



FINANCIAL

Above: Coventry participated in the “Donate Life” campaign for the third consecutive year during March of 2014. The purpose of the campaign is to encourage organ and tissue donation. L to R: Donate Life Representative Nancy Tyson-Alexander and Town Manager John Elsesser. Photo by Laura Stone.



*Beth Bauer,
Finance Director*

FINANCE DIVISION Annual Report 2014

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 6/30/2014

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 6/30/2013 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 six years. Annual audits, budget documents and other financial reports are available for review on the web at www.coventryct.org. Our goal is to provide information to the public in an understandable manner, and your feedback is welcomed. Please contact the Finance office at 742-3528, or e-mail comments directly to financedirector@coventryct.org. Anyone who would prefer a face to face conversation is welcome to call to make an appointment.

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

A third goal is to take steps to ensure financial stability. In the year ending 6-30-2014 we are able to report several very positive benchmarks. The fund balance for the General Fund of the Town increased to 10.9%, just over the Town Council goal of 10%. Next, the Pension Plan funded liability rose to 89.3%, 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 98.3%, an increase over the previous year of approximately .1% or \$100,000. This positive trend is an indication of good economic health for our residents.

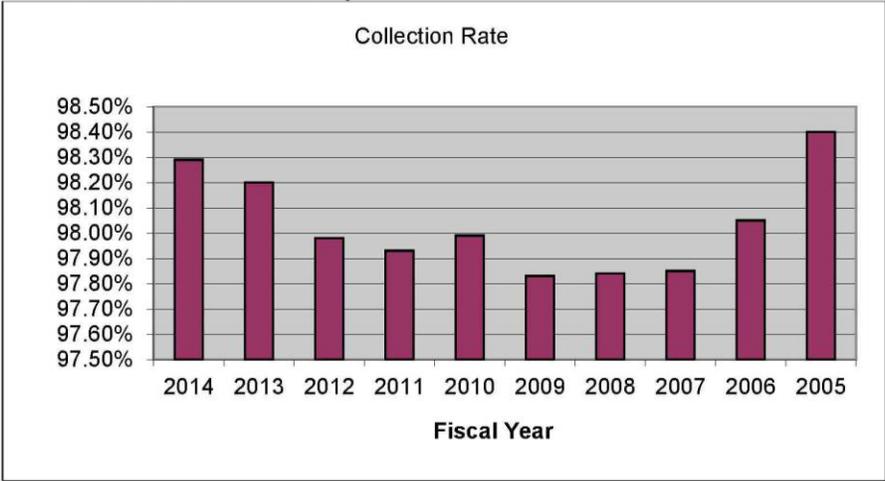
Finally, the Finance office strives to maintain an efficient, responsive and accountable operation. During the year several major change were made in our computer systems. The Tax and Assessing software was updated from a VMS based software product to a Windows based product. The new systems provide a seamless interface between the two offices eliminating duplicate entry of certificates of correction. In addition, the

Town Council was given iPads to use as a replacement for the paper agendas and distribution of materials. This initiative serves two purposes, allowing for faster communication and access to information for Town Council members, and also a cost savings as paper packets do not have to be duplicated, collated, and delivered.

General Overview

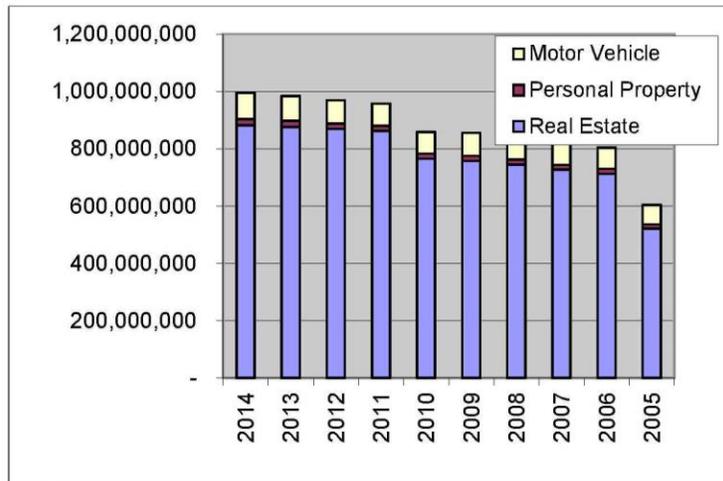
Revenue Collection – 860-742-4066

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 6/30/14, the percentage of current year property taxes collected was 98.29%. The collection of taxes provided 59% of the overall amount needed to support the services provided to the residents of Coventry.



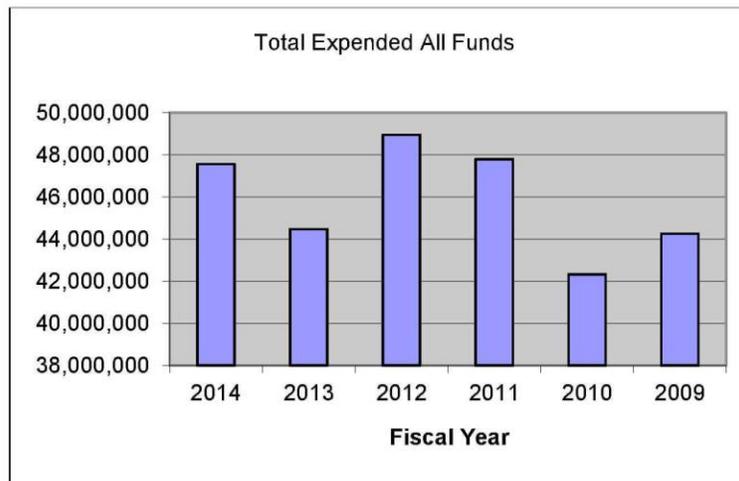
Assessor – 860-742-4067

The maintenance of property valuations and proper application of exemptions is performed by the office of the Assessor. The grand list valuations are the base upon which tax revenues are set and are revalued every 5 years. The last revaluation occurred on the grand list of 2009 which was the base for taxes in the fiscal year ending 6/30/10. The next revaluation will be completed with the 2014 grand list and will be the base for taxes collected in the fiscal year ending 6/30/16. 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.



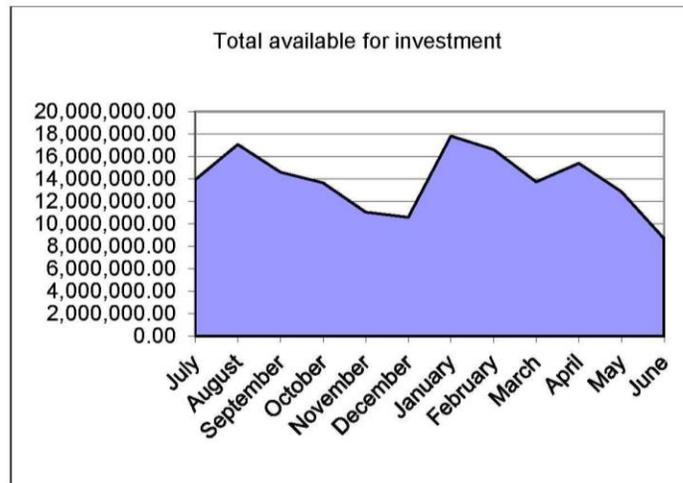
Accounting – 860-742-3528

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 6/30/2014 the total dollars expended was 47.6 million, an increase over the prior year of 3 million. This increase is primarily due to an increase of education funding of 1.5 million and an increase in capital spending of 1.3 million. The Chart below shows the total annual expenditures for the last six years.

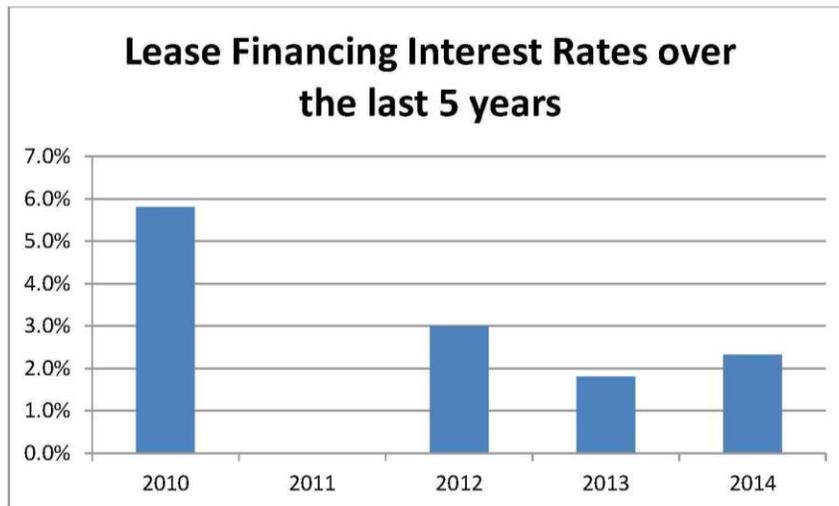


Treasurer – 860-742-3528

Investment of Town funds, maintenance of bank accounts, debt service and required reporting is managed by the Treasurer. Total funds available for investment each month ranged from 8.7 to 17.8 million during the last fiscal year. Interest rates available to the Town averaged .31% in the last fiscal year.



