



TOWN OF PROSPECT, CONNECTICUT

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014



**TOWN OF PROSPECT, CONNECTICUT
ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

Table of Contents

Independent Auditor's Report	4
Management's Discussion and Analysis (Unaudited)	7
 BASIC FINANCIAL STATEMENTS:	
 Government-Wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
 Governmental Funds Financial Statements:	
Balance Sheet	22
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
 Fiduciary Funds:	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
 Notes to the Financial Statements	 29
 REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund	49
Schedule of Revenues Detail - Budget and Actual (Budgetary Basis) - General Fund	50
Schedule of Expenditures Detail - Budget and Actual (Budgetary Basis) - General Fund	52

OTHER SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements:

Combining Balance Sheet - Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	57
Combining Balance Sheet - Nonmajor Special Revenue Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	59
Combining Balance Sheet - Nonmajor Capital Projects Funds	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	61
Report of the Tax Collector	62
Statement of Debt Limitation	63

Report Required by Government Auditing Standards :

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64
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State Financial Assistance:

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	67
Schedule of Expenditures of State Financial Assistance	70
Note to Schedule of Expenditures of State Financial Assistance	71
State Financial Assistance Programs - Schedule of Findings and Questioned Costs	72

MICHAEL J. BATTISTA
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 485
Northford, Connecticut 06472-0485
(203) 376-1445

Independent Auditor's Report

Mayor Robert Chatfield
Town Council
Town of Prospect
Prospect, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Prospect, Connecticut, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 7 – 18) and budgetary comparison information (pages 49 - 54) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Prospect, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements, Report of the Tax Collector, and Statement of Debt Limitation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit

of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements, Report of the Tax Collector, and Statement of Debt Limitation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 11, 2014, on my consideration of the Town of Prospect's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Prospect's internal control over financial reporting and compliance.

Michael J. Battista, C.P.A.

Michael J. Battista
Certified Public Accountant

Northford, Connecticut
December 11, 2014

Management’s Discussion and Analysis

Introduction

This Annual Financial Report incorporates financial reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Prospect, focus on our most important, or “major” funds, including the general fund.

Fund statements measure and report the “operating results” of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether Prospect’s financial position has improved or deteriorated as a result of the year’s operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of your government’s activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of the Town of Prospect in its entirety, including the year’s operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services you have requested of us;
- See how we finance the programs you have asked for – through user fees and other program revenues - versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, water mains, schools, parks, and other infrastructure assets;
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

- ✱ **Management Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the government’s financial activities. The MD&A provides an objective and easily readable analysis of the Town’s financial activities based on currently known facts, decisions, or conditions. The MD&A

- ❑ Includes comparisons of the current year to the prior year based on government-wide information;
- ❑ Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- ❑ Analyzes significant changes in fund and major budget variances;
- ❑ Describes capital asset and long-term debt activity during the year;
- ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

✳ **Basic Financial Statements**

- ***Government-Wide Financial Statements*** are designed to provide readers with a broad overview of the Town of Prospect's finances, in a manner similar to private-sector business.
 - The Government-Wide Financial Statements include a *statement of net position* that presents information on all of the Town of Prospect's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Prospect is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. Both of the government-wide financial statements distinguish functions of the Town of Prospect 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 Town of Prospect conducts no business-type activities. The governmental activities of the Town include general government, public safety, public works, parks and recreation, health and human services, education, other expenditures, and payment of interest on long-term debt. Thus the government-wide financial statements include only the Town of Prospect itself (known as the *primary government*);
 - Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements.

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net position is reported as capital assets net of related debt (net investment in capital assets), restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position are shown as either expendable or nonexpendable.

Expenses are presented reduced by program revenues, resulting in a measurement of “net (expense) revenue” for each of the government’s functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

➤ **Fund Financial Statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Prospect, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental fund* financial statements include financial data for the general fund, special revenue funds, capital projects, debt service, and permanent funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Prospect maintains four major governmental funds (general fund, library fund, housing rehabilitation fund, and open space fund), six non-major special revenue funds, and three non-major capital projects funds, all of which are governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the other three major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. Prospect adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary government funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Separate columns are shown for each major governmental fund and for consolidated non-major governmental funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds and at least 5 percent of the aggregate amount for all governmental funds.

Governmental fund balances are segregated into nonspendable, restricted, assigned, and unassigned categories.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used for our own programs. We must show a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary fund statements also disclose interfund loans, interfund services provided and used, and interfund transfers.

- Notes to the Financial Statements
 - Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.
- Required Supplementary Information (RSI)
 - Consists of MD&A and budgetary comparison schedules;
 - Includes a budgetary comparison schedule for the general fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget;
 - The Town of Prospect's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

We hope the financial reporting model will serve as a comprehensive way to demonstrate our stewardship in the long term in addition to the way we currently demonstrate our management in the short term and through the budgetary process.

As management of the Town of Prospect, we offer readers of the Town's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished elsewhere in this report.

Financial Highlights

- The assets of the Town of Prospect exceeded its liabilities at the close of the most recent year by \$18,214,012 (net position). Of this amount, \$1,099,874 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$144,791 primarily due to a \$429,147 reduction in debt offset somewhat by \$121,919 decrease in deferred revenue and a \$170,925 excess of depreciation charges over new capital expenditures.

- As of the close of the current fiscal year, the Town’s governmental funds reported combining ending fund balances of \$2,799,979, an increase of \$28,450 in comparison with the prior year. Of the total fund balance, \$1,420,689, or 50.7%, is available for spending at the government’s discretion (unrestricted fund balance).
- The unassigned fund balance for the general fund increased \$44,266 from \$757,332 to \$801,598. The June 30, 2014 balance is 2.7% of total general fund expenditures of \$29,373,789.
- Prospect’s total bonded debt decreased by \$315,000 (25.0%) to \$945,000 as we made scheduled principal payments on our outstanding bonded debt.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. For the Town of Prospect, assets exceeded liabilities by \$18,214,012 at the close of the most recent fiscal year.

By far the largest portion of the Town’s net position, \$15,734,848, or 86.4%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. Prospect uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1. Net Position

	Total Primary Government 2014	Total Primary Government 2013
Current and Other Assets.....	\$ 3,457,837	\$ 3,518,940
Capital Assets, net of depreciation	<u>17,147,000</u>	<u>17,317,925</u>
Total Assets.....	20,604,837	20,836,865
Long-Term Obligations Outstanding.....	1,526,200	1,893,112
Other Liabilities.....	<u>864,625</u>	<u>874,532</u>
Total Liabilities	2,390,825	2,767,644
Net Position:		
Net Investment in Capital Assets	15,734,848	15,479,875
Restricted.....	1,379,290	1,337,296
Unrestricted	<u>1,099,874</u>	<u>1,252,050</u>
Total Net Position	<u>\$ 18,214,012</u>	<u>\$ 18,069,221</u>

Restricted net position consists of \$1,139,570 of the Housing Rehabilitation Fund, which may be used to carry out the objectives of that program and \$239,720, which may be used for capital expenditures of the library in accordance with the donor’s bequest.

Unrestricted net position (\$1,099,874) may be used to meet the government’s ongoing obligations to citizens and creditors.

The government's net position increased by \$144,791 during the current fiscal year. The Town brought in net general revenues of \$23,115,832, which exceeded its net operating expenditures of \$22,971,041. Gross revenues amounted to \$29,689,125. Gross expenses of \$29,544,334 were offset by \$695,251 in charges for services, \$5,423,990 in operating grants and contributions, and \$454,052 in capital grants. Of the net expenditures, \$16,093,022 was accounted for by Regional School District No. 16 assessments. Net public works expenditures of \$2,360,081, net general government outlays of \$1,752,418, net public safety of \$1,599,941, and net parks and recreation costs of \$762,742 accounted for almost all of the remaining balance. The Town's general revenues derived from \$22,686,626 in tax collections, \$273,105 of unrestricted grants and contributions, and \$156,101 in other general revenues and investment income.

Governmental activities. Governmental activities accounted for the entire net position increase of \$144,791. Key elements of this increase are as follows:

Table 2. Changes in Net Position

	Total Primary Government 2014	Total Primary Government 2013
Revenues:		
Program Revenues:		
Charges for Services.....	\$ 695,251	\$ 493,964
Operating Grants and Contributions.....	5,423,990	5,615,077
Capital Grants and Contributions	454,052	452,142
General Revenues:		
Property Taxes.....	22,686,626	21,780,687
Grants and Contributions not Restricted to Specific Purpose..	273,105	272,775
Investment Earnings.....	9,872	11,224
Other General Revenues.....	146,229	441,399
Total Revenues	\$ 29,689,125	\$ 29,067,268
Program Expenses:		
General Government	\$ 2,500,232	\$ 2,454,408
Public Safety	1,739,508	1,566,164
Public Works	2,535,186	2,473,120
Parks and Recreation	674,321	601,129
Health and Social Services	342,392	333,067
Education.....	21,486,385	20,746,911
Other Expenditures.....	196,635	402,228
Interest on Long-Term Debt.....	69,675	92,779
Total Governmental Activities.....	29,544,334	28,669,806
Increase (Decrease) in Net Position	\$ 144,791	\$ 397,462

- Property taxes collected increased by \$963,734 (4.4%) over FY 2013. Actual collections of property tax, interest, and lien fees during FY 2014 exceeded the budgeted figure of \$22,735,298 by \$69,811.
- Charges for services increased by \$201,287 (40.7%) due to an increase in police overtime revenue of \$108,427 and a reimbursement from Region #16 for 45% of the Water Main in the amount of \$123,804.
- Operating grants decreased due to \$208,842 of FEMA funds that were recognized in FY 13 but not repeated in FY 2014.

