
Human services	413,873	456,821	(331,156)	(95,561)
Culture and recreation	836,915	782,877	(551,553)	(457,360)
Education	30,666,316	32,255,787	(16,589,290)	(17,406,836)
Debt service	742,876	851,390	(742,876)	(851,390)
<b>Total</b>	<b>\$ 44,590,058</b>	<b>\$ 45,861,783</b>	<b>\$ (26,924,085)</b>	<b>\$ (26,356,179)</b>

## **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 \$8.1 million, which is an increase from last year's total of \$7.4 million. The changes are explained as follows:

- General Fund balance increased \$897,660 a 23% increase over last year's balance. Revenues exceeded budget estimates due to higher than anticipated tax collections and an unanticipated FEMA reimbursement. Expenditures were less than appropriated.
- Sewer Assessment fund balance decreased \$172,124 or 21%. 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 \$23,907 or 240%. This fund uses grant monies to support its projects and only spends funds on hand.
- Capital Projects fund balance decreased by \$127,214 or 13%. No major projects are currently active. The Pucker Street Bridge is the only project currently approved for bonding by the voters.
- Non-major Governmental Funds fund balance increased \$61,717 or 3.6%. The major changes were as follows: Town Aid Road spent all funds received plus last year allocation and fund balance decreased by 38%. Food bank increased by 5.9%. Tri-Centennial decreased by 37% to pay for the planned community celebrations. Miscellaneous Highway funds increased by 18% because revenues exceeded expenditures. Police Special Services decreased by 49% reflecting a drop in special duty jobs. COVRRRA fund balance increased by 5%. Recreation fund balance decreased by 45% due to a drop in beach and gate attendance. The Sewer Operating fund balance decreased by 4.7% as work continued on several major maintenance projects to improve the sewer infrastructure. Historic Preservation decreased by 18.8% as projects were completed. Education User fees decreased by 66% as several projects were completed. Land Acquisition increased by 119% due to a large transfer of funds by the Town Council from General Fund balance at year end.

The most significant expenditures were:

Summer Road Program	\$	468,989
Gym Floor Replacement		138,396
School Roofs		105,081
Public Works Garage		87,321
Football Field Lighting		96,163
North Coventry Fire Station		59,423
Miller Richardson Fields		55,232
Laidlaw Park		45,475
Police Cruiser		38,723

### **General Fund Budget Highlights**

Overall, revenues exceeded final budget appropriation by \$932,408. Tax revenues were higher by \$485,894 due to the tax sale for real property. Intergovernmental revenue was higher by \$226,524 because State revenues which had been cut from the preliminary state budget were restored. Local Revenues for building permit, conveyance tax and Town Clerk office revenues exceeded budget projections. Miscellaneous revenue exceeded the budget by \$152,768 primarily due to FEMA reimbursements.

Expenditures were within budget authorization. Throughout the fiscal year the Town Council approved appropriation increases of \$298,325 split between \$50,000 from unanticipated education revenues and transfers, and \$248,325 for General Fund appropriation increases. Appropriations were increased for advertising expense, funding a school building code study, a study of the Wangumbaug Lake dam, transfers to the capital projects and land acquisition funds and a study of the volunteer fire department structure. Actual budgetary expenditures of \$37,340,246 were under the final budget appropriation by \$197,008.

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2013, the Town had \$117.6 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 \$1.7 million, or 1.4%, over last year.

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

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Land	\$ 1,782,026	\$ 1,932,026
Buildings	39,123,100	39,831,266
Improvements other than buildings	1,725,181	1,723,331
Equipment	2,783,031	2,794,136
Infrastructure	72,082,482	71,766,900
Construction in progress	104,793	1,207,679
<b>Total</b>	<b>\$ 117,600,613</b>	<b>\$ 119,255,338</b>

This year's major additions included:

- North Coventry Fire Station
- Police Cruisers (2)
- Pickup Trucks (2)
- Miller Richardson Football field
- Football Field Lights
- Police department Livescan booking machine
- 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, 2013, the Town had \$15,140,000 in general obligation bonds outstanding versus \$16,595,000 last year - a decrease of \$1,455,000. Clean Water Fund Loans of \$6,727,770 show a reduction of \$412,330 from the last fiscal year balance of \$7,140,100.

The Town's general obligation bond rating was affirmed as Aa3 in March 2012. The Town has held this 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 7 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 2014 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 by OPM are \$2,055 compared to the state average of \$2,511. Education spending per pupil is \$12,884 while the state average is \$13,944.

The budget process considered the proposed restructuring of State aid to municipalities, an uncertain real estate market, the low interest rate environment, unemployment rates and general taxpayer anxiety when adopting the General Fund budget for 2013-14. The final proposed budget had a 3.71% increase for General Government, 4.34% for Education, an 8.38% decrease for Capital and a 4.13% decrease for Debt Service. The adopted budget General Fund budget is \$38,462,213. The property tax revenue increase needed was 4.8% from the previous year to fund this budget. The mil rate increased from 27.0 to 27.97. The budget was approved by the voters at the first referendum.