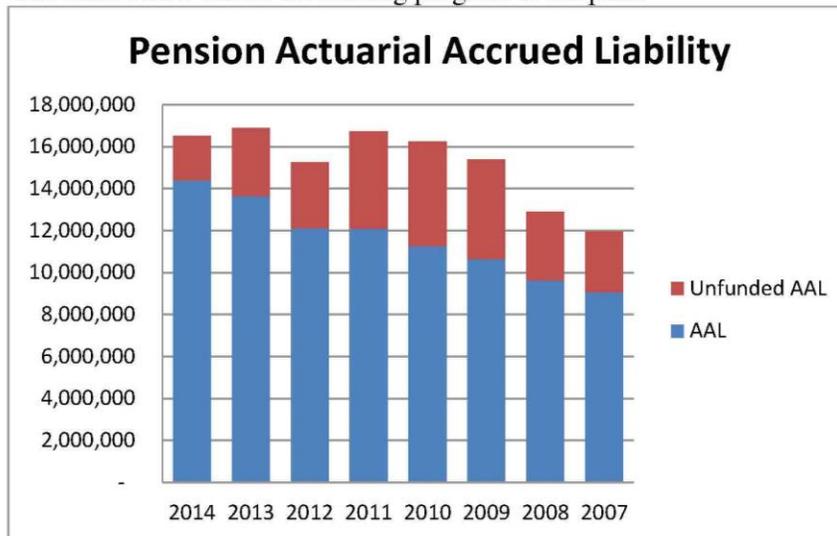
The Town did not sell bonds during the year. The Town entered into a 5 year lease financing for a Tool Cat and a large mower. Financing for these two pieces of machinery was obtained at a rate of 2.32%. The chart below shows the history of rates over the last 5 years. No financing was done in 2011.



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 6-30-2014 pensions were processed for 14 employees, 11 active and 3 deferred.

Pension assets are invested with a target of 60% in equities and 40% in fixed investments. The pension funding showed a reduction in unfunded liability, the plan now stands at 85%. The chart below shows the funding progress of the plan.



Information Technology – 860-742-3528

For the year ending 6-30-2014 the financial system of the general government of the Town of Coventry is maintained on a Windows 2008 server. The system supports distributed entry of data and most of the purchase orders created by departments are now entered directly. The Tax Collection and Assessors administrative systems are running on a Windows 2008 server. The computer assisted mass appraisal software used by the Assessor’s office for tracking real estate data is also running in the Windows environment. Network support is provided through an agreement with the town of South Windsor to provide advice, training, professional expertise and guidance to the staff of the Town of Coventry for our technology infrastructure.

TREASURER'S REPORT

Elizabeth E. Bauer, Treasurer

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

The rates earned on invested funds for the year ending 6/30/14 averaged .31% for the year. The rate of return reflects the low interest rates available from the investments available to a municipality in the State of Connecticut.

REVENUE RECEIVED
FROM
THE INVESTMENT OF GENERAL FUND MONIES:

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
2013-2014	42,424

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 2012 Grand List bills for Real Estate (6,369), Motor Vehicle (13,238) Personal Property (767), Supplemental Motor Vehicle (2,025), and COVRRRA (4,801) 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 (437) and Sewer Use (884) 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 \$2,970 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 Marshall 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.

Coventry held its second Tax Sale March 20, 2014. The process began in September with the top eighteen delinquent properties listed. Eleven properties had been redeemed by late February and removed from the sale. Two were redeemed the day before the sale and were also removed. The remaining five 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 COVENTRY COLLECTORS'S REPORT
 FISCAL YEAR 2013 - 2014
 COLLECTIONS THROUGH 30-JUN-2014

YEAR	BEGINNING			NET										COLLECTORS				TAXES		SUSPENSE BALANCE
	COLLECTIBLE	ADDITIONS	DEDUCTIONS	TO_SUSP	FROM_SUSP	COLLECTIBLE	TAKES	REFUNDS	INTEREST	LIEN	PENALTY	NEG BAL	TOTAL PAID	UNCOLLECTED	BALANCE					
2012	28,029,929.63	85,119.07	293,663.73	.00	.00	27,821,384.97	27,381,664.31	35,556.33	93,314.70	816.00	30.00	-9,758.19	27,475,825.01	475,276.99	.00					
2011	496,194.55	573.26	-3,441.46	.00	.00	493,326.35	316,775.05	-1,706.64	77,419.16	2,256.00	.00	-64.28	394,743.57	178,257.94	.00					
2010	237,860.71	232.28	-1,627.97	50,572.90	461.59	186,353.71	143,436.68	-723.87	52,289.45	1,392.00	.00	-41.99	196,394.26	43,640.90	50,111.31					
2009	101,583.52	.00	-590.61	11,476.43	3,616.06	93,132.54	64,030.80	-305.14	36,981.67	768.00	.00	.00	101,475.33	29,406.88	45,474.20					
2008	61,807.67	.00	-99.89	8,768.35	1,134.72	54,074.15	29,563.76	.00	22,485.80	408.00	.00	.00	52,457.56	24,510.39	56,954.41					
2007	29,335.41	.00	.00	2,327.27	2,517.69	29,525.83	8,153.60	.00	6,822.57	168.00	.00	.00	15,144.25	21,372.15	45,634.95					
2006	23,543.05	.00	.00	2,346.81	1,330.66	22,526.90	1,624.32	.00	2,325.62	72.00	.00	.00	4,021.94	20,902.58	42,774.25					
2005	19,602.52	.00	.00	3,290.13	22,892.65	3,340.47	3,340.47	.00	4,493.79	48.00	.00	.00	7,882.25	19,552.18	32,488.70					
2004	9,347.41	.00	.00	389.33	9,736.74	411.56	411.56	.00	2,720.66	24.00	.00	-6,137.53	3,156.22	9,325.18	36,320.88					
2003	11,741.89	.00	.00	641.02	12,382.90	1,862.00	1,862.00	.00	1,314.80	48.00	.00	-866.57	3,224.80	10,520.90	42,599.49					
2002	5,528.67	.00	.00	566.96	6,095.63	596.70	596.70	.00	1,136.97	24.00	.00	-5,026.99	1,757.67	5,498.93	33,716.48					
2001	532.43	.00	.00	367.17	899.60	394.93	394.93	.00	817.45	24.00	.00	-8,712.90	1,236.38	504.67	37,020.73					
2000	3,227.11	.00	.00	469.42	3,696.53	496.76	496.76	.00	1,090.71	24.00	.00	-3,956.02	1,611.47	3,199.77	35,764.39					
1999	-811.89	.00	.00	257.06	-554.83	257.06	257.06	.00	658.32	.00	.00	-4,942.23	915.38	-811.89	25,576.69					
1998	-5,065.02	.00	.00	186.50	-4,878.52	186.50	186.50	.00	515.25	.00	.00	-8,780.12	701.75	-5,065.02	20,235.85					
<hr/>																				
	29,024,357.65	85,924.61	-299,423.66	75,491.76	15,228.31	28,750,595.15	27,982,794.58	-38,291.98	304,386.91	6,072.00	30.00	-48,306.82	28,260,547.84	836,092.55	504,672.33					

Property Tax Collected by Linda Greenbacker, CCMC Tax Collector						
Collected During July 1, 2013 - June 30, 2014						
Paid to Beth Bauer, Treasurer, Town of Coventry						
		Property Tax	Interest	Liens & Costs	Total	
Grand List						
	1998	186.50	515.25	0.00	701.75	
	1999	257.06	658.32	0.00	915.38	
	2000	496.76	1,090.71	24.00	1,611.47	
	2001	394.93	817.45	24.00	1,236.38	
	2002	596.70	1,136.97	24.00	1,757.67	
	2003	1,862.00	1,314.80	48.00	3,224.80	
	2004	411.56	2,720.66	24.00	3,156.22	
	2005	3,340.47	4,493.78	48.00	7,882.25	
	2006	1,624.32	2,325.62	72.00	4,021.94	
	2007	8,153.68	6,822.57	168.00	15,144.25	
	2008	29,563.76	22,485.80	408.00	52,457.56	
	2009	64,030.80	36,981.67	768.00	101,780.47	
	2010	143,316.45	52,253.58	1,392.00	196,962.03	
	2011	315,884.33	77,219.12	2,256.00	395,359.45	
		570,119.32	210,836.30	5,256.00	786,211.62	
Current	2012	27,054,734.49	92,989.78	846.00	27,148,570.27	
Current SMV		239,180.70				
	Totals	27,864,034.51	303,826.08	6,102.00	28,173,962.59	
Current 110	6010	40211	27,054,734.49			
Delinquent		40212	570,119.32			
Int & Liens		40213	309,928.08			
SMV		40214	239,180.70			
			28,173,962.59			
Sewer Assess 205-7722	40211	442,739.69		Sewer User	40211	310,022.14
Interest, Liens, Per Diem	40213	36,590.99		Interest & Liens	40213	19,392.69
		479,330.68				329,414.83
COVRRRA				TAX ADVANCE		48,752.57
Current 218-7601	40211	919,910.59		Special Duty		26,248.62
Delinquent	40212	73,569.03				
Interest & Liens	40213	58,401.36				
		1,051,880.98				
		Total	\$30,109,590.27			

ASSESSOR'S OFFICE

Michael J. D'Amicol (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 town-wide revaluation for the October 1, 2014 Grand List.