- Capital grants for FY 14 include a \$151,317 State and Tribal Assistance Grant (STAG) administered by the Environmental Protection Agency for construction of a water main. A \$200,000 Small Town Economic Assistance Programs (STEAP) grant from the Connecticut Department of Economic Development was included in FY 13 to construct a four bay town garage for the public works department. A decrease in Local Capital Improvement (LoCIP) in the amount of \$68,436 was offset by a \$119,029 increase in Town Aid Road funds.
- Other general revenues and other program expenses decreased from 2013 due to the assessment of sewer fees and related expenditures recognized in FY 13.
- Education expenditures increased \$739,474 (3.6%) from FY 2013. The Region 16 expenditure budget increased 3.4% from \$34,262,966 to \$35,435,031. There was no increase in the State Education Cost Sharing grant. Our share of the Region's budget, based on the Average Daily Membership (ADM), increased from 60.552% to 60.636%. Accordingly, our net cost increased 4.7% from \$15,369,257 to \$16,093,022. There was no refund of prior year unspent Region 16 budgeted expenditures in FY 2014 or FY 2013.

Chart 1 presents the costs of each of the Town's five largest programs 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.

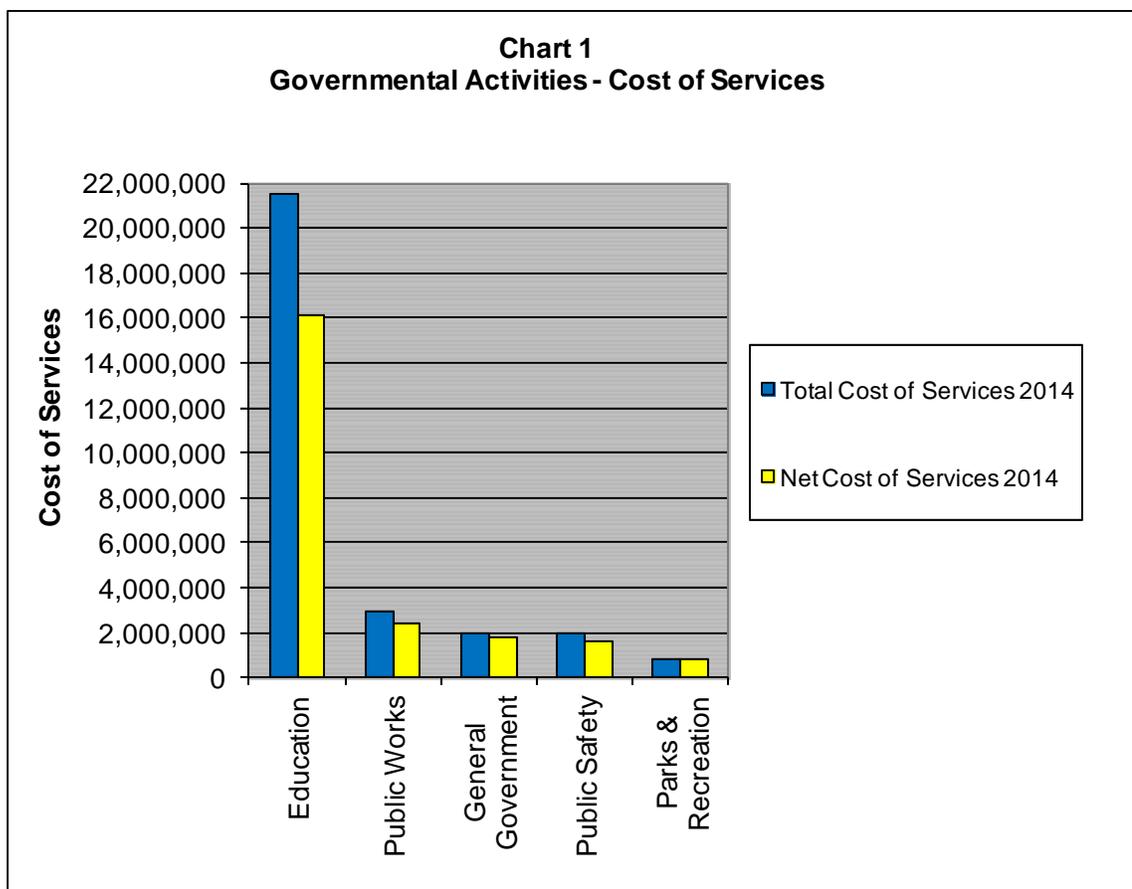
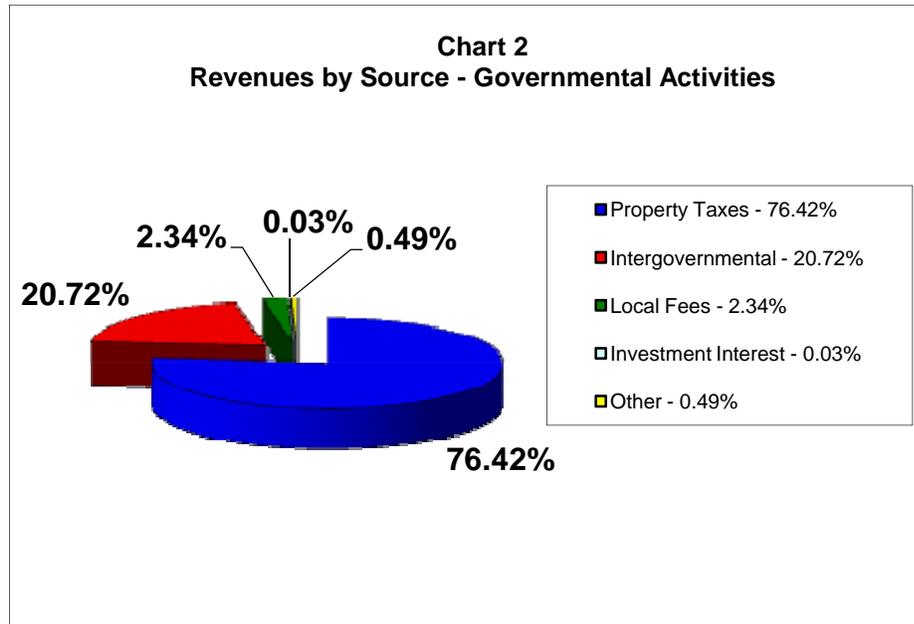


Chart 2 below reflects what percentage of our total revenue is contributed by each of five primary sources. As with most local governments in Connecticut, Prospect relies heavily on the property tax to fund education and other town services.



Financial Analysis of the Government's Funds

As noted earlier, Prospect uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,799,979, an increase of \$28,450 in comparison with the prior year. About 50% of fund balance, or \$1,420,689, constitutes *unrestricted fund balance* (assigned plus unassigned) which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable (\$1,060,997) in the form of long-term loans or restricted for future capital expenditures or other purposes (\$318,293).

The general fund is the chief operating fund of the Town of Prospect. At the end of the current fiscal year, unassigned fund balance of the general fund was \$801,598, the same as total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance (and total fund balance) to total general fund expenditures. Unreserved (and total) fund balance represents 2.7% of total general fund expenditures of \$29,373,789.

The Town's general fund balance increased by \$44,266 to a total of \$801,598 during the current fiscal year. In essence, our revenues exceeded our expectations while expenditures were only moderately higher than anticipated.

General Fund Budgetary Highlights

The original budget contemplated total revenues of \$28,704,774 and total expenditures of \$28,768,774 with an operating deficit of \$64,000 being covered by net transfers. The final revenue budget reflected a \$275,870 increase in total revenues to \$28,980,644 and a \$738,023 increase in total expenditures to \$29,506,797 to produce an expected operating deficit of \$526,153; balanced by \$260,731 of net transfers and the use of \$265,422 general fund surplus. The significant differences in the original and final budget can be explained as follows:

- \$181 thousand increase in the public safety budget for police wages and a related \$28 thousand increase in social security, which was offset by transfers from the police overtime special revenue fund;
- \$40 thousand increase to the Volunteer Fire Department for the purchase of a breathing air compressor.
- \$275 thousand increase in capital expenditures for the construction of a water main on Route 69, which was financed 55% by a State and Tribal Assistance Grant (STAG) administered by the Environmental Protection Agency and 45% by Regional School District #16.

During the year, favorable revenue budgetary variances from the original budget totaling \$468,533 and unfavorable expenditure variances of \$605,015 produced a net operating excess of expenditures over revenues in the amount of \$136,482. The unfavorable operating budget variance was offset by positive net transfers of \$180,748 resulting in an overall favorable budget variance of \$44,266.

Actual revenues compared to the original budget were favorable in all categories. Tax collections overall were \$69,811 greater than anticipated. Collections on the current grand list were \$47,373 less than budgeted. We experienced favorable variances of \$40,820 for the automobile supplement, \$10,206 for prior year collections, and \$66,158 for interest and lien fees.

Grant revenue exceeded expectations by \$229,276 due to the receipt of a STAG grant administered by the Environmental Protection Agency for construction of a water main in the amount of \$151,317 and \$74,854 greater than anticipated State Municipal Revenue Sharing.

Other income included a favorable variance of \$168,714, primarily due to \$123,804 paid by Region School District #16 toward the construction of the water main. We also received \$46,085 from BRRFOC (Bristol Resource Recovery Facility Operating Committee) and Tunxis Recycling. This money represents the second of a number of fund balance distributions to the BRRFOC participating towns upon the closing of the facility and termination of the town's contract as of June 30, 2014. The town has signed a new 20-year agreement with COVANTA for its solid waste disposal.

Capital Asset and Debt Administration

Capital Assets. The Town of Prospect's investment in capital assets for its governmental assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, water mains, and bridges. The net increase in the Town's investment in capital assets for the current fiscal year (before depreciation of \$1,057,269 and after dispositions of \$189,360) was \$886,344 for governmental activities. After accounting for accumulated depreciation, capital assets decreased by \$170,925, to \$17,147,000.

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

- We expended \$717,147 for infrastructure which included road reconstruction and repair in the amount of \$434,506 and the construction of a water main on Route 69 in the amount of \$275,121.

Table 3. Capital Assets at Year-end (Net of Depreciation)

	Total Primary Government	
	2014	2013
Land	\$ 1,343,153	\$ 1,343,153
Buildings and Improvements	5,106,858	5,255,766
Infrastructure	9,286,678	9,254,698
Vehicles	989,009	1,114,193
Furnishings and Equipment	421,302	350,115
Totals	<u>\$17,147,000</u>	<u>\$17,317,925</u>

Additional information on the Town of Prospect’s capital assets can be found in Note 4 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Prospect had \$945,000 of long-term bonded debt outstanding and no short-term debt. We reduced our long-term debt by \$315,000 (25.0%) through the payment of regularly scheduled principal amortizations. 100% of the Town’s debt is general obligation backed by the full faith and credit of the government. See Note 5, Long-Term Liabilities, of this report for more information.