The Town will use budget revenues to finance programs currently offered. No new programs are proposed. The adopted budget for 2013-14 includes no transfer of funds from fund balance to offset expenditures. Council policy has established a goal for fund balance of 10% of expenditures. Current fund balance is 9.84%. No transfer from fund balance is recommended.

### **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, 2013

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 9,090,733
Investments	502,941
Receivables, net	7,858,310
Inventory	12,163
Prepaid items	414,312
Advance to plan administrator	558,288
Deferred charges	148,626
Capital assets not being depreciated	1,886,819
Capital assets being depreciated, net of accumulated depreciation	115,713,794
Total assets	<u>136,185,986</u>
Liabilities:	
Accounts payable and accrued liabilities	1,632,123
Unearned revenue	899,122
Noncurrent liabilities:	
Due within one year	2,159,911
Due in more than one year	23,557,642
Total liabilities	<u>28,248,798</u>
Net Position:	
Net investment in capital assets	95,361,924
Restricted for:	
Trust purposes - nonexpendable	1,524
Trust purposes - expendable	2,012
Unrestricted	<u>12,571,728</u>
Total Net Position	<u>\$ 107,937,188</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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,984,348	\$ 527,006	\$ 20,716	\$	(1,436,626)
Public safety	3,283,643	41,738	6,154		(3,235,751)
Public works	6,662,087	1,643,468	78,753	903,033	(4,036,833)
Human services	413,873	12,636	70,081		(331,156)
Culture and recreation	836,915	270,101	15,261		(551,553)
Education	30,666,316	427,305	13,595,784	53,937	(16,589,290)
Interest on long-term debt	742,876				(742,876)
<b>Total</b>	<b>\$ 44,590,058</b>	<b>\$ 2,922,254</b>	<b>\$ 13,786,749</b>	<b>\$ 956,970</b>	<b>(26,924,085)</b>
General revenues:					
Property taxes					26,794,847
Grants and contributions not restricted to specific programs					293,912
Unrestricted investment earnings					61,357
Miscellaneous					81,861
Total general revenues					<u>27,231,977</u>
Change in net position					307,892
Net Position at Beginning of Year					<u>107,629,296</u>
Net Position at End of Year					<u>\$ 107,937,188</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>General</u>	<u>Sewer Assessment</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,318,994	\$ 271,800	\$ 33,895	\$ 1,639,477	\$ 2,471,191	\$ 8,735,357
Investments	124,493	375,507			2,941	502,941
Receivables, net	1,136,831	4,044,405	2,148,486	57,858	470,730	7,858,310
Other	414,312					414,312
Inventories					12,163	12,163
<b>Total Assets</b>	<b>\$ 5,994,630</b>	<b>\$ 4,691,712</b>	<b>\$ 2,182,381</b>	<b>\$ 1,697,335</b>	<b>\$ 2,957,025</b>	<b>\$ 17,523,083</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts and other payables	\$ 266,242			\$ 34,717	\$ 164,681	\$ 465,640
Deferred revenue	967,773	4,044,405	2,148,486	90,698	1,002,017	8,253,379
Other liabilities				720,000		720,000
<b>Total liabilities</b>	<b>1,234,015</b>	<b>4,044,405</b>	<b>2,148,486</b>	<b>845,415</b>	<b>1,166,698</b>	<b>9,439,019</b>
<b>Fund balances:</b>						
Nonspendable	414,312				13,687	427,999
Restricted	40,054	647,307	33,895	1,082,879	212,074	2,016,209
Committed	2,363				1,564,566	1,566,929
Assigned	637,789					637,789
Unassigned	3,666,097			(230,959)		3,435,138
<b>Total fund balances</b>	<b>4,760,615</b>	<b>647,307</b>	<b>33,895</b>	<b>851,920</b>	<b>1,790,327</b>	<b>8,084,064</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,994,630</b>	<b>\$ 4,691,712</b>	<b>\$ 2,182,381</b>	<b>\$ 1,697,335</b>	<b>\$ 2,957,025</b>	<b>\$ 17,523,083</b>

(Continued on next page)

## TOWN OF COVENTRY, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 8,084,064
--	--------------

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

Governmental capital assets	\$ 157,185,083	
Less accumulated depreciation	<u>(39,584,470)</u>	
Net capital assets		117,600,613

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

Property tax receivables greater than 60 days	691,870
Interest receivable on property taxes	136,602
Assessments receivable	4,044,405
Sewer use receivable	88,773
Mortgage loans	2,148,486
Bond issuance costs	148,626
COVRRRA receivables	244,121

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.