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

The 2013 Grand List indicates 6,380 real property accounts, 776 personal property accounts, and 13,199 registered motor vehicles.

It is our responsibility to update the property cards when any changes occur. On the 2013 Grand List, there were numerous changes in both ownership and condition. Even though new home development has increased this year compared to last and our office has completed approximately 386 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.

2012 Adjusted Grand List

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

2013 Adjusted Grand List

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

The difference in last year's grand list equates to a .48 percent increase over the prior year.



Fiscal Year 12/13

Elderly Applications Processed	120
Tax Deferrals	13
Additional Veterans Applications	58
Building Permits	386
New Dwellings	23
Certificate of Correction + Prorates	820
Transfers	321
Reports Filed State, Local	50
Motor Vehicle Priced (Regular)	13,199
Motor Vehicle Priced (Supplemental)	2,249
Personal Property Added	-13
Farm, Forest, Open Space Applications	9
Disabled Applications Processed	65
Blind Applications Processed	2

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

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 1st thru May 15th 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.

The revaluation for the October 1, 2014 grand list is almost complete. We have measured 3,842 properties and inspected the interior of 2,826 of those. Data mailers were sent to the remainder of the properties ensuring the data we have for them is correct. Notices of change in assessment will be mailed sometime during the third week of November. We will be holding informal hearings in the beginning of December for those property owners who may have questions regarding their assessments. Valuation information will be available at the Vision Appraisal web site, <http://data.visionappraisal.com> and on the Town of Coventry's website www.coventryct.org. Information will also be posted in the Town Hall for public viewing.

Respectfully submitted,

Michael J. D'Amicol
Assessor
Town of Coventry

BOARD OF ASSESSMENT APPEALS

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

The Board of Assessment Appeals met September 18, 2013 to hear appeals for motor vehicles on the 2012 Grand List. A total of 34 cases were scheduled. Of those 34, 21 failed to appear. The remaining appeals resulted in 11 reductions and 2 denials. The total reduction for the September Board of Assessment Appeals was \$31,330.

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

The Board of Assessment Appeals also met the 5th and 8th of March of 2014 to hear appeals of the 2013 Grand List. A total of 16 cases were scheduled. The appeals resulted in 10 reductions and 6 denials. The total reduction for the March Board of Assessment Appeals was \$459,311.

Respectfully submitted,

Robert McMahon, Chairman

AUDITORS' REPORT

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BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Coventry, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Coventry, Connecticut, as of and for the year ended June 30, 2014, 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, 2014 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, the budgetary comparison information on pages A-44 through A-47, the schedule of changes in net pension liability and related ratios on page A-48, the schedule of employer contributions on page A-49, and the schedule of investment returns on page A-50 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 10, 2014

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014. 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 \$2.7 million. This increase is attributable to strong delinquent tax revenue collections, purchase of the Thorton Brook Preserve, acceptance of roads and open space conveyances, purchase of a Fire Rescue Truck, a skid steer w/ trailer, a dump truck and positive change in net pension expense.
- During the year, the Town had \$48.6 million in tax and other revenues for governmental programs (Table 2).
- Total cost of all of the Town's programs was \$45.8 million with no new programs added this year.
- The Town's total general obligation bonded debt decreased by \$1.6 million or 10%. The decrease was due to the annual payments made towards debt principal.
- The General Fund reports a GAAP fund balance this year of \$5,514,803 less an assigned balance for encumbrances of \$864,374, a non-spendable balance of \$413,375, a restricted balance of \$37,845, leaving an unassigned fund balance of \$4,199,209. 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 10.9%.
- The State of Connecticut contributed \$2,899,923 on behalf of Coventry certified staff to the teachers' retirement fund. This amount is reflected in both expenditures and revenues.
- A new fund was created by Town Council resolution in accordance with Connecticut State Statute #10-248a to provide funding resources for future Board of Education capital expenditures. The BOE requests and the Town Council authorizes up to 1% of the BOE unexpended funds for the fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Government-Wide Financial Analysis

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

**TABLE 1
NET POSITION**

	Governmental Activities	
	2014	2013
Current assets	\$ 18,270,818	\$ 18,585,373
Capital assets, net of accumulated depreciation	118,667,351	117,600,613
Total assets	<u>136,938,169</u>	<u>136,185,986</u>
Deferred charge on refunding	<u>90,768</u>	<u>100,927</u>
Long-term liabilities outstanding	24,752,961	25,818,480
Other liabilities	1,460,663	2,326,234
Total liabilities	<u>26,213,624</u>	<u>28,144,714</u>
Deferred inflows of resources	<u>137,759</u>	<u>205,011</u>
Net Position:		
Net investment in capital assets	97,824,048	95,361,924
Restricted	4,010	3,536
Unrestricted	<u>12,849,496</u>	<u>12,571,728</u>
Total Net Position	<u>\$ 110,677,554</u>	<u>\$ 107,937,188</u>

Overall, net position increased by \$2.7 million or 2.5% over the prior year net position, as adjusted (\$110.7 million compared to \$107.9 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 \$12.572 million at June 30, 2013 to \$12.85 million at the end of this year. The largest portion of the Town of Coventry's net position (\$97.8 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 \$2,740,366 as outlined in Exhibit II is due to an increase in the value of total assets and a reduction in long-term liabilities.
- Total assets increased during the fiscal year. Although current assets decreased by .3 million, capital assets net of depreciation increased by 1 million. Current assets are detailed in Exhibit I. The increase in capital assets is due to purchase and donation of land, purchase of several larger ticket items; a Rescue Truck, a large dump truck, skid steer w/trailer and a paving box.
- Long-term and other liabilities decreased because no new bonds were issued during the year, and the annual debt service payment of 2.2 million was made against debt principal.

- Bonds, Bond premium, interest, net pension obligation, and the Landfill Postclosure Liability all declined while Net Other Post Employment Benefit Obligation, capital leases and compensated absences increased.

**TABLE 2
CHANGE IN NET POSITION**

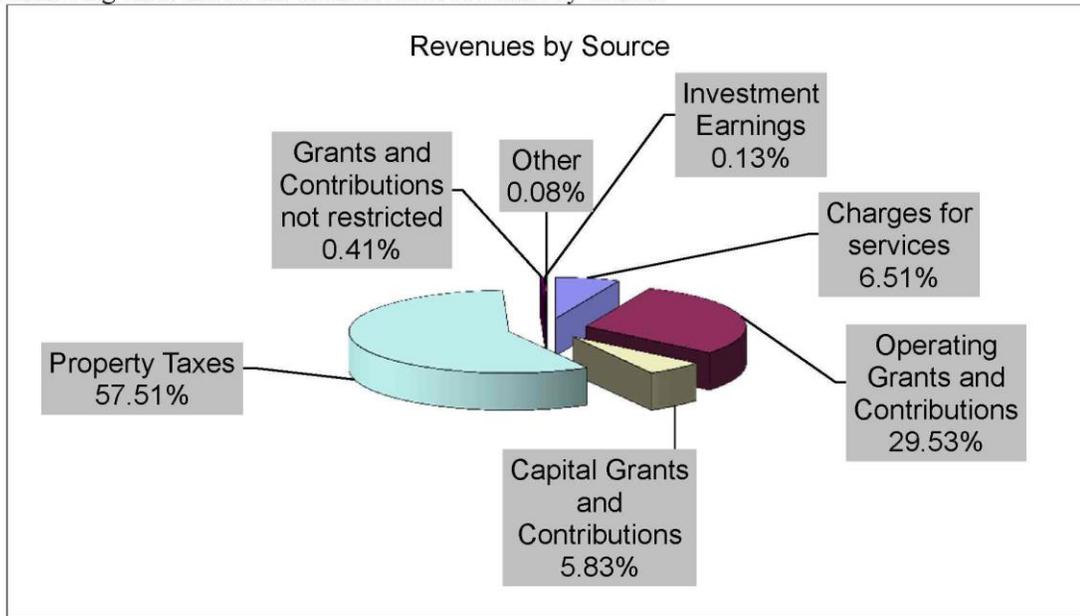
	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 3,163,016	\$ 2,922,254
Operating grants and contributions	14,342,879	13,786,749
Capital grants and contributions	2,829,999	956,970
General revenues:		
Property taxes	27,936,255	26,794,847
Grants and contributions not restricted to specific purposes	198,048	293,912
Unrestricted investment earnings	64,597	61,357
Other general revenues	40,087	81,861
Total revenues	<u>48,574,881</u>	<u>44,897,950</u>
Expenses:		
General government	1,858,886	1,984,348
Public safety	3,397,462	3,283,643
Public works	6,728,326	6,662,087
Human services	660,061	413,873
Culture and recreation	860,523	836,915
Education	31,847,323	30,666,316
Debt service	481,934	742,876
Total expenses	<u>45,834,515</u>	<u>44,590,058</u>
Increase in Net Position	2,740,366	307,892
Net Position July 1	<u>107,937,188</u>	<u>107,629,296</u>
Net Position June 30	<u>\$ 110,677,554</u>	<u>\$ 107,937,188</u>

Revenues

The Town's total revenues were \$48.6 million. Major revenue changes include the following:

- Program revenues: Charges for services increased by .2 million or 8% due to an increase in CDBG funding. Operating grants and contributions increased by .6 million or 4% due to an increase in education and CDBG funding. Capital grants and contributions increased by 1.9 million or 195% due to the purchase of land, acceptance of roads and open space, and the purchase of several large ticket trucks and other equipment.
- General revenues: Property taxes increased over the previous year by 1.1 million. The mil rate increased by 3.6% with grand list growth of 1.4%. A tax sale was held generating higher than expected delinquent collections. Grants declined reflecting lower award levels in the previous year, and investment earnings declined reflecting the low interest rate climate.