Table 4. Long-Term Term Debt

Bonds		Rate %	Original Issue	Debt Outstanding	Date of Fiscal Year Maturity
Date	Purpose				
07/15/98	Public Improvement	4.75-4.625	\$ 4,310,000	\$ 600,000	2017
08/15/06	Public Improvement	3.70-5.00	1,155,000	345,000	2017
			<u>\$ 5,465,000</u>	<u>\$ 945,000</u>	

Prospect is a member town of Regional School District No. 16 along with the Town of Beacon Falls. As such, Region 16’s \$27,780,000 of long-term debt represents overlapping debt to the Town for which it has also pledged its full faith and credit. The State reimburses the District for principal and interest on its long-term debt at about 72% for bonds authorized prior to 1996. Prospect’s share of the district’s net debt is based on the average daily membership (ADM) of Prospect students attending the regional facility on October 1 of the preceding year. For the fiscal year 2014, Prospect’s ADM percentage was calculated to be 60.636%, and the Town’s share of the District net debt of \$20,136,999 at the ADM rate amounts to \$12,210,271.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times its tax collections plus interest and lien fees. For June 30, 2014, the maximum amount of borrowing permitted under the formula would be \$159,659,864. Net direct borrowings of \$945,000 and the Town’s net share of overlapping regional school district net debt of \$12,210,271 totals \$13,155,271 and represents the Town of Prospect’s outstanding general obligation net debt. This debt is \$146,504,593 below the maximum debt limitation (see “Statement of Statutory Debt Limitation” on page 63 of this report).

For fiscal year June 30, 2009, the Town adopted Governmental Accounting Standards Board (GASB) Statement #45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. The basic premise of GASB Statement #45 is that “Other Post-Employment Benefits” (OPEB) such as post-retirement healthcare benefits are earned, and should be recognized, when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future. GASB Statement #45 requires employers to account for and to report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. This includes the notion that annual OPEB cost would equal the annual required contribution (ARC) to the plan, provided that the ARC is calculated within specified actuarial parameters. The Government OPEB Plan is described in Note 7 to the financial statements. Actuarial information, including assumptions and methods, are disclosed in detail.

The annual required contribution (ARC) for fiscal year 2014 was calculated to be \$78,515 and is reported as an expense net of current year contributions in the Statement of Activities. At June 30, 2014, the Town’s net OPEB obligation is \$426,691 and is reflected as a long-term liability in the Statement of Net Position.

Economic Factors and Next Year’s Budget

- The unemployment rate for the Town of Prospect was 5.5% as of June 30, 2014, which is a decrease from a rate of 7.0% twelve months ago. This compares favorably to the state’s average unemployment rate of 6.4% and the national average rate of 6.3% (not seasonally adjusted).
- Inflationary trends in the region compare favorably to the national indices.
- Prospect’s total budget for FY 2014-15 reflects a \$916,315 increase (3.19%) from \$28,768,774 to \$29,685,089.
- The Town budget (excluding education) increased \$285,675 from the FY 2014 budget figure of \$7,282,389 to \$7,568,064, an increase of 3.92%.
- The cost of education for Prospect at Regional School District No. 16 increased \$628,923 (3.91%) to \$16,721,945 at the ADM rate of 60.213% after expected grants, fees, and expected State of Connecticut Educational Cost Sharing (ECS) grants of \$5,395,080.
- The Town tax levy for FY 2014-15 increased \$852,318 (3.82%) from \$22,316,298 to \$23,168,616. The projected rate of tax collections remains at 98.5% of the grand list.
- Except as noted below, municipal revenue and expenditure changes from the FY 2014 budget were modest adjustments.

Significant municipal revenue and expenditure changes from the FY 14 budget are as follows:

Revenues

- ❖ \$868,318 increase in property taxes, interest and lien fees
- ❖ \$25,000 increase in municipal revenue sharing

Expenditures

- ❖ \$628,923 increase for education;
- ❖ \$30,000 *decrease* in employee medical benefits;
- ❖ \$37,100 increase for fire protection;

- ❖ \$46,942 increase in police protection;
- ❖ \$15,257 increase in insurance;
- ❖ \$15,000 *decrease* in household hazardous waste;
- ❖ \$25,000 increase in ice and snow;
- ❖ \$21,931 increase in library;
- ❖ \$25,000 increase in contingency;
- ❖ \$14,968 *decrease* in bond interest payments;
- ❖ \$102,443 increase for lease payments due to a new Pierce Tanker truck for the fire department and a new John Deere backhoe-loader for the public works department.

All of these factors contributed to preparing Prospect's budget for the 2015 fiscal year.

At the close of the 2014 fiscal year, unassigned fund balance in the general fund stood at \$801,598. The Town has not appropriated any fund balance for spending in the 2015 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Town of Prospect's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Mayor, 36 Center Street, Prospect, CT 06712.

BASIC FINANCIAL STATEMENTS

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF NET POSITION**

JUNE 30, 2014

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents - Note 2	\$ 1,172,325
Investments - Note 2	717,460
Receivables, net of allowance for uncollectibles of \$104,042 - Note 3	494,668
Loans receivable	1,060,997
Bond issuance expenses, net of amortization	12,387
Capital Assets - Note 4:	
Not being depreciated	1,343,153
Being depreciated, net of accumulated depreciation	15,803,847
TOTAL ASSETS	20,604,837
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	357,319
Accrued interest payable	34,844
Deferred revenue	27,353
Noncurrent Liabilities - Note 5:	
Due within one year	445,109
Due in more than one year	1,526,200
TOTAL LIABILITIES	2,390,825
NET POSITION	
Invested in capital assets, net of related debt	15,734,848
Restricted - Expendable	1,379,290
Unrestricted	1,099,874
TOTAL NET POSITION	\$ 18,214,012

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

				Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Indirect Expense Allocation	Subtotal	Charges for Services	Operating Grants	Capital Grants	<u>Primary Government</u> Governmental Activities	
<u>Function/Program Activities</u>							
Primary Government:							
Governmental Activities:							
General government	\$ 2,500,232	\$ (526,500)	\$ 1,973,732	\$ 219,881	\$ 1,433	\$ -	\$ (1,752,418)
Public safety	1,739,508	182,601	1,922,109	316,117	6,051	-	(1,599,941)
Public works	2,535,186	404,881	2,940,067	123,804	2,130	454,052	(2,360,081)
Parks and recreation	674,321	140,383	814,704	30,949	21,013	-	(762,742)
Health and human services	342,392	32,743	375,135	4,500	-	-	(370,635)
Education	21,486,385	-	21,486,385	-	5,393,363	-	(16,093,022)
Other expenditures	196,635	(164,433)	32,202	-	-	-	(32,202)
Interest on long-term debt	69,675	(69,675)	-	-	-	-	-
Total Governmental Activities	<u>\$ 29,544,334</u>	<u>\$ -</u>	<u>\$ 29,544,334</u>	<u>\$ 695,251</u>	<u>\$ 5,423,990</u>	<u>\$ 454,052</u>	<u>(22,971,041)</u>
General Revenues:							
Property taxes, interest and lien fees							22,686,626
Grants and contributions not restricted to specific programs							273,105
Investment income							9,872
Other income							146,229
Total General Revenues							<u>23,115,832</u>
Change in Net Position							144,791
Net Position - Beginning of the Year (Note 12)							<u>18,069,221</u>
Net Position - End of the Year							<u>\$ 18,214,012</u>

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

**TOWN OF PROSPECT, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2014

	General Fund	Public Library	Housing Rehabilitation	Open Space	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 878,518	\$ 49,260	\$ 78,573	\$ -	\$ 165,974	\$ 1,172,325
Investments	51,976	239,720	-	351,848	73,916	717,460
Taxes receivable	360,638	-	-	-	-	360,638
Loans receivable	-	-	1,060,997	-	-	1,060,997
Other receivables	81,761	-	-	-	40,251	122,012
Due from other funds	24,980	-	-	1,924	1,000	27,904
TOTAL ASSETS	\$ 1,397,873	\$ 288,980	\$ 1,139,570	\$ 353,772	\$ 281,141	\$ 3,461,336
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 332,942	\$ -	\$ -	\$ -	\$ 24,377	\$ 357,319
Due to other funds	2,924	-	-	-	24,980	27,904
Unearned revenue	-	-	-	-	15,725	15,725
TOTAL LIABILITIES	335,866	-	-	-	65,082	400,948
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	260,409	-	-	-	-	260,409
FUND BALANCES:						
Nonspendable	-	-	1,060,997	-	-	1,060,997
Restricted	-	239,720	78,573	-	-	318,293
Assigned	-	49,260	-	353,772	217,607	620,639
Unassigned	801,598	-	-	-	(1,548)	800,050
TOTAL FUND BALANCES	801,598	288,980	1,139,570	353,772	216,059	2,799,979
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,397,873	\$ 288,980	\$ 1,139,570	\$ 353,772	\$ 281,141	\$ 3,461,336

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

**TOWN OF PROSPECT, CONNECTICUT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**

JUNE 30, 2014

Fund Balance - Total Governmental Funds		\$ 2,799,979
Total Net Position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 35,629,742	
Less accumulated depreciation	<u>(18,482,742)</u>	17,147,000
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Bond issue costs	78,938	
Less accumulated amortization	<u>(66,551)</u>	12,387
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(34,844)
Other deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		272,427
Bond premium reported in governmental activities does not provide current resources and therefore is not reported in the governmental funds.		
		(11,628)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(1,971,309)</u>
Net Position of Governmental Activities		<u>\$ 18,214,012</u>