698,207

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(21,867,770)
Interest payable on bonds and notes	(231,026)
Compensated absences	(981,065)
Capital lease	(119,819)
Bond premium	(352,027)
Net pension obligation	(23,493)
Net other post employment benefit obligation	(2,253,206)
Deferred charges on refunding	100,927
Landfill postclosure liability	<u>(221,100)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 107,937,188</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, 2013**

	<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>
<b>Revenues:</b>						
Property taxes	\$ 27,323,143	\$	\$	\$	\$	\$ 27,323,143
Intergovernmental	12,829,292		30,000	27,505	1,510,329	14,397,126
Charges for services	548,530	512,967	44,828	8,772	2,154,134	3,269,231
Investment earnings	45,070	261		3,844	10,542	59,717
Miscellaneous				13,580	82,732	96,312
Total revenues	<u>40,746,035</u>	<u>513,228</u>	<u>74,828</u>	<u>53,701</u>	<u>3,757,737</u>	<u>45,145,529</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	1,389,972				38,993	1,428,965
Public safety	2,169,523				11,330	2,180,853
Public works	2,024,501				1,696,459	3,720,960
Human services	228,929		50,921		36,478	316,328
Culture and recreation	443,127				358,565	801,692
Insurance and sundry	2,282,645					2,282,645
Education	28,131,806				1,608,782	29,740,588
Debt service	2,798,038					2,798,038
Capital outlay	639,316			446,654	105,544	1,191,514
Total expenditures	<u>40,107,857</u>	<u>-</u>	<u>50,921</u>	<u>446,654</u>	<u>3,856,151</u>	<u>44,461,583</u>
Excess (Deficiency) of Revenues over Expenditures	<u>638,178</u>	<u>513,228</u>	<u>23,907</u>	<u>(392,953)</u>	<u>(98,414)</u>	<u>683,946</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	692,028			265,739	166,807	1,124,574
Transfers out	(432,546)	(685,352)			(6,676)	(1,124,574)
Total other financing sources (uses)	<u>259,482</u>	<u>(685,352)</u>	<u>-</u>	<u>265,739</u>	<u>160,131</u>	<u>-</u>
Net Change in Fund Balances	897,660	(172,124)	23,907	(127,214)	61,717	683,946
Fund Balances at Beginning of Year	<u>3,862,955</u>	<u>819,431</u>	<u>9,988</u>	<u>979,134</u>	<u>1,728,610</u>	<u>7,400,118</u>
Fund Balances at End of Year	<u>\$ 4,760,615</u>	<u>\$ 647,307</u>	<u>\$ 33,895</u>	<u>\$ 851,920</u>	<u>\$ 1,790,327</u>	<u>\$ 8,084,064</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, 2013**

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)	\$ 683,946
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	512,400
Depreciation expense	(2,588,284)
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.	626,854
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.	(205,695)
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:	
Property tax receivable - accrual basis change	(349,964)
Property tax interest and lien revenue - accrual basis change	(178,332)
Sewer use and assessment receivable - accrual basis change	(343,106)
Loans and other receivables - accrual basis change	(32,192)
Amortization of bond premiums	30,591
Other receivables	27,521
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 issuance costs, 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	1,867,330
Capital lease payments	129,689
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	(8,155)
Accrued interest	54,524
Amortization of deferred charge on refunding	(10,603)
Amortization of issuance costs	(16,369)
Net other post employment benefit expense	(423,000)
Net pension expense	20,292
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.	490,345
Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 307,892</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF COVENTRY, CONNECTICUT

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

	<u>Governmental Activities Internal Service Funds</u>
Assets:	
Current:	
Cash and cash equivalents	\$ 355,376
Advance to plan administrator	<u>558,288</u>
Total Assets	<u>913,664</u>
Liabilities:	
Claims Payable	<u>215,457</u>
Net Position:	
Unrestricted	<u>\$ 698,207</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, 2013**

	<u><b>Governmental Activities Internal Service Funds</b></u>
Operating Revenues:	
Employer contributions	\$ <u>5,379,870</u>
Operating Expenses:	
Administrative expense	548,634
Employee benefits	<u>4,342,531</u>
Total operating expenses	<u>4,891,165</u>
Operating Income	<u>488,705</u>
Nonoperating Revenue:	
Investment income	<u>1,640</u>
Change in Net Position	490,345
Net Position at Beginning of Year	<u>207,862</u>
Net Position at End of Year	<u>\$ <u>698,207</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Governmental            Activities</b> <hr style="border: 0.5px solid black;"/> <b>Internal            Service Funds</b> <hr style="border: 0.5px solid black;"/>
Cash Flows from Operating Activities:	
Cash received from users	\$ 5,379,870
Cash payments to providers of benefits	(5,233,996)
Net cash provided by operating activities	<hr style="border: 0.5px solid black;"/> 145,874
Cash Flows from Investing Activities:	
Investment income	<hr style="border: 0.5px solid black;"/> 1,640
Net Increase in Cash and Cash Equivalents	147,514
Cash and Cash Equivalents at Beginning of Year	<hr style="border: 0.5px solid black;"/> 207,862
Cash and Cash Equivalents at End of Year	\$ <hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 355,376
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 488,705
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in advance to plan administrator	(558,288)
Increase in claims payable	<hr style="border: 0.5px solid black;"/> 215,457
Net Cash Provided by Operating Activities	\$ <hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 145,874

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

JUNE 30, 2013

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
Assets:		
Cash and cash equivalents	\$ 2,648	\$ 1,027,207
Investments - mutual funds	<u>10,535,533</u>	<u>                    </u>
Total Assets	<u>10,538,181</u>	<u>\$ 1,027,207</u>
Liabilities:		
Due to Others	<u>                    </u>	<u>\$ 1,027,207</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 10,538,181</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

Additions:	
Contributions:	
Employer	\$ 1,097,988
Plan members	198,315
Total contributions	<u>1,296,303</u>
Investment income:	
Net investment income	1,171,688
Total additions	<u>2,467,991</u>
Deductions:	
Benefits	735,838
Administration	59,702
Total deductions	<u>795,540</u>
Change in Net Position	1,672,451
Net Position at Beginning of Year	<u>8,865,730</u>
Net Position at End of Year	<u>\$ 10,538,181</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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.