The following chart shows the breakdown of revenues by source:



Expenses

The total cost of all programs and services was \$45.8 million. The following is an explanation of the major changes:

- Net OPEB liability increased by \$386,395.
- Net Pension expense decreased by \$350,111.
- Capital Lease financing decreased by \$869,534.
- Education expenses increased by \$1,181,007 reflecting a 4.43% increase in budget appropriation.
- Overall budget increase for General Government at 3.71%.
- The contribution into the pension was the same as the year before.
- Human Services increased by \$246,188 due to increased CDBG expenses.

The following chart shows expenses by function:

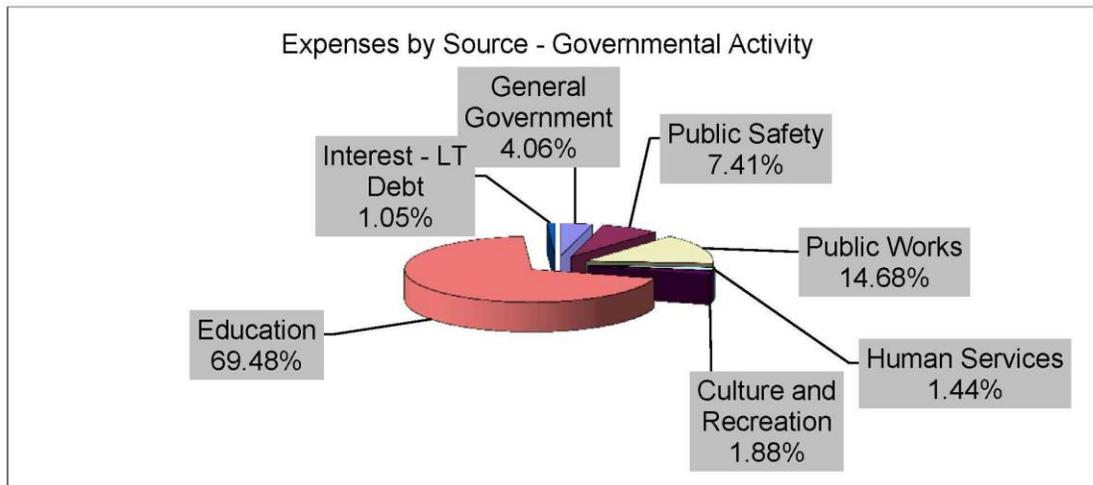


Table 3 presents the cost of each of the Town's programs - general government, public safety, public works, human services, culture and recreation, education and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial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

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

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

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

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

Culture and Recreation funds a grant to the Booth-Dimock Memorial Library and provides support for the full parks and recreation program. The General Fund provided 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General government	\$ 1,858,886	\$ 1,984,348	\$ (1,295,176)	\$ (1,436,626)
Public safety	3,397,462	3,283,643	(3,295,155)	(3,235,751)
Public works	6,728,326	6,662,087	(2,240,758)	(4,036,833)
Human services	660,061	413,873	(214,436)	(331,156)
Culture and recreation	860,523	836,915	(583,874)	(551,553)
Education	31,847,323	30,666,316	(17,387,288)	(16,589,290)
Debt service	481,934	742,876	(481,934)	(742,876)
Total	<u>\$ 45,834,515</u>	<u>\$ 44,590,058</u>	<u>\$ (25,498,621)</u>	<u>\$ (26,924,085)</u>

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 \$8.4 million, which is an increase from last year's total of \$8.1 million. The changes are explained as follows:

- General Fund balance increased \$754,188 a 15% increase over last year's balance. Revenues exceeded budget estimates due to higher than anticipated tax collections, higher than estimated state revenues and very strong building permit and housing sales. Expenditures were less than appropriated.
- Sewer Assessment fund balance decreased \$169,390 or 26%. 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 decreased \$8,642 or 25%. This fund uses grant monies to support its projects and only spends funds on hand.
- Capital Projects fund balance decreased by \$314,791 or 37%. No major projects are currently active. The Pucker Street Bridge is the only project currently approved for bonding by the voters. There was active donation of roads and open space during the year.
- Non-major Governmental Funds fund balance increased \$32,705 or 1.8%. The major changes were as follows: Town Aid Road increased by 21%. Cemetery commission increased by 9.8%. Police Special Duty increased by 406% due to an increase in jobs. COVRRRA increased by 6.2%. Sewer Operating increased by 18.7%. Education Facility Use increased by 79%. School Lunch decreased by 16.5% due to the replacement of several freezers. Miscellaneous Highway funds decreased by 14.7%. Land Acquisition decreased by 28.6% as properties were purchased with available funds.

The most significant expenditures were:

Summer Road Program	\$	547,557
School Roofs close out		115,751
Revaluation		103,907
BOE Computers		90,214
Pucker St Bridge – Hop River		90,181
Skid Steer w/trailer		97,974
Large Mower		87,346
Public Works Garage close out		75,524
Paving Box		75,178
Tool Cat		62,188

General Fund Budget Highlights

Overall, revenues exceeded final budget appropriation by \$401,823. Tax revenues were higher by \$73,495 due to higher than expected delinquent collections. Intergovernmental revenue was higher by \$170,685 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 by \$134,963.

Expenditures were within budget authorization. Throughout the fiscal year the Town Council approved appropriation increases of \$257,870 split between \$75,000 from unanticipated education revenues and transfers, and \$182,870 for General Fund appropriation increases. Appropriations were increased for additional hours for the Senior Center coordinator, a donation to the High School Band, demolition of several blighted properties, snow removal costs, and capital expenditures for 2 pickup trucks, a wood chipper and football goal posts. Actual budgetary expenditures of \$38,429,482 were under the final budget appropriation by \$290,601.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the Town had \$118.7 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 increase (including additions and deductions) of \$1 million, or 1%, over last year.

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

	Governmental Activities	
	2014	2013
Land	\$ 2,870,926	\$ 1,782,026
Buildings	38,641,605	39,123,100
Improvements other than buildings	1,710,101	1,725,181
Equipment	3,642,377	2,783,031
Infrastructure	71,620,499	72,082,482
Construction in progress	181,843	104,793
Total	\$ 118,667,351	\$ 117,600,613

This year's major additions included:

- BOE computer switch replacement
- Skid Steer w/trailer (WINCOG)
- Paving Box (WINCOG)
- Police Cruisers (2)
- Pickup Trucks (2)
- Tool Cat w/ sander, snow blower and broom
- C-Max electric vehicle and charging station
- Dump Truck
- Rescue 1
- Pucker St Bridge
- Miller Richardson landfill reuse project
- Land purchase – Thorton Brook preserve
- 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, 2014, the Town had \$13,570,000 in general obligation bonds outstanding versus \$15,140,000 last year - a decrease of \$1,570,000. Clean Water Fund Loans of \$6,307,117 show a reduction of \$420,653 from the last fiscal year balance of \$6,727,770.

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 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2015 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 \$2,124 compared to the state average of \$2,563. Education spending per pupil is \$14,304 while the state average is \$14,138.

During the budget process the Town Council considered the uncertainty of State aid to municipalities, an improving real estate market, the low interest rate environment, and general taxpayer sentiment when adopting the General Fund budget for 2014-15. The final proposed budget had a 1.8% increase for General Government, 1.8% for Education, a 0% change in Capital and a .2% decrease for Debt Service. The adopted budget General Fund budget is \$39,088,204. The property tax revenue increase needed was 1.8% from the previous year to fund this budget. The mil rate increased from 27.97 to 28.47. The budget was approved by the voters at the second adjourned Town meeting.