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Public Library	Housing Rehabilitation	Open Space	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes, interest & lien fees	\$ 22,805,109	\$ -	\$ -	\$ -	\$ -	\$ 22,805,109
Federal, state and other grants	5,891,822	2,076	-	-	257,249	6,151,147
Licenses, permits and fees	216,219	-	-	-	338,858	555,077
Investment income	4,043	5,530	-	172	127	9,872
Other income	256,114	7,121	-	-	23,168	286,403
TOTAL REVENUES	<u>29,173,307</u>	<u>14,727</u>	<u>-</u>	<u>172</u>	<u>619,402</u>	<u>29,807,608</u>
EXPENDITURES						
Current:						
General government	2,479,770	-	-	-	-	2,479,770
Public safety	1,621,363	-	-	-	-	1,621,363
Public works	2,088,278	-	-	-	-	2,088,278
Parks and recreation	596,316	10,381	-	-	-	606,697
Health and social services	290,809	-	-	-	-	290,809
Education	21,486,385	-	-	-	-	21,486,385
Other expenditures	18,861	-	6,842	-	336,336	362,039
Capital Expenditures	283,121	3,644	-	-	48,166	334,931
Debt Service:						
Principal payments	429,147	-	-	-	-	429,147
Interest and other	79,739	-	-	-	-	79,739
TOTAL EXPENDITURES	<u>29,373,789</u>	<u>14,025</u>	<u>6,842</u>	<u>-</u>	<u>384,502</u>	<u>29,779,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(200,482)</u>	<u>702</u>	<u>(6,842)</u>	<u>172</u>	<u>234,900</u>	<u>28,450</u>

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Public Library	Housing Rehabilitation	Open Space	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(200,482)	702	(6,842)	172	234,900	28,450
OTHER FINANCING SOURCES (USES)						
Transfers in	244,748	-	-	-	-	244,748
Transfers out	-	-	-	-	(244,748)	(244,748)
TOTAL OTHER FINANCING SOURCES (USES)	244,748	-	-	-	(244,748)	-
NET CHANGE IN FUND BALANCES	44,266	702	(6,842)	172	(9,848)	28,450
FUND BALANCES, BEGINNING	757,332	288,278	1,146,412	353,600	225,907	2,771,529
FUND BALANCES, ENDING	\$ 801,598	\$ 288,980	\$ 1,139,570	\$ 353,772	\$ 216,059	\$ 2,799,979

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

**TOWN OF PROSPECT, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	28,450
The change in Net Position reported for governmental activities in the Statement of Activities is different because:		
Certain revenues reported in the Statement of Activities do not provide current financial resources and therefore, are reported as deferred inflows of revenue in governmental funds. This amount represents the change in deferred inflows.		
		(121,919)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		37,317
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 886,344	
Less current year depreciation	<u>(1,057,269)</u>	(170,925)
Recognition of post-employment benefits as a long-term liability in the governmental activities is not payable from current financial resources and is therefore not reported in the governmental funds.		
		(67,343)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		429,147
In a previous year, the government issued bonds and incurred bond issue costs and realized bond premium. Amortization is not recognized in the governmental funds:		
Amortization of bond issue costs		(4,129)
Amortization of bond premium		3,876
Accrued interest payable used in the governmental activities is not payable from current financial resources and is therefore not reported in the governmental funds.		
		<u>10,317</u>
Change in Net Position of Governmental Activities	\$	<u>144,791</u>

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2014

	<u>Employee Retirement Plans</u>	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 36,872	\$ 51,530
Investments, at fair value	2,082,287	-	-
Receivables	<u>57,659</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>2,139,946</u>	<u>36,872</u>	<u>51,530</u>
 LIABILITIES			
Payables	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
 NET POSITION			
Held in trust for retirement benefits and other purposes	<u>\$ 2,139,946</u>	<u>\$ 36,872</u>	<u>\$ 51,530</u>

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

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	Employee Retirement Plan	Private Purpose Trusts
	<u> </u>	<u> </u>
ADDITIONS		
Employer contributions	\$ 57,659	\$ -
Plan member contributions	52,550	-
Charitable contributions	-	22,451
Total contributions	<u>110,209</u>	<u>22,451</u>
Investment earnings:		
Net increase (decrease) in fair value of investments	<u>259,374</u>	<u>-</u>
TOTAL ADDITIONS	<u>369,583</u>	<u>22,451</u>
DEDUCTIONS		
Benefits	-	-
Administrative fees	5,006	-
Charitable expenditures	-	24,320
TOTAL DEDUCTIONS	<u>5,006</u>	<u>24,320</u>
CHANGE IN NET POSITION	364,577	(1,869)
NET POSITION, BEGINNING OF THE YEAR	<u>1,775,369</u>	<u>38,741</u>
NET POSITION, END OF THE YEAR	<u>\$ 2,139,946</u>	<u>\$ 36,872</u>

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

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Prospect's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town of Prospect, Connecticut are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

- The financial statements include:
 - A Management Discussion and Analysis (MD & A) section providing an analysis of the Town's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Town's activities.
 - Depreciation calculated on general capital assets, including infrastructure (roads, bridges, water delivery systems, etc.).
- The focus of governmental fund financial statements is on *major* funds. The Town's general fund is always reported as a *major* fund. Other individual governmental funds are reported as *major* funds if the total assets, liabilities, revenues or expenditures/expenses of that fund are at least 10 percent of the corresponding element total for all governmental funds. In addition, any other governmental fund that the Town's officials believe are particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a *major* fund.

The Town was required to implement the general provisions of the Statement No. 34 for the year ended June 30, 2003 and elected to retroactively report infrastructure (including accumulated depreciation) in that year.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. FINANCIAL REPORTING ENTITY

The Town of Prospect, Connecticut was incorporated in 1827, under the provisions of Connecticut General Statutes, as amended. The Town is governed by a charter last revised in November of 2000 and operates under a Mayor, Town Council, Town Meeting form of government first established in 1967. The Town provides services as authorized by its Charter including public safety (police and fire), highways and streets, sanitation, health and human services, culture-recreation, education, public improvements, planning and zoning, and general administrative service.

For financial reporting purposes, the Town includes all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the Town, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Town's obligation to fund any deficits.

The Town has excluded certain agencies from its financial report for which it may exhibit some limited form of oversight responsibility. These agencies and the reasons for exclusion are summarized as follows:

Board of Education - The Town of Prospect appoints four of the eight board members of the Region 16 School District. Personnel, management and finances are controlled by the School Board, with the Town's control over finances limited to approval of annual budgets.

Prospect Fire Department - The Prospect Fire Department is incorporated as a separate entity. The Town's control over finances is limited to approval of annual contributions of cash and equipment.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The Town of Prospect conducts no business-type activities. Therefore, these statements report only governmental activities, which are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities presents a comparison between expenses (direct expenses plus indirect allocated expenses including interest, payroll taxes, medical insurance, retirement benefits and other expenditures) and program revenues for each function of the Town's governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grant revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function/program activity is self-financing or draws from the general revenues of the Town.

Net position is reported as restricted only when constraints are placed on net position use either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through charter provisions or enabling legislation.

Fund Financial Statements:

The fund financial statements provide information about the Town's funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate statements for each of the Town's fund categories, governmental and fiduciary, are presented.

Governmental funds are comprised of the following fund types:

General Fund - The general fund is the primary operating fund of the Town and it is used to account for all financial activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Projects Funds - Capital projects funds are used to account for financial resources restricted for the planning, acquisition, construction or improvement of major capital facilities.

The emphasis of the fund financial statements in the governmental category is on *major* funds. The Town of Prospect has four *major* funds which are displayed in separate columns. All remaining governmental funds are aggregated and reported as nonmajor funds. Detail of the nonmajor funds is reported in the combining and individual fund statements located in the Other Supplementary Information section of this report.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary funds account for assets held by the Town of Prospect in a purely custodial capacity either for retirement boards, charitable trusts or other agencies.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

The Government-wide Statement of Net Position and the Statement of Activities and the fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of cost recovery and changes in net assets. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included in governmental fund balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when “*measurable and available*”. *Measurable* means knowing or being able to reasonably estimate an amount. The Town considers all revenues reported in the governmental funds to be *available* if the revenues are collected within sixty days after year-end. Property taxes, intergovernmental revenue and interest income are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are reported when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms of grant agreements, the Town of Prospect funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs until exhausted followed by general revenues.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND EQUITY

Cash and Cash Equivalents – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

Investments – Investments, including retirement and deferred compensation funds, are stated at fair value based on quoted market prices.

Receivables – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Property tax receivable and accrued interest are shown net of an allowance for uncollectibles. In the fund financial statements, property taxes collectible but not available (not paid within 60 days) are reported under liabilities as deferred revenue in accordance with the modified accrual basis of accounting.

Loans Receivable – The Town administers a loan program for low to moderate income families through the Small Cities grant program. The loans bear an interest rate of 0%. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The notes may be paid in full or in part by the borrower at any time without penalty.

Fixed Assets – In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Road network infrastructure has been retroactively valued at estimated historical cost and waterline infrastructure has been retroactively valued at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows:

Buildings and improvements	25 – 50 years
Infrastructure	15 – 50 years
Vehicles	7 – 12 years
Furnishings and equipment	5 – 7 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows/Inflows of Resources:

Deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that they become available.

Long-term debt – All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of general obligation bonds, bond anticipation notes and direct financing leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures upon maturity.

Net Position and Fund Balance:

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

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes or lease obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, or contributors or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund equity for governmental funds is called Fund Balance and is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Town’s policy is to use its restricted resources first. This will be followed by committed, assigned and unassigned resources in that order.

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form (e.g. inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – Includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action at a Town Meeting, and cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned Fund Balance – Includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed through a formal action of the Town Council.

Unassigned Fund Balance – The residual classification for the general fund fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

E. BUDGETS AND BUDGETARY ACCOUNTING

An annual budget is prepared and employed for management control for the General Fund adopted on a basis consistent with generally accepted accounting principles (GAAP).

The Town established its budget in accordance with provisions of the Connecticut General Statutes and the Prospect Town Charter. The Required Supplementary Information section of this report includes a schedule reporting the original budget that was adopted at the Annual Town Meeting. Transfers and supplemental appropriations were approved during the year in accordance with provisions of the Prospect Town Charter and are reported as the final budget.

The Town Council is empowered to appropriate up to an amount equal to two-and-a-half (2 ½) percent of the amount to be raised by taxation in the annual budget for the current fiscal year as adopted, if approved by a majority of the Council. Total supplemental appropriations in any one fiscal year in excess of 2 ½ percent requires Town Meeting approval.