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 \$210,827 has been established as an allowance for uncollectible taxes. At June 30, 2013, this represents 20.24% 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.

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. Unearned/Deferred Revenue**

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

#### **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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

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.

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 motion and this motion is passed by the Council, prior to the end of the fiscal year. Once adopted, the limitation imposed by the motion remains in place until a similar action is taken (the adoption of another motion) to remove or revise the limitation.

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes 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.

## **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.

- 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 \$298,325, of which \$248,325 came from fund balance and \$50,000 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.

**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*, \$6,838,966 of the Town's bank balance of \$8,631,192 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,080,069
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>758,897</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 6,838,966</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, 2013, the Town's cash equivalents amounted to \$2,142,196. 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><b>Standard &amp; Poor's</b></u>
State Short-Term Investment Fund (STIF)	AAAm

**B. Investments**

Investments as of June 30, 2013 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Year</u>
Interest-bearing investments:		
Certificates of deposit	\$ 500,000	\$ 500,000
Other investments:		
Common stock	2,941	
Pooled open-end mutual fund accounts:		
Pension investments held by administrator	<u>10,535,533</u>	
Total	<u>\$ 11,038,474</u>	

*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, 2013, the Town had \$2,941 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	\$ 394,046	\$	\$	\$	\$	\$ 394,046
Taxes	1,041,783					1,041,783
Accounts	169,273				336,694	505,967
Intergovernmental				57,858	134,036	191,894
Special assessments		4,044,405				4,044,405
Loans			2,148,486			2,148,486
Gross receivables	<u>1,605,102</u>	<u>4,044,405</u>	<u>2,148,486</u>	<u>57,858</u>	<u>470,730</u>	<u>8,326,581</u>
Less allowance for uncollectibles:						
Taxes	(210,827)					(210,827)
Delinquent interest	<u>(257,444)</u>					<u>(257,444)</u>
Net Total Receivables	<u>\$ 1,136,831</u>	<u>\$ 4,044,405</u>	<u>\$ 2,148,486</u>	<u>\$ 57,858</u>	<u>\$ 470,730</u>	<u>\$ 7,858,310</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 691,870	\$
Interest on delinquent property taxes	136,602	
Advanced collections on taxes		113,666
Sewer operating receivable	88,773	
Special assessments not yet due	4,044,405	
Grant drawdowns prior to meeting all eligibility requirements		676,456
Loans receivable	2,148,486	
Unearned program revenues		91,345
Other unearned amounts		17,655
COVRA receivables	<u>244,121</u>	
	<u>\$ 7,354,257</u>	<u>\$ 899,122</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,932,026	\$	\$ (150,000)	\$	\$ 1,782,026
Construction in progress	1,207,679	38,084		(1,140,970)	104,793
Total capital assets not being depreciated	<u>3,139,705</u>	<u>38,084</u>	<u>(150,000)</u>	<u>(1,140,970)</u>	<u>1,886,819</u>
Capital assets being depreciated:					
Buildings	51,707,710	146,744	(97,001)		51,757,453
Improvements other than buildings	1,849,980	55,232			1,905,212
Furniture and equipment	6,138,884	326,277	(10,790)		6,454,371
Infrastructure	93,467,341	572,917		1,140,970	95,181,228
Total capital assets being depreciated	<u>153,163,915</u>	<u>1,101,170</u>	<u>(107,791)</u>	<u>1,140,970</u>	<u>155,298,264</u>
Less accumulated depreciation for:					
Buildings	(11,876,444)	(803,693)	45,784		(12,634,353)
Improvements other than buildings	(126,649)	(53,382)			(180,031)
Furniture and equipment	(3,344,748)	(332,904)	6,312		(3,671,340)
Infrastructure	(21,700,441)	(1,398,305)			(23,098,746)
Total accumulated depreciation	<u>(37,048,282)</u>	<u>(2,588,284)</u>	<u>52,096</u>	<u>-</u>	<u>(39,584,470)</u>
Total capital assets being depreciated, net	<u>116,115,633</u>	<u>(1,487,114)</u>	<u>(55,695)</u>	<u>1,140,970</u>	<u>115,713,794</u>
Governmental Activities Capital Assets, Net	<u>\$ 119,255,338</u>	<u>\$ (1,449,030)</u>	<u>\$ (205,695)</u>	<u>\$ -</u>	<u>\$ 117,600,613</u>