The Town will use budget revenues to finance programs currently offered. No new programs are proposed. The adopted budget for 2014-15 includes no transfer of funds from fund balance to offset expenditures. Council policy has established a goal for an unassigned general fund balance of 10% of expenditures. General Fund balance as of 6/30/14 is 10.9%.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF COVENTRY, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 8,977,078
Investments	3,309
Receivables, net	7,255,457
Inventory	29,122
Prepaid items	413,375
Net pension asset	346,910
Advance to plan administrator	1,245,567
Capital assets not being depreciated	3,052,769
Capital assets being depreciated, net of accumulated depreciation	115,614,582
Total assets	<u>136,938,169</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	<u>90,768</u>
Liabilities:	
Accounts payable and accrued liabilities	989,668
Unearned revenue	470,995
Noncurrent liabilities:	
Due within one year	2,135,847
Due in more than one year	22,617,114
Total liabilities	<u>26,213,624</u>
Deferred Inflows of Resources:	
Advanced property tax collections	55,988
Advanced fee collections	81,771
Total deferred inflows of resources	<u>137,759</u>
Net Position:	
Net investment in capital assets	97,824,048
Restricted for:	
Trust purposes - nonexpendable	1,524
Trust purposes - expendable	2,486
Unrestricted	<u>12,849,496</u>
Total Net Position	<u>\$ 110,677,554</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, 2014

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	\$ 1,858,886	\$ 508,461	\$ 55,249	\$	(1,295,176)
Public safety	3,397,462	96,080	6,227		(3,295,155)
Public works	6,728,326	1,660,966	1,298	2,825,304	(2,240,758)
Human services	660,061	164,721	276,209	4,695	(214,436)
Culture and recreation	860,523	258,129	18,520		(583,874)
Education	31,847,323	474,659	13,985,376		(17,387,288)
Interest on long-term debt	481,934				(481,934)
Total	\$ 45,834,515	\$ 3,163,016	\$ 14,342,879	\$ 2,829,999	(25,498,621)
General revenues:					
Property taxes					27,936,255
Grants and contributions not restricted to specific programs					198,048
Unrestricted investment earnings					64,597
Miscellaneous					40,087
Total general revenues					<u>28,238,987</u>
Change in net position					2,740,366
Net Position at Beginning of Year					<u>107,937,188</u>
Net Position at End of Year					<u>\$ 110,677,554</u>

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<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>
ASSETS						
Cash and cash equivalents	\$ 5,323,295	\$ 477,917	\$ 25,253	\$ 585,421	\$ 2,204,870	\$ 8,616,756
Investments					3,309	3,309
Receivables, net	666,035	3,702,410	2,268,676	11,887	606,449	7,255,457
Other	413,375					413,375
Inventories					29,122	29,122
Total Assets	<u>\$ 6,402,705</u>	<u>\$ 4,180,327</u>	<u>\$ 2,293,929</u>	<u>\$ 597,308</u>	<u>\$ 2,843,750</u>	<u>\$ 16,318,019</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 247,609	\$	\$	\$ 51,670	\$ 151,548	\$ 450,827
Unearned revenue	16,755			8,509	445,731	470,995
Total liabilities	<u>264,364</u>	<u>-</u>	<u>-</u>	<u>60,179</u>	<u>597,279</u>	<u>921,822</u>
Deferred inflows of resources:						
Unavailable revenue:						
Property taxes	567,550					567,550
Special assessments		3,702,410				3,702,410
Sewer receivable					95,127	95,127
COVRRRA receivable					246,541	246,541
Loans receivable			2,268,676			2,268,676
Advance fee collections					81,771	81,771
Advance property tax collections	55,988					55,988
Total deferred inflows of resources	<u>623,538</u>	<u>3,702,410</u>	<u>2,268,676</u>	<u>-</u>	<u>423,439</u>	<u>7,018,063</u>
Fund balances:						
Nonspendable	413,375				30,646	444,021
Restricted	37,845	477,917	25,253	2,482,061	225,401	3,248,477
Committed					1,566,985	1,566,985
Assigned	864,374					864,374
Unassigned	4,199,209			(1,944,932)		2,254,277
Total fund balances	<u>5,514,803</u>	<u>477,917</u>	<u>25,253</u>	<u>537,129</u>	<u>1,823,032</u>	<u>8,378,134</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,402,705</u>	<u>\$ 4,180,327</u>	<u>\$ 2,293,929</u>	<u>\$ 597,308</u>	<u>\$ 2,843,750</u>	<u>\$ 16,318,019</u>

(Continued on next page)

TOWN OF COVENTRY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

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)	\$ 8,378,134
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 160,787,711	
Less accumulated depreciation	<u>(42,120,360)</u>	
Net capital assets		118,667,351

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

Property tax receivables greater than 60 days	538,577
Interest receivable on property taxes	28,973
Assessments receivable	3,702,410
Sewer use receivable	95,127
Mortgage loans	2,268,676
COVRRRA receivables	246,541

Net Pension Asset	346,910
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Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net position.

	1,273,890
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(19,877,117)
Interest payable on bonds and notes	(206,842)
Compensated absences	(978,279)
Capital lease	(735,528)
Bond premium	(321,436)
Net other post employment benefit obligation	(2,639,601)
Deferred charge on refunding	90,768
Landfill postclosure liability	<u>(201,000)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 110,677,554</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, 2014

	<u>General</u>	<u>Sewer Assessments</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 28,197,177	\$	\$	\$	\$	\$ 28,197,177
Intergovernmental	13,186,656		231,790	265,976	1,596,662	15,281,084
Charges for services	531,496	509,041	44,531	6,051	2,279,759	3,370,878
Investment earnings	42,424	7,321		3,029	9,178	61,952
Miscellaneous				90	67,431	67,521
Total revenues	<u>41,957,753</u>	<u>516,362</u>	<u>276,321</u>	<u>275,146</u>	<u>3,953,030</u>	<u>46,978,612</u>
Expenditures:						
Current:						
General government	1,404,937				280,406	1,685,343
Public safety	2,173,969				49,801	2,223,770
Public works	2,124,133				1,781,246	3,905,379
Human services	248,431		284,963		43,817	577,211
Culture and recreation	466,307				366,944	833,251
Insurance and sundry	2,441,774					2,441,774
Education	29,631,593				1,443,997	31,075,590
Debt service	2,622,402					2,622,402
Capital outlay	456,466			1,717,341	15,549	2,189,356
Total expenditures	<u>41,570,012</u>	<u>-</u>	<u>284,963</u>	<u>1,717,341</u>	<u>3,981,760</u>	<u>47,554,076</u>
Excess (Deficiency) of Revenues over Expenditures	<u>387,741</u>	<u>516,362</u>	<u>(8,642)</u>	<u>(1,442,195)</u>	<u>(28,730)</u>	<u>(575,464)</u>
Other Financing Sources (Uses):						
Issuance of capital lease				869,534		869,534
Transfers in	689,167			257,870	64,850	1,011,887
Transfers out	(322,720)	(685,752)			(3,415)	(1,011,887)
Total other financing sources (uses)	<u>366,447</u>	<u>(685,752)</u>	<u>-</u>	<u>1,127,404</u>	<u>61,435</u>	<u>869,534</u>
Net Change in Fund Balances	754,188	(169,390)	(8,642)	(314,791)	32,705	294,070
Fund Balances at Beginning 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>
Fund Balances at End of Year	<u>\$ 5,514,803</u>	<u>\$ 477,917</u>	<u>\$ 25,253</u>	<u>\$ 537,129</u>	<u>\$ 1,823,032</u>	<u>\$ 8,378,134</u>

(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, 2014

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) \$ 294,070

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

Capital outlay	1,682,576
Depreciation expense	(2,648,491)

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. 2,087,125

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. (54,472)

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	(153,293)
Property tax interest and lien revenue - accrual basis change	(107,629)
Sewer use and assessment receivable - accrual basis change	(335,641)
Loans and other receivables - accrual basis change	120,190
Amortization of bond premiums	30,591
Other receivables	2,420

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

Bond and note principal payments	1,990,653
Capital lease payments	253,825
Capital lease financing	(869,534)

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	2,786
Accrued interest	24,184
Amortization of deferred charge on refunding	(10,159)
Other	(148,626)
Net other post employment benefit expense	(386,395)
Net pension expense	370,403
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.