Supplemental appropriations may be drawn from the unreserved surplus or any available unappropriated and unencumbered general fund cash balance. In the absence of a balance in the unreserved surplus or of an available unappropriated and unencumbered general fund cash balance to meet such appropriations, as determined by the Council, additional means of financing shall be determined by the Council in a manner consistent with the provisions of the Connecticut General Statutes and the Town Charter.

For the purposes of meeting a public emergency threatening the lives, health or property of citizens, emergency appropriations, the total amount of which shall not exceed five (5) percent of the current tax levy in any one fiscal year, may be made upon the recommendation of the Mayor and the majority vote of the available membership of the Council. In the absence of the Mayor, the Council may act alone.

F. PROPERTY TAXES

Property taxes on real estate, motor vehicles and personal property are assessed on the Town's grand list as of October 1 and billed on the following July 1 and January 1. Property assessments are made at 70% of the assessed value for all taxable real and personal property located within the Town as of October 1. Property taxes receivable are recorded on the due date. Property tax revenues are recognized in the fiscal period in which they are levied in the government-wide statements and to the extent that the funds are collected during the fiscal period or within sixty days thereafter in the fund financial statements. Property tax revenues that are not recognized in the current period are reported in the balance sheet as deferred revenue. The Report of the Tax Collector is included in the Other Supplementary Information section of this report.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

G. COMPENSATED ABSENCES

The Town's employment policy does not provide for the accumulation of vacation time, unused sick leave or other compensated absences. However, union employees may accumulate sick leave up to a maximum of 80 days. Upon voluntary termination or retirement, the union employee shall receive 50% of their accumulated sick leave or a maximum of 40 days. A contingent liability in the amount of \$ 25,000 has been reported as a long-term liability in the government-wide statement of net assets. No provision has been otherwise made for compensated absences. Future absences are expected to be liquidated with future resources and are not readily estimated.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk - The Town of Prospect Charter does not specifically authorize or prohibit the types of investments that may be made. The treasurer is, however, restricted to investing funds in accordance with the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualified public depository", as defined by statute, which has its main place of business in the State of Connecticut.

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

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Concentration of Credit Risk – The Town places no limit on the amount they may invest in any one issuer.

A. CASH AND CASH EQUIVALENTS

Total deposits of \$1,260,727 represent cash and cash equivalents of \$1,172,325 as reported on the statement of net position and \$88,402 as reported on the statement of fiduciary net assets.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

B. DEPOSITS

At June 30, 2014, the carrying amount of the Town’s cash deposits with financial institutions was \$1,260,727 and the bank balance was \$1,467,725. Of the bank balance, \$1,322,729 was covered by Federal Depository Insurance and \$144,996 was uninsured and uncollateralized. All of the deposits were maintained in institutions considered to be “qualified public depositories” and are protected under the provisions of Chapter 656, sections 36a-333 of the Connecticut General Statutes, which provide for protection against loss in excess of any deposit insurance by providing individual bank collateral pledge requirements tiered to risk-based capital ratio.

C. INVESTMENTS

At June 30, 2014, investments reported at fair value include \$635,774 collateralized by investments held by the Town or by its agent in the Town’s name and \$2,163,973 collateralized by investments held by the financial institution’s trust department in the Town’s name (*). The Town’s investments consisted of the following at June 30, 2014:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Retirement Trusts</u>	<u>Total Investments</u>
Certificates of deposit	\$ 51,976	\$ 79,818	\$ 425,764	\$ -	\$ 557,558
U.S. Government Bonds	-	78,216	-	-	78,216
Fixed Income Annuity *	-	81,686	-	-	81,686
Mutual Funds:					
Bond & Fixed Income *	-	-	-	667,794	667,794
Equities *	-	-	-	1,222,078	1,222,078
International *	-	-	-	192,415	192,415
Total	<u>\$ 51,976</u>	<u>\$ 239,720</u>	<u>\$ 425,764</u>	<u>\$ 2,082,287</u>	<u>\$ 2,799,747</u>

NOTE 3 – RECEIVABLES

Receivables reported in the Statement of Net Position consist of the following at June 30, 2014:

Current Receivables:

Taxes	\$ 360,638
Interest and fees on delinquent taxes	116,060
Other	<u>122,012</u>
Gross Receivables	598,710
Less: Allowance for uncollectibles	<u>(104,042)</u>
Net Receivables	<u>\$ 494,668</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 – CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Governmental Activities:</u>				
Non-Depreciable Assets:				
Land	\$ 1,343,153	\$ -	\$ -	\$ 1,343,153
Depreciable Assets:				
Buildings and improvements	7,445,398	-	-	7,445,398
Infrastructure	20,518,341	717,147	168,336	21,067,152
Vehicles	3,620,606	38,675	21,024	3,638,257
Furnishings and equipment	<u>2,005,260</u>	<u>130,522</u>	<u>-</u>	<u>2,135,782</u>
Totals at Historical Cost	<u>34,932,758</u>	<u>886,344</u>	<u>189,360</u>	<u>35,629,742</u>
Less Accumulated Depreciation for:				
Buildings and improvements	2,189,632	148,908	-	2,338,540
Infrastructure	11,263,643	685,167	168,336	11,780,474
Vehicles	2,506,413	163,859	21,024	2,649,248
Furnishings and equipment	<u>1,655,145</u>	<u>59,335</u>	<u>-</u>	<u>1,714,480</u>
Total Accumulated Depreciation	<u>17,614,833</u>	<u>1,057,269</u>	<u>189,360</u>	<u>18,482,742</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 17,317,925</u>	<u>\$ (170,925)</u>	<u>\$ -</u>	<u>\$ 17,147,000</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 25,269
Public Safety	168,992
Public Works	708,011
Parks and Recreation	103,414
Health and Social Services	<u>51,583</u>
Total Depreciation Expense	<u>\$ 1,057,269</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 – LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
GENERAL OBLIGATION BONDS:					
\$4,310,000 issue dated 07/15/98, interest from 4.25% to 6.00%, matures 07/15/16	\$ 800,000	\$ -	\$ 200,000	\$ 600,000	\$ 200,000
\$1,155,000 issue dated 08/15/06, interest from 3.70% to 5.00%, matures 08/15/16	<u>460,000</u>	<u>-</u>	<u>115,000</u>	<u>345,000</u>	<u>115,000</u>
TOTAL BOND INDEBTEDNESS	1,260,000	-	315,000	945,000	315,000
CAPITAL LEASE OBLIGATIONS	579,062	-	111,151	467,911	115,821
UNFUNDED MERS PENSION – NOTE 6	109,703	-	2,996	106,707	3,116
NET OPEB OBLIGATION – NOTE 7	359,348	78,515	11,172	426,691	11,172
COMPENSATED ABSENCES – NOTE 1G	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 2,333,113</u>	<u>\$ 78,515</u>	<u>\$ 440,319</u>	<u>\$ 1,971,309</u>	<u>\$ 445,109</u>

For the fiscal year ended June 30, 2014, the Town expended \$ 520,058 for debt service consisting of principal payments totaling \$ 440,319 and interest payments totaling \$ 79,739.

General Obligation Bonds

Annual debt service requirements on general obligation bonds are as follows as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 315,000	\$ 37,475	\$ 352,475
2016	315,000	22,500	337,500
2017	<u>315,000</u>	<u>7,500</u>	<u>322,500</u>
Total	<u>\$ 945,000</u>	<u>\$ 67,475</u>	<u>\$ 1,012,475</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Overlapping Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 16 general obligation school bonds. The District's operating budget provides for annual retirement of principal and interest. At June 30, 2014, the District had \$27,780,000 of long-term bonded debt and expects to receive \$7,643,001 of principal reimbursement from the State of Connecticut. The Town's share is based on student enrollment attending the regional facility on October 1 of the preceding year and is calculated at 60.636% for the fiscal year ending June 30, 2014. The overlapping debt to the Town is calculated to be \$12,210,271.

The debt service requirements for the School District bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,780,000	\$ 953,827	\$ 3,733,827
2016	2,725,000	843,294	3,568,294
2017	2,735,000	729,994	3,464,994
2018	2,720,000	628,181	3,348,181
2019	2,685,000	535,331	3,220,331
2020-2024	6,095,000	1,614,645	7,709,645
2025-2029	4,225,000	959,282	5,184,282
2030-2034	<u>3,815,000</u>	<u>342,369</u>	<u>4,157,369</u>
Total	<u>\$ 27,780,000</u>	<u>\$ 6,606,923</u>	<u>\$ 34,386,923</u>

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$159,659,864 as of June 30, 2014. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2014.

Capital Lease Obligations

The Town has entered into lease-purchase agreements for the acquisition of (1) a dump truck totaling \$242,510 (\$212,510 after a down payment of \$30,000) with an imputed interest rate of 5.34%; the lease will be amortized by annual payments of \$36,879 extending to fiscal year 2017, (2) a fire pumper truck in the amount of \$537,840 with an imputed interest rate of 3.50%; the lease will be amortized by annual payments of \$69,989 extending to fiscal year 2019 and (3) a road side mower in the amount of

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

\$98,322 with an imputed interest rate of 4.55%; amortized by annual payments of \$27,500 extending to fiscal year 2016.

The annual requirement to amortize the leases as of June 30, 2014 is as follows:

Fiscal Year Ending <u>June 30</u>	Present Value of Minimum <u>Lease Payments</u>	<u>Interest</u>	Total Minimum <u>Lease Payments</u>
2015	\$ 115,821	\$ 18,547	\$ 134,368
2016	120,696	13,673	134,369
2017	98,283	8,585	106,868
2018	65,437	4,552	69,989
2019	<u>67,674</u>	<u>2,314</u>	<u>69,988</u>
Total	<u>\$ 467,911</u>	<u>\$ 47,671</u>	<u>\$ 515,582</u>

NOTE 6 – EMPLOYEE RETIREMENT PLANS

The Town of Prospect maintains a defined contribution money purchase pension plan for all full time employees of the Town (excluding union employees, who are covered separately as discussed below), including elected officials. Contributions to the Plan are made annually at the discretion of the retirement board (8% of eligible wages for the year ended June 30, 2014). Participating employees are not required to make any contributions to the Plan. However, each employee may make voluntary contributions in an amount no less than 2% or more than 10% of gross pay.