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

Governmental Activities:	
General government	\$ 44,140
Public safety	193,719
Public works	1,731,842
Culture and recreation	50,467
Education	<u>568,116</u>
Total Depreciation and Amortization Expense - Governmental Activities	<u>\$ 2,588,284</u>

## 6. FUND BALANCES

The components of fund balances for the governmental funds at June 30, 2013 are as follows:

	<u>Major Funds</u>				<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Sewer Assessments</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>		
Fund balances:						
Nonspendable:						
Inventory	\$ 414,312				\$ 12,163	\$ 12,163
Prepaid items						414,312
Permanent fund principal					1,524	1,524
Restricted for:						
Sewer projects		647,307				647,307
Unspent grant balances			33,895		131,697	165,592
Special assessment project				1,082,879		1,082,879
Health insurance	40,054					40,054
Cemeteries					75,667	75,667
Police services					2,698	2,698
Permanent funds					2,012	2,012
Committed to:						
General government	2,363					2,363
Police services					5,404	5,404
Land acquisition					308,603	308,603
Recreation					54,278	54,278
Sewer					494,117	494,117
Trash					461,074	461,074
Foodbank					27,845	27,845
Highway projects					76,380	76,380
Food service					125,163	125,163
Education					11,702	11,702
Assigned to:						
Purchases on order	637,789					637,789
Unassigned	<u>3,666,097</u>			<u>(230,959)</u>		<u>3,435,138</u>
<b>Total Fund Balances</b>	<b><u>\$ 4,760,615</u></b>	<b><u>\$ 647,307</u></b>	<b><u>\$ 33,895</u></b>	<b><u>\$ 851,920</u></b>	<b><u>\$ 1,790,327</u></b>	<b><u>\$ 8,084,064</u></b>

Encumbrances of \$637,789, \$724,249 and \$223,294 at June 30, 2013 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.

## 7. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 consisted of the following:

	Transfers In			
	General Fund	Capital Projects	Nonmajor Governmental	Total
Transfers out:				
General Fund	\$	\$ 265,739	\$ 166,807	\$ 432,546
Sewer Assessment	685,352			685,352
Nonmajor governmental funds	6,676			6,676
	<u>\$ 692,028</u>	<u>\$ 265,739</u>	<u>\$ 166,807</u>	<u>\$ 1,124,574</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, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and loans payable:					
General obligation bonds	\$ 16,595,000	\$	\$ 1,455,000	\$ 15,140,000	\$ 1,570,000
Less deferred amounts:					
On refunding	(111,530)		(10,603)	(100,927)	
For issuance premiums	382,618		30,591	352,027	
Loans payable - Clean Water Fund	7,140,100		412,330	6,727,770	420,653
	<u>24,006,188</u>	-	<u>1,887,318</u>	<u>22,118,870</u>	<u>1,990,653</u>
Other liabilities:					
Capital leases	249,508		129,689	119,819	54,347
Landfill postclosure	241,200		20,100	221,100	20,100
Net OPEB obligation	1,830,206	423,000		2,253,206	
Net pension obligation	43,785		20,292	23,493	
Compensated absences	972,910	35,809	27,654	981,065	94,811
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 27,343,797</u>	<u>\$ 458,809</u>	<u>\$ 2,085,053</u>	<u>\$ 25,717,553</u>	<u>\$ 2,159,911</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.

## General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2013 is as follows:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2013
2002 Refunding Bonds	12/1/2002	2022	3.25%-4.9%	\$ 1,350,000	\$ 325,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	465,000	354,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	455,000	349,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	215,000	165,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	100,000	77,000
2010 Refunding Bonds Series A	2/9/2010	2025	1%-3.5%	2,500,000	1,300,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,438,000	1,917,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	57,000	30,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,105,000	1,883,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	270,000	70,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	2,605,000	1,740,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	1,200,000	895,000
2011 General Obligation	3/18/2011	2031	2-4.125%	3,350,000	2,920,000
2011 General Obligation	3/18/2011	2031	2-4.125%	1,600,000	1,440,000
2012 General Obligation	3/15/2012	2032	2.884%	1,675,000	1,675,000
					<u>\$ 15,140,000</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, 2013 of \$6,727,770 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, 2013:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,990,653	\$ 646,993	\$ 2,637,646
2015	1,889,143	587,695	2,476,838
2016	1,887,805	532,452	2,420,257
2017	1,891,642	471,034	2,362,676
2018	1,925,657	408,043	2,333,700
2019-2023	6,855,013	1,313,117	8,168,130
2024-2028	4,367,857	502,007	4,869,864
2029-2032	1,060,000	86,550	1,146,550
	<u>\$ 21,867,770</u>	<u>\$ 4,547,891</u>	<u>\$ 26,415,661</u>

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	\$ 61,482,620	\$ 6,232,000	\$ 55,250,620
Schools	122,965,241	8,959,000	114,006,241
Sewers	102,471,034	2,774,964	99,696,070
Urban renewal	88,808,229		88,808,229
Pension deficit	81,976,827		81,976,827

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$191,279,263.