575,683

Change in Net Position of Governmental Activities (Exhibit II) \$ 2,740,366

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

	<u>Governmental Activities Internal Service Funds</u>
Assets:	
Current:	
Cash and cash equivalents	\$ 360,322
Advance to plan administrator	<u>1,245,567</u>
Total Assets	<u>1,605,889</u>
Liabilities:	
Claims payable	<u>331,999</u>
Net Position:	
Unrestricted	<u><u>\$ 1,273,890</u></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, 2014

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Employer contributions	\$ <u>5,547,646</u>
Operating Expenses:	
Administrative expense	389,294
Employee benefits	<u>4,585,314</u>
Total operating expenses	<u>4,974,608</u>
Operating Income	<u>573,038</u>
Nonoperating Revenue:	
Investment income	<u>2,645</u>
Change in Net Position	575,683
Net Position at Beginning of Year	<u>698,207</u>
Net Position at End of Year	<u><u>\$ 1,273,890</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities <hr style="border: 0.5px solid black;"/> Internal Service Funds <hr style="border: 0.5px solid black;"/>
Cash Flows from Operating Activities:	
Cash received from users	\$ 5,547,646
Cash payments to providers of benefits	(5,545,345)
Net cash provided by operating activities	<u>2,301</u>
Cash Flows from Investing Activities:	
Investment income	<u>2,645</u>
Net Increase in Cash and Cash Equivalents	4,946
Cash and Cash Equivalents at Beginning of Year	<u>355,376</u>
Cash and Cash Equivalents at End of Year	<u>\$ 360,322</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 573,038
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in advance to plan administrator	(687,279)
Increase in claims payable	<u>116,542</u>
Net Cash Provided by Operating Activities	<u>\$ 2,301</u>

The accompanying notes are an integral part of the financial statements

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

JUNE 30, 2014

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 45,476	\$ 988,615
Investments	<u>12,927,381</u>	<u> </u>
Total Assets	<u>12,972,857</u>	<u>\$ 988,615</u>
Liabilities:		
Due to Others	<u> </u>	<u>\$ 988,615</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 12,972,857</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, 2014

Additions:	
Contributions:	
Employer	\$ 1,097,988
Plan members	<u>221,335</u>
Total contributions	1,319,323
Investment income:	
Investment income	1,814,123
Investment expense	<u>(46,074)</u>
Net investment income	<u>1,768,049</u>
Total additions	<u>3,087,372</u>
Deductions:	
Benefits	618,211
Administration	<u>34,485</u>
Total deductions	<u>652,696</u>
Change in Net Position	2,434,676
Net Position at Beginning of Year	<u>10,538,181</u>
Net Position at End of Year	<u>\$ 12,972,857</u>

The accompanying notes are an integral part of the financial statements

TOWN OF COVENTRY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

Additionally, the Town reports the following fiduciary fund types:

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

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

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

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 \$286,974 has been established as an allowance for uncollectible taxes. At June 30, 2014, this represents 31.50% 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and advance fee collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections and advance fee collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments, sewer receivables, COVRRRA receivables, and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

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

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

J. Long-Term Obligations

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

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

K. Equity

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

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

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

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- The Town Manager prepares an operating, capital and debt service budget from information provided by various Town departments. The Board of Education also prepares an operating budget. The budget includes the proposed expenditures and the means to finance them.
- These budgets are presented at a public hearing before being amended and adopted by the Town Council. The Council's operating or General Fund budget is submitted to a Town meeting that approves, rejects or reduces the budget, which is subsequently adjourned to a referendum for ratification.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Upon request, the Town Council may, by resolution, transfer any unencumbered appropriation, balance or portion thereof from one department, commission, board or office to another. No transfer shall be made from any appropriations for debt service and other statutory charges. Transfers between line items within a department may be made with the approval of the Town Manager.
- 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 \$257,870, of which \$182,870 came from fund balance and \$75,000 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*, \$8,081,523 of the Town's bank balance of \$9,328,979 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,198,371
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>883,152</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 8,081,523</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, 2014, the Town's cash equivalents amounted to \$1,245,730. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

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

B. Investments

Investments as of June 30, 2014 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Year</u>
Other investments:		
Common stock	\$ 3,309	
Fixed income	4,285,007	
Pooled open-end mutual fund accounts:		
Pension investments held by administrator	<u>8,642,374</u>	
Total	<u>\$ 12,930,690</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, 2014, the Town had \$3,309 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	\$ 396,813					\$ 396,813
Taxes	911,123					911,123
Accounts	12,913				398,686	411,599
Intergovernmental				11,887	207,763	219,650
Special assessments		3,702,410				3,702,410
Loans			2,268,676			2,268,676
Gross receivables	<u>1,320,849</u>	<u>3,702,410</u>	<u>2,268,676</u>	<u>11,887</u>	<u>606,449</u>	<u>7,910,271</u>
Less allowance for uncollectibles:						
Taxes	(286,974)					(286,974)
Delinquent interest	<u>(367,840)</u>					<u>(367,840)</u>
Net Total Receivables	<u>\$ 666,035</u>	<u>\$ 3,702,410</u>	<u>\$ 2,268,676</u>	<u>\$ 11,887</u>	<u>\$ 606,449</u>	<u>\$ 7,255,457</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,782,026	\$ 1,088,900	\$	\$ 2,870,926
Construction in progress	104,793	77,050		181,843
Total capital assets not being depreciated	<u>1,886,819</u>	<u>1,165,950</u>	<u>-</u>	<u>3,052,769</u>
Capital assets being depreciated:				
Buildings	51,757,453	323,124		52,080,577
Improvements other than buildings	1,905,212	40,172		1,945,384
Furniture and equipment	6,454,371	1,279,830	(167,073)	7,567,128
Infrastructure	95,181,228	960,625		96,141,853
Total capital assets being depreciated	<u>155,298,264</u>	<u>2,603,751</u>	<u>(167,073)</u>	<u>157,734,942</u>
Less accumulated depreciation for:				
Buildings	(12,634,353)	(804,619)		(13,438,972)
Improvements other than buildings	(180,031)	(55,252)		(235,283)
Furniture and equipment	(3,671,340)	(366,012)	112,601	(3,924,751)
Infrastructure	(23,098,746)	(1,422,608)		(24,521,354)
Total accumulated depreciation	<u>(39,584,470)</u>	<u>(2,648,491)</u>	<u>112,601</u>	<u>(42,120,360)</u>
Total capital assets being depreciated, net	<u>115,713,794</u>	<u>(44,740)</u>	<u>(54,472)</u>	<u>115,614,582</u>
Governmental Activities Capital Assets, Net	<u>\$ 117,600,613</u>	<u>\$ 1,121,210</u>	<u>\$ (54,472)</u>	<u>\$ 118,667,351</u>

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

Governmental Activities:	
General government	\$ 44,479
Public safety	204,222
Public works	1,776,591
Culture and recreation	51,270
Education	<u>571,929</u>
Total Depreciation and Amortization Expense - Governmental Activities	<u>\$ 2,648,491</u>

6. FUND BALANCES

The components of fund balances for the governmental funds at June 30, 2014 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	\$	\$	\$	\$	29,122	\$ 29,122
Prepaid items	413,375					413,375
Permanent fund principal					1,524	1,524
Restricted for:						
Sewer projects		477,917				477,917
Unspent grant balances			25,253		139,786	165,039
Special assessment project				2,482,061		2,482,061
Health insurance	37,845					37,845
Cemeteries					80,771	80,771
Police services					2,358	2,358
Permanent funds					2,486	2,486
Committed to:						
Police services					19,212	19,212
Land acquisition					220,359	220,359
Recreation					52,695	52,695
Sewer					586,372	586,372
Trash					489,808	489,808
Foodbank					26,872	26,872
Highway projects					65,135	65,135
Food service					85,529	85,529
Education					21,003	21,003
Assigned to:						
Purchases on order	864,374					864,374
Unassigned	4,199,209			(1,944,932)		2,254,277
Total Fund Balances	\$ 5,514,803	\$ 477,917	\$ 25,253	\$ 537,129	\$ 1,823,032	\$ 8,378,134

Encumbrances of \$864,374, \$365,129 and \$258,221 at June 30, 2014 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, 2014 consisted of the following:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:				
General Fund	\$	\$ 257,870	\$ 64,850	\$ 322,720
Sewer Assessment	685,752			685,752
Nonmajor governmental funds	3,415			3,415
	<u>\$ 689,167</u>	<u>\$ 257,870</u>	<u>\$ 64,850</u>	<u>\$ 1,011,887</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, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and loans payable:					
General obligation bonds	\$ 15,140,000	\$	\$ 1,570,000	\$ 13,570,000	\$ 1,459,999
Premium on issuance	352,027		30,591	321,436	
Loans payable - Clean Water Fund	<u>6,727,770</u>		<u>420,653</u>	<u>6,307,117</u>	<u>429,144</u>
	22,219,797	-	2,021,244	20,198,553	1,889,143
Other liabilities:					
Capital leases	119,819	869,534	253,825	735,528	140,848
Landfill postclosure	221,100		20,100	201,000	20,100
Net OPEB obligation	2,253,206	386,395		2,639,601	
Net pension obligation	23,493		23,493	-	
Compensated absences	<u>981,065</u>	<u>56,293</u>	<u>59,079</u>	<u>978,279</u>	<u>85,756</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 25,818,480</u>	<u>\$ 1,312,222</u>	<u>\$ 2,377,741</u>	<u>\$ 24,752,961</u>	<u>\$ 2,135,847</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, 2014 is as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2014</u>
2002 Refunding Bonds	12/1/2002	2022	3.25%-4.9%	1,350,000	\$ 205,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	465,000	329,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	455,000	325,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	215,000	154,000
2007 General Obligation	7/15/2006	2025	4.25-6.25%	100,000	72,000
2010 Refunding Bonds Series A	2/9/2010	2025	1%-3.5%	2,500,000	1,130,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,438,000	1,592,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	57,000	25,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,105,000	1,563,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	270,000	35,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	2,605,000	1,615,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	1,200,000	830,000
2011 General Obligation	3/18/2011	2031	2-4.125%	3,350,000	2,750,000
2011 General Obligation	3/18/2011	2031	2-4.125%	1,600,000	1,360,000
2012 General Obligation	3/15/2012	2032	2.883999	1,675,000	<u>1,585,000</u>
					<u>\$ 13,570,000</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, 2014 of \$6,307,117 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, 2014:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,924,854	344,912	2,269,766
2010-2024	6,088,859	1,125,021	7,213,880
2025-2029	3,534,157	385,448	3,919,605
2030-2032	735,000	46,294	781,294
	<u>\$ 19,877,117</u>	<u>\$ 3,900,899</u>	<u>\$ 23,778,016</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	\$ 63,925,989	\$ 6,232,000	\$ 57,693,989
Schools	127,851,978	8,959,000	118,892,978
Sewers	106,543,315	3,116,959	103,426,356
Urban renewal	92,337,539		92,337,539
Pension deficit	85,234,652		85,234,652

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$198,880,854.