Public Works employees, covered by union contract, participate in the Municipal Employees' Retirement System (MERS), a cost sharing multiple employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. Each covered municipality is required by State statute to pay an actuarially determined percentage of covered payroll (11.98% of eligible wages for the year ended June 30, 2014) to provide for benefits based on current service. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors.

Effective July 1, 2006, the Town of Prospect's annual accrued liability payment is \$ 7,093 for thirty years and a balance of \$106,707 is included in the Town's long-term debt as of June 30, 2014.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 – EMPLOYEE RETIREMENT PLANS (Continued)

Actuarial accrued liability, value of assets and unfunded actuarial accrued liability of the Connecticut Municipal Employees' Retirement System as of June 30, 2013 follows:

Total Actuarial Accrued Liability	\$ 2,267,215,793
Actuarial Value of Assets	<u>1,983,863,177</u>
 Unfunded Actuarial Accrued Liability	 \$ <u>283,352,616</u>

The actuarial accrued liability is a measure that uses the benefit provisions and is intended to (1) help users assess the plan's funding status on a going-concern basis, and (2) assess progress being made in accumulating sufficient assets to pay benefits when due.

In lieu of a full valuation, updated asset information was provided and plan liabilities were rolled forward to determine the funding requirements and status of the system. The unfunded actuarial accrued liability as of June 30, 2013 was approximately \$283.4 million as compared to \$322.1 million as of June 30, 2012. The funded percentage of the System, calculated as the valuation assets divided by the accrued liability, is 87.50% as of June 30, 2013, as compared to 85.03% as of June 30, 2012.

The following disclosures for the Town are for the year ended June 30, 2014:

	Total <u>Payroll</u>	"Covered <u>Payroll"</u>	Town <u>Contribution</u>
Town non-union employees	\$ 2,104,814	\$ 720,735	\$ 57,659
Town union employees	<u>461,064</u>	<u>461,064</u>	<u>55,235</u>
Total	<u>\$ 2,565,878</u>	<u>\$ 1,181,799</u>	<u>\$ 112,894</u>

The Town of Prospect also offers an IRS Section 457 Deferred Compensation Program to its employees. At June 30, 2014, net assets of the Town of Prospect Profit Sharing Plan and Trust totaled \$1,100,462 and net assets of the Deferred Compensation Program totaled \$981,825.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description - The Town provides healthcare insurance benefits for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established by various collective bargaining and employment agreements with the Town.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The town’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty 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:

Annual required contribution	\$ 78,515
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>78,515</u>
Contributions made	<u>11,172</u>
Increase in net OPEB obligation	67,343
Net OPEB obligation – beginning of year	<u>359,348</u>
 Net OPEB obligation – end of year	 <u>\$ 426,691</u>

Three-year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution Made</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/13/14	\$ 78,515	\$ 11,172	14.2%	\$ 426,691
06/30/13	\$ 77,759	\$ 10,854	14.0%	\$ 359,348
06/30/12	\$ 91,007	\$ 23,345	25.7%	\$ 292,443

Funded Status and Funding Progress – As of June 30, 2014, the actuarial accrued liability for benefits was \$602,827. There is no requirement for funding the Retiree Health Plan and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time. The covered payroll (annual payroll of active employees covered by the plan) was \$1,132,534, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 53.2 percent.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The following simplifying assumptions were made:

Retirement age for active employees – Active plan members were assumed to retire at age 64, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on the RP-2000 mortality table for males and females.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums is 5.0%.

Health insurance premiums – 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term rate of inflation is 3.0%.

Payroll growth rate – The expected long-term payroll growth rate was assumed to be 1.0%.

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Based on the historical and expected returns of the town's short-term investment portfolio, a discount rate of 2.0% was used. In addition, a simplified version of the projected unit credit actuarial cost method was used with the present value of future normal costs amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was twenty-five years.

NOTE 8 – INTERFUND ACCOUNTS

Balances due to/from other funds, as presented in the governmental funds balance sheet at June 30, 2014, consist of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Special Revenue Funds:		
Police Overtime	\$ 24,980	\$ -
Capital Projects Funds:		
Land Acquisition	-	1,000
Open Space	-	1,924
Special Revenue Funds	-	24,980
Capital Projects Funds	<u>2,924</u>	<u>-</u>
Total	<u>\$ 27,904</u>	<u>\$ 27,904</u>

NOTE 9 – TRANSFERS

Transfers, as presented in the other financing sources and uses of the governmental funds, at June 30, 2014, consist of the following:

Transfers authorized by adopted budget:	
From town aid roads special revenue to the general fund	\$ 36,000
Other transfers:	
From the Police Overtime special revenue fund to the general fund to reimburse for wages and benefits paid	207,264
From the Sewer Use Fees special revenue fund to the general fund	<u>1,484</u>
Total Transfers	<u>\$ 244,748</u>

TOWN OF PROSPECT, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded coverage for the current year or three previous years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-749a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

NOTE 11 – CONTINGENCIES

The Town of Prospect is currently involved as a defendant in various types of litigation involving the Town, its officers, employees, boards and commissions. The probability of adverse decisions in these matters and the amounts of potential losses that may result are not presently determinable. However, the Town is of the opinion that the liability in these cases, if any, not covered by insurance will not materially adversely affect the financial statements for these contingencies.

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

NOTE 12 – ADJUSTMENTS – CORRECTION OF PRIOR PERIOD

An adjustment has been made to recognize Small Cities loans in accordance with GASB 54 and 65 in the Housing Rehabilitation special revenue fund. As of June 30, 2013, the loans receivable balance was \$1,103,107 and, accordingly, nonspendable fund balance of an equal amount has been recognized.

Loans receivable are recognized as an asset in the Statement of Net Position and the government-wide governmental activities net position has been restated as of June 30, 2013 as follows:

Net Position - beginning, as originally reported	\$ 16,966,114
Adjustment	<u>1,103,107</u>
Net Position – beginning, as adjusted	<u>\$ 18,069,221</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Original <u>Budget</u>
REVENUE				
Property taxes, interest and lien fees	\$ 22,735,298	\$ 22,735,298	\$ 22,805,109	\$ 69,811
Federal, state and other grants	5,662,546	5,814,612	5,891,822	229,276
Licenses, permits and fees	216,030	216,030	216,219	189
Investment income	3,500	3,500	4,043	543
Other income	<u>87,400</u>	<u>211,204</u>	<u>256,114</u>	<u>168,714</u>
TOTAL REVENUE	<u>28,704,774</u>	<u>28,980,644</u>	<u>29,173,307</u>	<u>468,533</u>
EXPENDITURES				
Current:				
General government	2,461,222	2,536,304	2,479,770	(18,548)
Public safety	1,418,302	1,634,712	1,621,363	(203,061)
Public works	1,938,846	2,122,045	2,088,278	(149,432)
Parks and recreation	615,169	614,286	596,316	18,853
Health and human services	295,015	292,515	290,809	4,206
Education	21,486,385	21,486,385	21,486,385	-
Other expenditures	42,413	26,913	18,861	23,552
Capital expenditures	9,000	284,121	283,121	(274,121)
Debt Service:				
Principal payments	426,151	429,147	429,147	(2,996)
Interest and other	<u>76,271</u>	<u>80,369</u>	<u>79,739</u>	<u>(3,468)</u>
TOTAL EXPENDITURES	<u>28,768,774</u>	<u>29,506,797</u>	<u>29,373,789</u>	<u>(605,015)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	<u>(64,000)</u>	<u>(526,153)</u>	<u>(200,482)</u>	<u>(136,482)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	64,000	260,731	244,748	180,748
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER SOURCES (USES)	<u>64,000</u>	<u>260,731</u>	<u>244,748</u>	<u>180,748</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (265,422)</u>	44,266	<u>\$ 44,266</u>
FUND BALANCE, JULY 1, 2013			<u>757,332</u>	
FUND BALANCE, JUNE 30, 2014			<u>\$ 801,598</u>	

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF REVENUES DETAIL
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Original
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
REVENUE:				
Property taxes:				
Current	22,250,298	22,250,298	22,202,925	(47,373)
Previous years	200,000	200,000	210,206	10,206
Interest and lien fees	100,000	100,000	166,158	66,158
Automobile supplement	185,000	185,000	225,820	40,820
	<u>22,735,298</u>	<u>22,735,298</u>	<u>22,805,109</u>	<u>69,811</u>
Federal, state and other grants:				
EPA STAG - Water main	-	151,317	151,317	151,317
FEMA	-	-	2,130	2,130
Exemptions for elderly, veterans & disabled	96,000	96,000	98,201	2,201
Education grant Region 16	5,393,363	5,393,363	5,393,363	-
Municipal grants in aid	66,721	66,721	66,721	-
State owned property	1,875	1,875	1,877	2
LOCIP	70,709	70,709	64,423	(6,286)
Mashantucket Pequot	33,628	33,628	30,489	(3,139)
Police grants	250	999	6,051	5,801
Municipal revenue sharing	-	-	74,854	74,854
Other state grants	-	-	2,396	2,396
	<u>5,662,546</u>	<u>5,814,612</u>	<u>5,891,822</u>	<u>229,276</u>
Licenses, permits and fees:				
Building inspections	70,000	70,000	65,595	(4,405)
Peddler permits	50	50	50	-
Raffles & bazaars	80	80	160	80
Pistol permits	2,500	2,500	4,200	1,700
Fingerprinting	100	100	50	(50)
Planning & zoning	4,000	4,000	5,905	1,905
Zoning board of appeals	1,050	1,050	1,250	200
Inland wetlands	750	750	2,998	2,248
Town clerk fees	65,000	65,000	67,305	2,305
Property conveyance tax	72,500	72,500	68,706	(3,794)
	<u>216,030</u>	<u>216,030</u>	<u>216,219</u>	<u>189</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF REVENUES DETAIL (CONTINUED)
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