Amounts above do not include \$349,000 of Water System Improvement bonds issued, which are excluded from the Town's statutory debt limit pursuant to Connecticut General Statutes.

### Capital Leases

A summary of assets acquired through capital leases is as follows as of June 30, 2013:

	<u>Governmental Activities</u>
Buildings	\$ 85,920
Machinery and equipment	568,141
Less accumulated amortization	<u>(238,132)</u>
	<u>\$ 415,929</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 56,705
2015	33,474
2016	<u>33,474</u>
Total minimum lease payments	123,653
Less amount representing interest	<u>(3,834)</u>
Present Value of Minimum Lease Payments	<u>\$ 119,819</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 \$221,100 over the next 11 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.

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, 2012, the date of the latest actuarial valuation:

Retired members	10
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members	<u>136</u>
Total	<u>174</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 funds invested are reported at fair value.

### 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, 2013, the Town contributed \$1,097,988 to the Plan.

### Annual Pension Cost and Net Pension Asset

The Town's net pension obligation as of June 30, 2013 and its annual pension cost for the year then ended are as follows:

Annual required contribution	\$ 1,079,026
Interest on net pension obligation	3,284
Adjustment to annual required contribution	<u>(4,614)</u>
Annual pension cost	1,077,696
Contributions made	<u>1,097,988</u>
Decrease in net pension obligation	(20,292)
Net pension obligation - beginning of year	<u>43,785</u>
Net Pension Obligation - End of Year	\$ <u>23,493</u>

### Additional Information and Actuarial Assumptions

Following is a summary of certain significant actuarial assumptions and other CERS information:

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	15 years, open
Asset valuation method	4-year phase-in gains/losses
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	3.0%
Cost of living adjustments	None

\* Includes inflation at 2.0%

### Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Actual Contribution
2013	\$ 1,077,696	101.9%	\$ 23,493	\$ 1,097,988
2012	1,091,291	116.2%	43,785	1,267,988
2011	1,030,887	110.6%	220,482	1,139,895

### Schedule of Funding Progress

Actuarial Valuation Date July 1.	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	\$ 8,980,090	\$ 12,112,910	\$ 3,132,820	74.1%	\$ 5,811,077	53.9%
2011	7,449,103	12,084,080	4,634,977	61.6%	6,183,478	75.0%
2010	6,286,971	11,260,273	4,973,302	55.8%	6,161,861	80.7%
2009	5,940,132	10,659,218	4,719,086	55.7%	5,707,527	82.7%
2008	6,376,577	9,631,610	3,255,033	66.2%	5,519,736	59.0%
2007	6,176,432	9,066,240	2,889,808	68.1%	5,335,878	54.2%

### Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2013	\$ 1,079,026	102%
2012	1,097,988	115%
2011	1,040,895	110%
2010	832,855	100%
2009	765,258	0%*
2008	736,564	107%

\* Note that the accounting of contributions was realigned with the valuation, resulting in \$-0- reported contribution even though the Town did not change its pattern of contributing.

### B. Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After 10 years of service, teachers are fully vested in the monthly pension benefit, which is payable at the age of 60. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual Town basis. For the year ended June 30, 2013, Town teachers contributed \$834,506 to the plan, and covered payroll for the year was \$11,576,547.

In accordance with the provisions of GASB Statement No. 24, the Town has reported on-behalf payments of \$2,425,632 made by the State of Connecticut into the plan as intergovernmental revenues and education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

The State of Connecticut Teachers Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's basic financial statements as a pension trust fund. Those financial statements may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

**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	36
Active plan members	<u>352</u>
Total	<u><u>388</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, age 62 and 10 years for nonsworn employees.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

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:

	<b><u>Post-Retirement Medical Program</u></b>
Annual required contribution (ARC)	\$ 587,000
Interest on net OPEB obligation	73,208
Adjustment to annual required contribution	<u>(73,208)</u>
Annual OPEB cost	587,000
Contributions made	<u>164,000</u>
Increase in net OPEB obligation	423,000
Net OPEB obligation, beginning of year	<u>1,830,206</u>
Net OPEB Obligation, End of Year	<u>\$ 2,253,206</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, 2013, 2012 and 2011 is presented below:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost (AOC)</u></b>	<b><u>Actual Contribution</u></b>	<b><u>Percentage of AOC Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/11	\$ 514,895	\$ 122,000	23.69%	\$ 1,406,123
6/30/12	551,083	127,000	23.05	1,830,206
6/30/13	587,000	164,000	27.94	2,253,206

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ -	\$ 7,476,232	\$ 7,476,232	0.00%	\$ 17,349,100	43%
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%

#### Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2010	\$ 675,132	\$ 166,561	25%
6/30/2011	512,000	122,000	24%
6/30/2012	549,000	127,000	23%
6/30/2013	587,000	164,000	28%

In the July 1, 2012 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 amortization period at July 1, 2012 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.