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.

Bond Authorizations

At June 30, 2014, debt authorized but unissued is as follows:

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

Capital Leases

A summary of assets acquired through capital leases is as follows as of June 30, 2014:

	<u>Governmental Activities</u>
Buildings	\$ 85,920
Machinery and equipment	1,288,141
Less accumulated amortization	<u>(325,674)</u>
	<u>\$ 1,048,387</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2015	\$ 154,561
2016	154,561
2017	121,087
2018	96,288
2019	64,994
Thereafter	<u>194,980</u>
Total minimum lease payments	786,471
Less amount representing interest	<u>(50,943)</u>
Present Value of Minimum Lease Payments	<u>\$ 735,528</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 \$201,000 over the next 10 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Town will appropriate the costs of monitoring on an ongoing basis through the General Fund budget.

9. PENSION PLANS

A. Defined Benefit Plan

Plan Description

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

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

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, 2013, the date of the latest actuarial valuation:

Retired members	15
Terminated plan members entitled to but not yet receiving benefits	29
Active plan members	<u>130</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 investments are reported at market value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

Investments

Investment Policy: The Pension Committee recommended the adoption of an investment policy to the Town Council. The current policy was adopted in August of 2007. The goals of the policy are to create a framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Town. The following was the adopted asset allocation as of June 30, 2014:

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

Concentrations: The pension plan held fixed income investments of \$4,285,007 with Metlife representing 5% or more of the pension trust fund's fiduciary net position as of June 30, 2014.

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

In accordance with GASB Statement No. 67, the components of the net pension liability of the Town at June 30, 2014 were as follows:

Total pension liability	\$ 14,530,252
Plan fiduciary net position	<u>12,972,857</u>
Net Pension Liability	<u>\$ 1,557,395</u>
Plan fiduciary net position as a percentage of the total pension liability	89.28%

The Town's net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0%
Salary increases	3.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2013 valuation were based on standard tables adjusted for certain plan features.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	9.81%
U.S. Large Cap Value	10.81%
U.S. Small Value	12.15%
U.S. Micro Cap	12.29%
International Large Value	9.50%
International Small	11.00%
Emerging Large	12.00%
Emerging Small	12.50%
U.S. REITS	8.80%
International REITS	8.10%
Cash	0.00%
Fixed Income	3.25%

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	\$ 2,180,825	\$ 1,557,395	\$ 990,193

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, 2014, the Town contributed \$1,097,988 to the Plan.

Annual Pension Cost and Net Pension Asset

In accordance with GASB Statement No. 27, the Town's net pension obligation as of June 30, 2014 and its annual pension cost for the year then ended are as follows:

Annual required contribution	\$	728,299
Interest on net pension obligation		1,762
Adjustment to annual required contribution		(2,476)
		<hr/>
Annual pension cost		727,585
Contributions made		1,097,988
		<hr/>
Decrease in pension obligation		370,403
Net pension obligation - beginning of year		(23,493)
		<hr/>
Net Pension Asset - End of Year	\$	<u>346,910</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset	Actual Contribution
2014	\$ 727,585	150.9%	\$ 346,910	\$ 1,097,988
2013	1,077,696	101.9%	(23,493)	1,097,988
2012	1,091,291	116.2%	(43,785)	1,267,988

Schedule of Funding Progress

Actuarial Valuation Date July 1,	Actuarial Value of Assets (A)	Actuarial Liability (AAL) - Entry Age Normal* 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)
2013	\$ 10,401,777	\$ 13,640,340	\$ 3,238,563	76.3%	\$ 5,849,479	55.4%
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%

*The actuarial cost method was changed for the July 1, 2013 valuation from the Projected Unit Credit Cost Method, to the Entry Age Normal Cost Method.

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, 2014, Town teachers contributed \$835,082 to the plan, and covered payroll for the year was \$11,518,366.

In accordance with the provisions of GASB Statement No. 24, the Town has reported on-behalf payments of \$2,899,923 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, and rule of 85 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:

	<u>Post-Retirement Medical Program</u>
Annual required contribution (ARC)	\$ 539,000
Interest on net OPEB obligation	90,128
Adjustment to annual required contribution	<u>(93,733)</u>
Annual OPEB cost	535,395
Contributions made	<u>149,000</u>
Increase in net OPEB obligation	386,395
Net OPEB obligation, beginning of year	<u>2,253,206</u>
Net OPEB Obligation, End of Year	<u><u>\$ 2,639,601</u></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, 2014, 2013 and 2012 is presented below:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2012	\$ 551,083	\$ 127,000	23.05%	\$ 1,830,206
6/30/2013	587,000	164,000	27.94%	2,253,206
6/30/2014	535,395	149,000	27.83%	2,639,601

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
6/30/2012	\$ 549,000	\$ 127,000	23%
6/30/2013	587,000	164,000	28%
6/30/2014	535,395	149,000	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 at 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, 2013 and 2014, 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	\$	-	\$	187,633	\$	187,633	\$	-
2013-2014		-		195,920		195,920		-

Health Insurance Internal Service Fund

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

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

The Town's health self-insurance fund is used to account for medical insurance coverage for Town and Board of Education employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2013 and 2014, 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
2013-2014		215,457		4,173,937		4,057,395		331,999

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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Property Taxes:				
Current taxes	\$ 27,213,682	\$ 27,213,682	\$ 27,080,834	\$ (132,848)
Delinquent taxes	460,000	460,000	568,288	108,288
Interest and penalties	250,000	250,000	310,489	60,489
Supplemental motor vehicles	200,000	200,000	237,566	37,566
Total property taxes	<u>28,123,682</u>	<u>28,123,682</u>	<u>28,197,177</u>	<u>73,495</u>
Intergovernmental:				
General Government:				
Elderly circuit breaker	70,000	70,000	63,266	(6,734)
Disability exemption	1,500	1,500	1,454	(46)
Grant in lieu of taxes			46,274	46,274
Veterans additional tax relief	7,700	7,700	8,353	653
Emergency Management Performance Grant	6,100	6,100	6,227	127
Telephone access grant	20,000	20,000	31,377	11,377
Youth services grant	14,500	14,500	14,520	20
Pequot State Property			47,324	47,324
Hold Harmless Grant	123,055	123,055		(123,055)
Total general government	<u>242,855</u>	<u>242,855</u>	<u>218,795</u>	<u>(24,060)</u>
Education:				
Education cost sharing grant	8,967,636	8,967,636	8,974,835	7,199
Transportation			151,514	151,514
Adult education	11,948	11,948	12,368	420
Tuition		75,000	86,552	11,552
Total education	<u>8,979,584</u>	<u>9,054,584</u>	<u>9,225,269</u>	<u>170,685</u>
Investment Earnings	<u>50,000</u>	<u>50,000</u>	<u>42,424</u>	<u>(7,576)</u>
Local Revenues:				
Housing Authority PILOT	17,500	17,500	18,374	874
Finance:				
Insurance reimbursement and claims	25,238	25,238	23,425	(1,813)
Conveyance tax	64,000	64,000	105,527	41,527
Town clerk:				
Office receipts	85,000	85,000	100,868	15,868
Assessor:				
Copy charges	1,200	1,200	905	(295)