Interest income	<u>3,500</u>	<u>3,500</u>	<u>4,043</u>	<u>543</u>
Other income:				
Library fines	2,300	2,300	2,713	413
SCRWA payment in lieu of taxes	37,500	37,500	36,979	(521)
CIRMA equity	7,200	7,200	7,779	579
Use of copier	400	400	540	140
Sales/recycling income	7,500	7,500	5,503	(1,997)
Telephone tax share	25,000	25,000	23,655	(1,345)
Alarm fines	2,500	2,500	1,970	(530)
Refunds and commissions	5,000	5,000	2,586	(2,414)
Region 16 water main (45% reimbursement)	-	123,804	123,804	123,804
BRRFOC	-	-	46,085	46,085
WCAAO	-	-	4,500	4,500
	<u>87,400</u>	<u>211,204</u>	<u>256,114</u>	<u>168,714</u>
TOTAL REVENUE	<u>\$ 28,704,774</u>	<u>\$ 28,980,644</u>	<u>\$ 29,173,307</u>	<u>\$ 468,533</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES DETAIL
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Original
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
EXPENDITURES:				
General government:				
Office of the Mayor	183,340	183,340	182,618	722
Probate Court	2,500	2,500	2,500	-
Zoning board of appeals	1,650	1,525	1,000	650
Elections and registrars	43,250	50,529	40,423	2,827
Auditor	12,500	12,500	11,850	650
Assessor	94,988	93,082	92,741	2,247
Board of assessment appeals	350	300	300	50
Tax Collector	109,917	109,917	109,465	452
Treasurer	5,200	5,200	5,200	-
Legal fees	85,000	89,500	87,779	(2,779)
Town clerk	108,190	107,940	107,022	1,168
Refund of taxes	25,000	33,881	33,881	(8,881)
Planning and zoning commission	17,950	17,950	16,098	1,852
Adverting and printing	21,600	21,600	20,994	606
Social Security	167,500	195,675	195,509	(28,009)
Automated processing of records	52,000	64,500	63,505	(11,505)
Building department	73,944	72,444	72,129	1,815
Water Pollution Authority	130,554	130,954	130,851	(297)
Municipal organization fees	9,716	9,487	9,487	229
Town Council	6,600	6,600	6,575	25
Town buildings	417,500	451,650	442,720	(25,220)
Unemployment compensation tax	12,500	4,000	1,549	10,951
Benefits - Town employees	749,500	742,407	719,713	29,787
Postage	18,500	18,500	18,019	481
Conservation commission	150	-	-	150
Inland wetlands	3,900	2,900	1,990	1,910
Land use inspector	103,423	103,423	102,127	1,296
Historic preservation	4,000	4,000	3,725	275
	<u>2,461,222</u>	<u>2,536,304</u>	<u>2,479,770</u>	<u>(18,548)</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES DETAIL (CONTINUED)
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Original
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
Public safety:				
Fire protection	306,650	346,650	338,840	(32,190)
Fire marshal	47,630	47,180	43,236	4,394
Police	744,795	926,135	925,408	(180,613)
Insurance	240,558	237,478	236,620	3,938
Emergency management	8,630	8,230	8,220	410
Hazardous materials	16,000	15,000	15,000	1,000
911 service	54,039	54,039	54,039	-
	<u>1,418,302</u>	<u>1,634,712</u>	<u>1,621,363</u>	<u>(203,061)</u>
Public works:				
Solid waste disposal	519,432	519,432	496,264	23,168
Town roads	248,764	257,963	257,515	(8,751)
Ice and snow removal	599,000	646,500	644,837	(45,837)
Street lighting	51,500	51,500	48,274	3,226
Town trucks	254,500	351,000	345,738	(91,238)
Town aid roads	36,000	36,000	36,000	-
Road reconstruction	229,650	259,650	259,650	(30,000)
	<u>1,938,846</u>	<u>2,122,045</u>	<u>2,088,278</u>	<u>(149,432)</u>
Parks and recreation:				
Parks	128,020	128,020	126,986	1,034
Library	256,209	256,209	242,790	13,419
Recreation	186,790	186,790	184,211	2,579
Holiday observances	12,150	11,767	10,829	1,321
Youth - Summer activities	32,000	31,500	31,500	500
	<u>615,169</u>	<u>614,286</u>	<u>596,316</u>	<u>18,853</u>
Health and human services:				
Health	80,837	78,337	78,254	2,583
Commission on aging	214,178	214,178	212,555	1,623
	<u>295,015</u>	<u>292,515</u>	<u>290,809</u>	<u>4,206</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES DETAIL (CONTINUED)
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		with Original Budget
Education	21,486,385	21,486,385	21,486,385	-
Other expenditures:				
Region 1 animal control	20,413	19,913	14,617	5,796
Contingency	22,000	7,000	4,244	17,756
	42,413	26,913	18,861	23,552
Capital expenditures:				
Storm Water Phase I	1,000	1,000	-	1,000
Scott Road Phase II	8,000	8,000	8,000	-
Route 69 water main construction	-	275,121	275,121	(275,121)
	9,000	284,121	283,121	(274,121)
Debt service:				
Interest:				
GOB 1998 - Firehouse	32,300	32,300	32,300	-
GOB 2002 - Road Safety	8,300	8,300	8,300	-
GOB 2002 - Road Safety/Senior Center	11,825	11,825	11,825	-
Principal:				
GOB 1998 - Firehouse	200,000	200,000	200,000	-
GOB 2002 - Road Safety	48,000	48,000	48,000	-
GOB 2002 - Road Safety/Senior Center	67,000	67,000	67,000	-
Capital leases:				
Public works dump truck	36,879	36,879	36,879	-
Fire department pumper truck	70,618	70,618	69,989	629
Public works road side mower	27,500	27,501	27,500	-
MERS pension obligation	-	7,093	7,093	(7,093)
	502,422	509,516	508,886	(6,464)
TOTAL EXPENDITURES	28,768,774	29,506,797	29,373,789	(605,015)

See accompanying Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF PROSPECT, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 97,875	\$ 68,099	\$ 165,974
Investments	-	73,916	73,916
Other receivables	40,251	-	40,251
Due from other funds	<u>-</u>	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 138,126</u>	<u>\$ 143,015</u>	<u>\$ 281,141</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 24,377	\$ -	\$ 24,377
Due to other funds	24,980	-	24,980
Unearned revenue	<u>15,725</u>	<u>-</u>	<u>15,725</u>
TOTAL LIABILITIES	<u>65,082</u>	<u>-</u>	<u>65,082</u>
 FUND BALANCES:			
Assigned	74,592	143,015	217,607
Unassigned	<u>(1,548)</u>	<u>-</u>	<u>(1,548)</u>
TOTAL FUND BALANCES	<u>73,044</u>	<u>143,015</u>	<u>216,059</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 138,126</u>	 <u>\$ 143,015</u>	 <u>\$ 281,141</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Federal, state and other grants	\$ 257,249	\$ -	\$ 257,249
Licenses, permits and fees	338,858	-	338,858
Investment income	39	88	127
Other income	<u>23,168</u>	<u>-</u>	<u>23,168</u>
TOTAL REVENUES	<u>619,314</u>	<u>88</u>	<u>619,402</u>
EXPENDITURES			
Services and project expenditures	336,336	-	336,336
Capital expenditures	<u>48,166</u>	<u>-</u>	<u>48,166</u>
TOTAL EXPENDITURES	<u>384,502</u>	<u>-</u>	<u>384,502</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>234,812</u>	<u>88</u>	<u>234,900</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(244,748)</u>	<u>-</u>	<u>(244,748)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(244,748)</u>	<u>-</u>	<u>(244,748)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(9,936)	88	(9,848)
FUND BALANCES, BEGINNING	<u>82,980</u>	<u>142,927</u>	<u>225,907</u>
FUND BALANCES, ENDING	<u>\$ 73,044</u>	<u>\$ 143,015</u>	<u>\$ 216,059</u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2014

	Town Aid Road	Dog Fund	Police Overtime Fund	Youth Services	Police Programs	Sewer Use Fees	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 6,754	\$ 129	\$ 49,929	\$ 17,145	\$ 4,825	\$ 19,093	\$ 97,875
Accounts receivable	-	7,159	33,092	-	-	-	40,251
Due from other funds	-	-	-	-	-	-	-
	<u>\$ 6,754</u>	<u>\$ 7,288</u>	<u>\$ 83,021</u>	<u>\$ 17,145</u>	<u>\$ 4,825</u>	<u>\$ 19,093</u>	<u>\$ 138,126</u>
TOTAL ASSETS	<u>\$ 6,754</u>	<u>\$ 7,288</u>	<u>\$ 83,021</u>	<u>\$ 17,145</u>	<u>\$ 4,825</u>	<u>\$ 19,093</u>	<u>\$ 138,126</u>
LIABILITIES							
Accounts payable	\$ 6,069	\$ 4,096	\$ 11,244	\$ 2,968	\$ -	\$ -	\$ 24,377
Due to other funds	-	-	24,980	-	-	-	24,980
Unearned revenue	-	-	-	15,725	-	-	15,725
	<u>6,069</u>	<u>4,096</u>	<u>36,224</u>	<u>18,693</u>	<u>-</u>	<u>-</u>	<u>65,082</u>
TOTAL LIABILITIES	<u>6,069</u>	<u>4,096</u>	<u>36,224</u>	<u>18,693</u>	<u>-</u>	<u>-</u>	<u>65,082</u>
FUND BALANCE							
Assigned	685	3,192	46,797	-	4,825	19,093	74,592
Unassigned	-	-	-	(1,548)	-	-	(1,548)
	<u>685</u>	<u>3,192</u>	<u>46,797</u>	<u>(1,548)</u>	<u>4,825</u>	<u>19,093</u>	<u>73,044</u>
TOTAL FUND BALANCES	<u>685</u>	<u>3,192</u>	<u>46,797</u>	<u>(1,548)</u>	<u>4,825</u>	<u>19,093</u>	<u>73,044</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,754</u>	<u>\$ 7,288</u>	<u>\$ 83,021</u>	<u>\$ 17,145</u>	<u>\$ 4,825</u>	<u>\$ 19,093</u>	<u>\$ 138,126</u>

See accompanying Independent Auditor's Report.