### 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, 2011, 2012 and 2013, 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>
2011-2012	\$ -	\$ 181,299	\$ 181,299	\$ -
2012-2013	-	187,633	187,633	-

### 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 5 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 year ended June 30, 2013 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>
2012-2013	\$ -	\$ 4,154,898	\$ 3,939,441	\$ 215,457

## 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.

## TOWN OF COVENTRY, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Property Taxes:</b>				
Current taxes	\$ 25,927,249	\$ 25,927,249	\$ 25,947,207	\$ 19,958
Delinquent taxes	460,000	460,000	723,121	263,121
Interest and penalties	250,000	250,000	425,946	175,946
Supplemental motor vehicles	200,000	200,000	226,869	26,869
Total property taxes	<u>26,837,249</u>	<u>26,837,249</u>	<u>27,323,143</u>	<u>485,894</u>
<b>Intergovernmental:</b>				
General Government:				
Elderly circuit breaker	66,000	66,000	57,901	(8,099)
Disability exemption	1,500	1,500	1,690	190
Grant in lieu of taxes	50,797	50,797	49,533	(1,264)
Veterans additional tax relief	7,700	7,700	7,223	(477)
Emergency Management Performance Grant	6,100	6,100	6,154	54
Telephone access grant	25,000	25,000	34,927	9,927
Youth services grant	14,500	14,500	14,511	11
Pequot State Property	51,086	51,086	49,635	(1,451)
Municipal revenue sharing	8,000	8,000	93,003	85,003
FEMA			74,316	74,316
Total general government	<u>230,683</u>	<u>230,683</u>	<u>388,893</u>	<u>158,210</u>
Education:				
Education cost sharing grant	8,911,633	8,911,633	8,951,443	39,810
Transportation	140,358	140,358	150,659	10,301
Adult education	11,515	11,515	11,758	243
Tuition		50,000	59,960	9,960
Total education	<u>9,063,506</u>	<u>9,113,506</u>	<u>9,173,820</u>	<u>60,314</u>
Investment Earnings	<u>50,000</u>	<u>50,000</u>	<u>45,070</u>	<u>(4,930)</u>
<b>Local Revenues:</b>				
Housing Authority PILOT	16,500	16,500	17,996	1,496
Finance:				
Insurance reimbursement and claims	26,238	26,238	26,238	-
Conveyance tax	60,000	60,000	83,858	23,858
Town clerk:				
Office receipts	85,000	85,000	111,279	26,279
Assessor:				
Copy charges	1,500	1,500	1,267	(233)

(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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Development/Planning:				
Zoning permits	\$ 10,000	\$ 10,000	\$ 10,875	\$ 875
Planning and zoning	2,000	2,000	4,106	2,106
Zoning board of appeals	1,000	1,000	1,628	628
Inland wetlands	1,500	1,500	3,125	1,625
Regulations and maps	1,000	1,000	338	(662)
Permits	100	100	72	(28)
Road inspection program	1,000	1,000		(1,000)
Building Department:				
Building permits	120,000	120,000	131,073	11,073
Fire inspection	1,500	1,500	1,615	115
Blasting permit	200	200	50	(150)
Penalty fees	100	100	700	600
Police Services:				
Warden receipts	1,200	1,200	1,168	(32)
Dog license	10,500	10,500	9,341	(1,159)
Fingerprinting	800	800	1,320	520
Local parking fines	300	300	805	505
Permits	3,000	3,000	7,745	4,745
Other	200	200	493	293
Municipal surcharge	2,000	2,000	4,835	2,835
Miscellaneous:				
Miscellaneous unanticipated			152,768	152,768
Rents	24,000	24,000	25,688	1,688
Total local revenues	<u>369,638</u>	<u>369,638</u>	<u>598,383</u>	<u>228,745</u>
Total revenues	<u>36,551,076</u>	<u>36,601,076</u>	<u>37,529,309</u>	<u>928,233</u>
Other Financing Sources:				
Transfers in:				
Sewer Assessment Fund	685,353	685,353	685,352	(1)
Police Special Services	2,500	2,500	6,676	4,176
Total other financing sources	<u>687,853</u>	<u>687,853</u>	<u>692,028</u>	<u>4,175</u>
Total Revenues and Other Financing Sources	<u>\$ 37,238,929</u>	<u>\$ 37,288,929</u>	<u>38,221,337</u>	<u>\$ 932,408</u>
Budgetary revenues are different from GAAP revenues because:				
Cancellation of prior year encumbrances are recognized as budgetary revenue			(49,853)	
Excess cost grants are netted for budgetary reporting			840,947	
State on-behalf payments			<u>2,425,632</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>\$ 41,438,063</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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>General Government:</b>				
Town Council	\$ 21,425	\$ 26,105	\$ 25,802	\$ 303
Town Manager	187,484	191,954	191,702	252
Finance Administration	116,340	116,560	115,487	1,073
Accounting	110,382	110,382	110,326	56
Tax Collector	108,715	112,695	109,146	3,549
Assessor	144,590	132,090	126,222	5,868
Assessment Appeals	625	625	544	81
Treasurer	22,790	23,390	23,144	246
Planning	132,387	113,756	111,960	1,796
Zoning Board of Appeals	22,322	22,292	16,201	6,091
Conservation	1,260	1,040	414	626
Economic Development	12,281	12,751	10,384	2,367
Regional grants	10,508	10,508	10,508	-
Inland Wetlands	41,873	43,510	39,137	4,373
Planning and Zoning Commission	1,650	5,352	4,693	659
Legal counsel	80,000	87,000	86,911	89
Probate court	4,407	4,407	4,406	1
Recording/licensing	150,518	154,018	153,016	1,002
Elections	46,390	46,390	33,567	12,823
Town Office building	71,810	81,875	79,352	2,523
Central services	61,250	61,250	50,886	10,364
Information technology	89,450	89,450	84,186	5,264
Total general government	<u>1,438,457</u>	<u>1,447,400</u>	<u>1,387,994</u>	<u>59,406</u>
<b>Public Safety:</b>				
Police Administration	168,634	170,539	169,438	1,101
Police Operations	1,139,283	1,145,982	1,137,423	8,559
Police supportive services	293,868	282,868	277,591	5,277
Police marine patrol	6,600	8,705	8,694	11
Police station	57,890	58,181	53,433	4,748
Fire Marshal	25,990	26,515	26,514	1
Coventry Volunteer Fire Association	143,080	140,080	134,086	5,994
North Coventry Volunteer Fire Department	106,920	108,907	108,907	-
Ambulance	9,150	9,150	9,144	6
N. Coventry substation	7,900	7,595	7,596	(1)
Joint Fire Budget	96,881	109,579	109,153	426
CVFA South Street Substation	12,330	15,330	13,153	2,177
Civil Emergency Preparedness	23,873	24,728	23,438	1,290
Animal Control	66,639	66,639	64,102	2,537
Total public safety	<u>2,159,038</u>	<u>2,174,798</u>	<u>2,142,672</u>	<u>32,126</u>
<b>Public Works:</b>				
Roads and drainage	528,857	495,110	493,580	1,530
Public works building	44,950	58,715	58,059	656
Snow removal	252,000	235,247	231,466	3,781
Facilities maintenance	233,342	234,126	223,685	10,441
Public works administration	232,198	233,729	227,495	6,234
Fleet maintenance	408,861	441,586	432,318	9,268
Street lights	41,400	41,900	40,766	1,134
Cemetery Commission	19,600	19,600	19,163	437
Tree Warden	20,000	21,195	21,045	150
Engineering	72,399	77,099	74,730	2,369
Building inspection	140,116	140,446	139,916	530
Building code	45	45	45	-
Health Department	56,160	56,165	56,163	2
Total public works	<u>2,049,928</u>	<u>2,054,963</u>	<u>2,018,431</u>	<u>36,532</u>