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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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Development/Planning:				
Zoning permits	\$ 10,000	\$ 10,000	\$ 11,425	\$ 1,425
Planning and zoning	3,500	3,500	6,289	2,789
Zoning board of appeals	2,000	2,000	2,675	675
Inland wetlands	3,000	3,000	2,525	(475)
Regulations and maps	1,000	1,000	354	(646)
Permits	100	100	134	34
Road inspection program	1,000	1,000		(1,000)
Building Department:				
Building permits	120,000	120,000	197,567	77,567
Fire inspection	1,500	1,500	1,450	(50)
Blasting permit	200	200		(200)
Penalty fees	100	100		(100)
Police Services:				
Warden receipts	1,200	1,200	785	(415)
Dog license	10,500	10,500	9,932	(568)
Fingerprinting	800	800	1,310	510
Local parking fines	300	300	155	(145)
Permits	3,000	3,000	11,475	8,475
Other	200	200	534	334
Municipal surcharge	2,500	2,500	3,758	1,258
Miscellaneous:				
Miscellaneous unanticipated			40,303	40,303
Rents	24,000	24,000	26,434	2,434
Total local revenues	<u>377,838</u>	<u>377,838</u>	<u>566,204</u>	<u>188,366</u>
Total revenues	<u>37,773,959</u>	<u>37,848,959</u>	<u>38,249,869</u>	<u>400,910</u>
Other Financing Sources:				
Transfers in:				
Sewer Assessment Fund	685,754	685,754	685,752	(2)
Police Special Services	2,500	2,500	3,415	915
Total other financing sources	<u>688,254</u>	<u>688,254</u>	<u>689,167</u>	<u>913</u>
Total Revenues and Other Financing Sources	<u>\$ 38,462,213</u>	<u>\$ 38,537,213</u>	38,939,036	<u>\$ 401,823</u>
Budgetary revenues are different from GAAP revenues because:				
Cancellation of prior year encumbrances are recognized as budgetary revenue			(34,708)	
Excess cost grants are netted for budgetary reporting			842,669	
State on-behalf payments			<u>2,899,923</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>\$ 42,646,920</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government:				
Town Council	\$ 22,275	\$ 27,075	\$ 24,912	\$ 2,163
Town Manager	196,908	196,908	195,782	1,126
Finance Administration	107,716	106,094	105,895	199
Accounting	113,706	123,806	123,421	385
Tax Collector	106,930	107,987	107,590	397
Assessor	127,589	126,439	126,349	90
Assessment Appeals	900	550	329	221
Treasurer	23,903	23,114	22,914	200
Planning	125,139	127,549	126,694	855
Zoning Board of Appeals	21,814	21,146	20,218	928
Conservation	1,260	1,260	55	1,205
Economic Development	12,593	14,171	13,011	1,160
Regional grants	12,189	12,189	12,189	-
Inland Wetlands	41,912	43,762	43,583	179
Planning and Zoning Commission	4,650	4,295	3,353	942
Legal counsel	85,000	85,000	59,120	25,880
Probate court	5,009	5,009	5,008	1
Recording/licensing	155,816	157,816	157,341	475
Elections	41,510	41,510	36,617	4,893
Town Office building	72,810	83,815	79,493	4,322
Central services	61,450	56,095	49,388	6,707
Information Technology	90,520	93,774	93,754	20
Total general government	<u>1,431,599</u>	<u>1,459,364</u>	<u>1,407,015</u>	<u>52,349</u>
Public Safety:				
Police Administration	174,813	174,844	168,144	6,700
Police Operations	1,170,881	1,171,250	1,154,729	16,521
Police supportive services	301,163	300,906	287,033	13,873
Police marine patrol	7,200	7,616	7,053	563
Police station	57,890	57,331	51,891	5,440
Fire Marshal	27,649	27,649	27,504	145
Coventry Volunteer Fire Association	108,700	104,000	95,270	8,730
North Coventry Volunteer Fire Department	98,359	96,837	93,395	3,442
N. Coventry substation	7,900	9,422	8,702	720
Joint Fire Budget	178,733	178,733	167,913	10,820
CVFA South Street Substation	12,990	17,690	14,780	2,910
Civil Emergency Preparedness	25,089	27,589	26,679	910
Animal Control	68,734	68,734	65,994	2,740
Total public safety	<u>2,240,101</u>	<u>2,242,601</u>	<u>2,169,087</u>	<u>73,514</u>
Public Works:				
Roads and drainage	533,634	503,082	499,930	3,152
Public works building	50,070	55,436	54,872	564
Snow removal	252,000	310,602	310,602	-
Facilities maintenance	243,691	240,341	233,733	6,608
Public works administration	238,284	238,705	237,110	1,595
Fleet maintenance	426,366	433,389	425,428	7,961
Street lights	41,550	41,550	39,165	2,385
Cemetery Commission	22,634	22,686	21,229	1457
Tree Warden	21,000	21,425	21,395	30
Engineering	74,593	74,593	68,971	5622
Building inspection	146,806	146,806	146,687	119
Building code	45	45	45	-
Health Department	57,120	57,125	57,123	2
Total public works	<u>2,107,793</u>	<u>2,145,785</u>	<u>2,116,290</u>	<u>29,495</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Human Services:				
Visiting nurses	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Human services/general administration	175,521	180,492	174,794	5,698
Elderly services	65,649	74,523	69,726	4,797
Total human services	<u>243,670</u>	<u>257,515</u>	<u>247,020</u>	<u>10,495</u>
Culture and Recreation:				
Booth/Dimock Library	402,556	402,556	402,556	-
Parks and recreation, supervision	62,547	62,547	62,240	307
Memorial Day	3,175	3,175	1,101	2,074
Total culture and recreation	<u>468,278</u>	<u>468,278</u>	<u>465,897</u>	<u>2,381</u>
Insurance and Sundry:				
Municipal insurance	349,917	345,259	343,235	2,024
Pension/Social Security	1,066,157	1,068,587	1,064,861	3,726
Health insurance	1,035,364	1,036,847	998,579	38,268
Contingency	10,000	1,545.00	1,525	20
Claims and losses	40,000	40,500	40,144	356
Total insurance and sundry	<u>2,501,438</u>	<u>2,492,738</u>	<u>2,448,344</u>	<u>44,394</u>
Education	<u>26,029,425</u>	<u>26,104,425</u>	<u>26,091,881</u>	<u>12,544</u>
Capital Outlay	<u>428,170</u>	<u>537,638</u>	<u>537,326</u>	<u>312</u>
Debt Service	<u>2,687,519</u>	<u>2,687,519</u>	<u>2,622,402</u>	<u>65,117</u>
Total budgetary expenditures	<u>38,137,993</u>	<u>38,395,863</u>	<u>38,105,262</u>	<u>290,601</u>
Other Financing Uses:				
Transfers out:				
Matching funds	1,500	1,500	1,500	-
Park and recreation fund	34,850	34,850	34,850	-
Capital Projects	287,870	287,870	287,870	-
Total other financing uses	<u>324,220</u>	<u>324,220</u>	<u>324,220</u>	<u>-</u>
Total	<u>\$ 38,462,213</u>	<u>\$ 38,720,083</u>	38,429,482	<u>\$ 290,601</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			(279,668)	
Reserve for matching fund expenditures and transfers, net			326	
Excess cost grants are netted for budgetary reporting			842,669	
State on-behalf payments			<u>2,899,923</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 41,892,732</u>	

TOWN OF COVENTRY, CONNECTICUT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST FISCAL YEAR

	<u>2014</u>
Total pension liability:	
Service cost	\$ 472,429
Interest	1,035,694
Benefit payments, including refunds of member contributions	<u>(618,211)</u>
Net change in total pension liability	889,912
Total pension liability - beginning	<u>13,640,340</u>
Total pension liability - ending	<u>14,530,252</u>
Plan fiduciary net position:	
Contributions - employer	1,097,988
Contributions - member	221,335
Net investment income	1,768,049
Benefit payments, including refunds of member contributions	(618,211)
Administrative expense	<u>(34,485)</u>
Net change in plan fiduciary net position	2,434,676
Plan fiduciary net position - beginning	<u>10,538,181</u>
Plan fiduciary net position - ending	<u>12,972,857</u>
Net Pension Liability - Ending	<u>\$ 1,557,395</u>
Plan fiduciary net position as a percentage of the total pension liability	89.28%
Covered-employee payroll	\$ 5,849,479
Net pension liability as a percentage of covered-employee payroll	26.62%

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarially determined contribution	\$ 577,638	\$ 630,801	\$ 693,822	\$ 736,564	\$ 765,258	\$ 832,855	\$ 1,040,895	\$ 1,097,988	\$ 1,079,026	\$ 728,299
Contributions in relation to the actuarial determined contribution	630,801	693,822	736,564	790,404	-	832,855	1,139,895	1,267,988	1,097,988	1,097,988
Contribution Deficiency (Excess)	\$ 53,163	\$ 63,021	\$ 42,742	\$ 53,840	\$ (765,258)	\$ -	\$ 99,000	\$ 170,000	\$ 18,962	\$ 369,689
Covered-employee payroll	\$ 4,475,306	\$ 5,254,769	\$ 5,335,878	\$ 5,519,736	\$ 5,707,527	\$ 6,161,861	\$ 6,183,478	\$ 5,811,077	\$ 5,811,077	\$ 5,849,479
Contributions as a percentage of covered-employee payroll	14.10%	13.20%	13.80%	14.32%	0.00%	13.52%	18.43%	21.82%	18.89%	18.77%

Notes to Schedule

Valuation Date:

Measurement Date:

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

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal
- Amortization method: Level percentage of salary - open
- Remaining amortization period: 15 Years
- Asset valuation method: Asset gains and losses are recognized over a four-year period at 25% per year.
- Inflation: 2.00%
- Salary increases: 3.00%
- Investment rate of return: 7.50%
- Retirement age: Police Sworn: 45/20
Non-Uniformed Police: Rule of 85

Mortality

Pre-retirement: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for nonannuitants and annuitants, projected to the valuation date with Scale BB.

Post-retirement: Current: IRS 417(c) applicable mortality (IRS Revenue Ruling 2007-67)

TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FISCAL YEAR

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