TOWN OF PROSPECT, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Town Aid Road	Dog Fund	Police Overtime	Youth Services	Police Programs	Sewer Use Fees	Total Nonmajor Special Revenue Funds
REVENUE							
Federal and State grants	\$ 238,312	\$ -	\$ -	\$ 18,937	\$ -	\$ -	\$ 257,249
Licenses, permits and fees	-	7,372	307,844	-	-	23,642	338,858
Investment income	-	-	39	-	-	-	39
Other income	-	-	28	21,115	2,025	-	23,168
TOTAL REVENUE	238,312	7,372	307,911	40,052	2,025	23,642	619,314
EXPENDITURES							
Services and project expenditures	215,614	8,235	43,288	42,488	1,351	25,360	336,336
Capital expenditures	-	1,238	46,928	-	-	-	48,166
TOTAL EXPENDITURES	215,614	9,473	90,216	42,488	1,351	25,360	384,502
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	22,698	(2,101)	217,695	(2,436)	674	(1,718)	234,812
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(36,000)	-	(207,264)	-	-	(1,484)	(244,748)
TOTAL OTHER FINANCING SOURCES (USES)	(36,000)	-	(207,264)	-	-	(1,484)	(244,748)
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(13,302)	(2,101)	10,431	(2,436)	674	(3,202)	(9,936)
FUND BALANCE, BEGINNING	13,987	5,293	36,366	888	4,151	22,295	82,980
FUND BALANCE, ENDING	\$ 685	\$ 3,192	\$ 46,797	\$ (1,548)	\$ 4,825	\$ 19,093	\$ 73,044

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

JUNE 30, 2014

	<u>Land Acquisition</u>	<u>Capital and Non-Recurring Expenditures</u>	<u>WPCA Capital Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 37,504	\$ 30,595	\$ 68,099
Investments	73,916	-	-	73,916
Due from general fund	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
TOTAL ASSETS	<u><u>\$ 74,916</u></u>	<u><u>\$ 37,504</u></u>	<u><u>\$ 30,595</u></u>	<u><u>\$ 143,015</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
FUND BALANCES				
Assigned	<u>74,916</u>	<u>37,504</u>	<u>30,595</u>	<u>143,015</u>
TOTAL FUND BALANCES	<u><u>74,916</u></u>	<u><u>37,504</u></u>	<u><u>30,595</u></u>	<u><u>143,015</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 74,916</u></u>	<u><u>\$ 37,504</u></u>	<u><u>\$ 30,595</u></u>	<u><u>\$ 143,015</u></u>

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	Land Acquisition	Capital and Non-Recurring Expenditures	WPCA Capital Improvement	Total Nonmajor Capital Projects Funds
REVENUE				
Investment income	\$ 58	\$ 30	\$ -	\$ 88
TOTAL REVENUE	58	30	-	88
EXPENDITURES				
Project expenditures	-	-	-	-
Capital expenditures	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	58	30	-	88
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	58	30	-	88
FUND BALANCE, BEGINNING	74,858	37,474	30,595	142,927
FUND BALANCE, ENDING	\$ 74,916	\$ 37,504	\$ 30,595	\$ 143,015

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
REPORT OF THE TAX COLLECTOR**

FOR THE YEAR ENDED JUNE 30, 2014

Grand List October 1:	Uncollected Taxes at July 1, 2013 & Current List	Lawful Corrections		Transfers (To)/From Suspense	Net Taxes Collectible	Collections During the Year			Total Collections	Uncollected Taxes June 30, 2014
		Additions	Deductions			Taxes, Net of Refunds	Interest	Lien Fees		
2012	\$ 22,721,889	\$ 21,104	\$ (144,200)	\$ (9,707)	\$ 22,589,086	\$ 22,347,735	\$ 69,139	\$ 732	\$ 22,417,606	\$ 241,351
2011	229,613	3,172	(10,298)	(9,405)	213,082	152,164	32,149	1,020	185,333	60,918
2010	78,612	3,576	(6,714)	(9,576)	65,898	39,840	16,106	343	56,289	26,058
2009	45,749	3,514	(8,061)	(10,168)	31,034	23,490	7,884	275	31,649	7,544
2008	14,873	3,478	(8,010)	(4,036)	6,305	1,699	4,682	122	6,503	4,606
2007	10,204	-	(64)	(1,093)	9,047	4,777	4,608	48	9,433	4,270
2006	7,569	-	-	(1,071)	6,498	4,682	5,337	96	10,115	1,816
2005	1,574	48	-	(1,048)	574	574	697	24	1,295	-
2004	1,471	261	-	(1,216)	516	516	87	36	639	-
2003	1,173	-	-	(1,173)	-	-	-	-	-	-
2002	1,039	61	-	(1,100)	-	-	-	-	-	-
2001	11,802	240	-	(12,042)	-	-	-	-	-	-
2000	9,784	1,607	-	(11,391)	-	-	-	-	-	-
1999	14,856	87	-	(14,943)	-	-	-	-	-	-
1998	14,075	-	-	-	14,075	-	-	-	-	14,075
1997	12,470	-	-	(12,470)	-	-	-	-	-	-
Suspense	-	-	-	5,624	5,624	5,624	5,713	-	11,337	-
TOTALS	\$ 23,176,753	\$ 37,148	\$ (177,347)	\$ (94,815)	\$ 22,941,739	\$ 22,581,101	\$ 146,402	\$ 2,696	\$ 22,730,199	\$ 360,638

See accompanying Independent Auditor's Report.

**TOWN OF PROSPECT, CONNECTICUT
STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)**

FOR THE YEAR ENDED JUNE 30, 2014

Total tax collections (including interest and lien fees)	
for current fiscal year	\$ 22,730,199
Reimbursement for revenue loss on:	
Tax relief for elderly (CGS 12-129d)	<u>78,353</u>
Total Receipts for Determination of Base	<u>\$ 22,808,552</u>

<u>Debt Limitation:</u>	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit (1)</u>
2 1/4 times base	\$ 51,319,242	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	102,638,484	-	-	-
3 3/4 times base	-	-	85,532,070	-	-
3 1/4 times base	-	-	-	74,127,794	-
3 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,425,656</u>
Total Debt Limitation	<u>51,319,242</u>	<u>102,638,484</u>	<u>85,532,070</u>	<u>74,127,794</u>	<u>68,425,656</u>
 <u>Indebtedness:</u>					
Bonds Payable	945,000	-	-	-	-
Net Overlapping Regional School District 16 Bonds Payable - Note 5	<u>-</u>	<u>12,210,271</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Indebtedness	<u>945,000</u>	<u>12,210,271</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Debt Limitation in Excess of					
Outstanding and Authorized Debt	<u>\$ 50,374,242</u>	<u>\$ 90,428,213</u>	<u>\$ 85,532,070</u>	<u>\$ 74,127,794</u>	<u>\$ 68,425,656</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$159,659,864.

See accompanying Independent Auditors Report.

MICHAEL J. BATTISTA
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 485
Northford, Connecticut 06472-0485
(203) 376-1445

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Mayor Robert Chatfield
Town Council
Town of Prospect
Prospect, Connecticut

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Prospect, 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 Prospect, Connecticut's basic financial statements, and have issued my report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Michael J. Battista, C.P.A.

Michael J. Battista
Certified Public Accountant

Northford, Connecticut
December 11, 2014

STATE FINANCIAL ASSISTANCE

MICHAEL J. BATTISTA
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 485
Northford, Connecticut 06472-0485
(203) 376-1445

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

Independent Auditor's Report

Mayor Robert Chatfield
Town Council
Town of Prospect
Prospect, Connecticut

Report on Compliance for Each Major State Program

I have audited the Town of Prospect, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Prospect, Connecticut's major state programs for the year ended June 30, 2014. The Town of Prospect, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Town of Prospect, Connecticut's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Prospect, Connecticut's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the Town of Prospect, Connecticut's compliance.

Opinion on Each Major State Program

In my opinion, the Town of Prospect, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Prospect, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Town of Prospect, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Prospect, Connecticut's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Prospect, Connecticut as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. I have issued my report thereon dated December 11, 2014, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Prospect, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Michael J. Battista, C.P.A.

Michael J. Battista
Certified Public Accountant

Northford, Connecticut
December 11, 2014

**TOWN OF PROSPECT, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management		
Property Tax Relief for:		
Elderly Homeowners	11000-OPM20600-17018	\$ 78,353
Disability Exemption	11000-OPM20600-17011	1,039
Veterans	11000-OPM20600-17024	18,809
Payment in Lieu of Taxes - State Property	11000-OPM20600-17004	1,877
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	64,423
Municipal grants in aid	12052-OPM20600-43587	66,721
State Department of Education		
Youth Services Bureau	11000-SDE64370-17052	14,000
Youth Services Bureau Enhancement	11000-SDE64370-16201	4,937
Department of Transportation		
Town Aid Road Grant	12001-DOT57131-17036	251,614
Alcohol Open Container Requirements	12062-DOT57513-22091	5,016
Department of Public Safety		
Emergency Management Performance	12060-DPS32960-21881	1,433
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	1,210
Connecticard Payments	11000-CSL66051-17010	866
Judicial Branch		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>1,035</u>
Total State Financial Assistance Before Exempt Programs		<u>511,333</u>
Exempt Programs		
State Department of Education		
Education Cost Sharing	11000-SDE64370-17041	5,393,363
Office of Policy and Management		
Municipal Revenue Sharing	12062-OPM20600-35458	74,854
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	30,489
Municipal Video Competition	12060-OPM20600-35362	<u>884</u>
Total Exempt Programs		<u>5,499,590</u>
Total State Financial Assistance		<u>\$ 6,010,923</u>

See Notes to Schedule.

**TOWN OF PROSPECT, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Prospect, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2014. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, general government, public works and capital improvement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Prospect, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance operations of the fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**TOWN OF PROSPECT, CONNECTICUT
STATE FINANCIAL ASSISTANCE PROGRAMS -
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

State Financial Assistance

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	No

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Road Grant	12001-DOT57131-17036	\$ 251,614
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 64,423

The dollar threshold used to distinguish between type A and type B programs was \$100,000.