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**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, 2013**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Human Services:</b>				
Visiting nurses	\$ 2,500	\$ 3,000	\$ 2,847	\$ 153
Human services/general administration	170,876	167,501	163,785	3,716
Elderly services	65,646	69,021	62,057	6,964
Total human services	<u>239,022</u>	<u>239,522</u>	<u>228,689</u>	<u>10,833</u>
<b>Culture and Recreation:</b>				
Booth/Dimock Library	379,983	379,983	379,983	-
Parks and recreation, supervision	62,460	62,460	61,773	687
Memorial Day	3,175	3,175	1,376	1,799
Total culture and recreation	<u>445,618</u>	<u>445,618</u>	<u>443,132</u>	<u>2,486</u>
<b>Insurance and Sundry:</b>				
Municipal insurance	329,358	329,358	317,936	11,422
Pension/Social Security	1,075,305	1,075,305	1,042,232	33,073
Health insurance	889,498	889,498	889,128	370
Contingency	23,713	-	-	-
Claims and losses	20,000	31,800	31,030	770
Total insurance and sundry	<u>2,337,874</u>	<u>2,325,961</u>	<u>2,280,326</u>	<u>45,635</u>
Education	<u>24,965,931</u>	<u>25,015,931</u>	<u>25,011,221</u>	<u>4,710</u>
Capital Outlay	<u>567,586</u>	<u>597,586</u>	<u>595,697</u>	<u>1,889</u>
Debt Service	<u>2,803,386</u>	<u>2,803,386</u>	<u>2,798,038</u>	<u>5,348</u>
Total budgetary expenditures	<u>37,006,840</u>	<u>37,105,165</u>	<u>36,906,200</u>	<u>198,965</u>
<b>Other Financing Uses:</b>				
Transfers out:				
Matching funds	1,500	1,500	1,500	-
Park and recreation fund	34,850	34,850	34,850	-
Capital Projects	195,739	295,739	295,739	-
Highway fund	-	-	1,957	(1,957)
Land acquisition fund	-	100,000	100,000	-
Total other financing uses	<u>232,089</u>	<u>432,089</u>	<u>434,046</u>	<u>(1,957)</u>
Total	<u>\$ 37,238,929</u>	<u>\$ 37,537,254</u>	<u>37,340,246</u>	<u>\$ 197,008</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	(65,875)
Reserve for matching fund expenditures and transfers, net	(547)
Excess cost grants are netted for budgetary reporting	840,947
State on-behalf payments	<u>2,425,632</u>

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

\$ 40,540,403