

**TOWN OF SHARON**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**Year Ended June 30, 2014**

**BAUDE & ROLFE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
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**TOWN OF SHARON**  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Finance  
Town of Sharon  
Sharon, Connecticut

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, 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 Sharon, Connecticut's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, Connecticut, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of the Town of Sharon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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 Sharon, Connecticut's internal control over financial reporting and compliance.



Baude & Rolfe, P.C.  
Certified Public Accountants

New London, Connecticut  
December 1, 2014

**TOWN OF SHARON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

As management of the Town of Sharon, we offer readers of the Town of Sharon's financial statements this narrative overview and analysis of the financial activities of the Town of Sharon for the fiscal year ended June 30, 2014.

**Financial Highlights:**

- The assets of the Town of Sharon exceeded its liabilities at the close of the most recent fiscal year by \$15,509,155. Of this amount, \$6,074,014 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$992,243. This increase is mostly attributable to an increase revenues and a decrease in expenditures.
- As of the close of the current fiscal year, the Town of Sharon's governmental funds reported combined ending fund balances of \$4,582,029. \$3,326,976 is available for spending at the government's discretion (unassigned fund balance). The Town strives to maintain an adequate unassigned fund balance. Through the FYE 2015 budgetary process, the Town made a decision to provide a tax relief through the use of excess fund balances in the amount of \$50,000 in the FYE 2015 budget.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,326,976 or 32.7% of total general fund expenditures on a budgetary basis.
- The Town of Sharon's total long-term debt decreased by \$832,271 (9.1%) during the current fiscal year.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Sharon's finances, in a manner similar to a private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Sharon is improving or deteriorating. It speaks to the question of whether or not, the Town, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes to the Town's tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

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; uncollected taxes and earned but unused vacation leave are examples.

The governmental activities of the Town of Sharon include education, general government services, public safety, and public works, planning and development, human services and civic and cultural. Property taxes, charges for services, and state and federal grants finance most of these activities. The Town maintains one business-type activity, the Sewer and Water Commission.

The government-wide financial statements (statement of net position and statement of activities) can be found on pages 10-11 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sharon, 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 three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be 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 funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial 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 Sharon maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Non-Recurring Capital Projects Fund which are considered to be major funds. In addition, there are seven Special Revenue Funds and one Capital Projects Fund. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Sharon adopted an annual appropriated budget for its general fund.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 12-14 of this report.

**Proprietary funds:** The Town of Sharon maintains one proprietary fund.

The proprietary fund is the Sewer and Water Commission.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The funds are combined into single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**Fiduciary funds:** 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 services to the Town's constituency. The Town has a Pension Trust Fund and an Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Included in the notes is the information concerning the Town of Sharon's funding of its obligation to provide pension benefits to its employees. The notes to the financial statements can be found on pages 21-40 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found beginning on page 41 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$15,509,155 at the close of the fiscal year ended June 30, 2014.

By far the largest portion of the Town's net position is reflected in 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. The Town 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.

	June 30, 2014 Net Position			June 30, 2013 Net Position		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>						
Current Assets	\$ 5,420,813	\$ 414,793	\$ 5,835,606	\$ 4,825,369	\$ 410,025	\$ 5,235,394
Capital Assets	12,284,208	5,403,529	17,687,737	12,636,717	5,599,218	18,235,935
Noncurrent Assets	787,575	-	787,575	708,588	-	708,588
<b>TOTAL ASSETS</b>	<b>18,492,596</b>	<b>5,818,322</b>	<b>24,310,918</b>	<b>18,170,674</b>	<b>6,009,243</b>	<b>24,179,917</b>
<b>LIABILITIES</b>						
Current Liabilities	1,413,334	1,019,805	2,433,139	995,328	1,188,772	2,184,100
Noncurrent Liabilities	6,180,206	168,968	6,349,174	7,279,801	186,403	7,466,204
<b>TOTAL LIABILITIES</b>	<b>7,593,540</b>	<b>1,188,773</b>	<b>8,782,313</b>	<b>8,275,129</b>	<b>1,375,175</b>	<b>9,650,304</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>19,450</b>	<b>-</b>	<b>19,450</b>	<b>12,701</b>	<b>-</b>	<b>12,701</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	5,080,385	4,214,756	9,295,141	4,754,894	4,246,075	9,000,969
Restricted Net Position	-	140,000	140,000	-	140,000	140,000
Unrestricted	5,799,221	274,793	6,074,014	5,127,950	247,993	5,375,943
<b>TOTAL NET POSITION</b>	<b>\$ 10,879,606</b>	<b>\$ 4,629,549</b>	<b>\$ 15,509,155</b>	<b>\$ 9,882,844</b>	<b>\$ 4,634,068</b>	<b>\$ 14,516,912</b>



## Governmental Activities

Governmental activities increased the Town's net position by \$992,243. Key elements of this increase are as follows:

	June 30, 2014			June 30, 2013		
	Changes in Net Position			Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 382,145	\$ 499,366	\$ 881,511	\$ 283,064	\$ 500,998	\$ 784,062
Operating grants and contributions	619,302	-	619,302	512,784	-	512,784
Capital grants and contributions	165,289	-	165,289	286,319	-	286,319
<b>General Revenues:</b>						
Property Taxes	10,130,569	-	10,130,569	9,702,277	-	9,702,277
Grants and contributions not restricted to specific programs	105,242	-	105,242	100,739	-	100,739
Other	54,717	22,321	77,038	48,659	22,178	70,837
<b>Total Revenues</b>	<b>11,457,264</b>	<b>521,687</b>	<b>11,978,951</b>	<b>10,933,842</b>	<b>523,176</b>	<b>11,457,018</b>
<b>Expenses:</b>						
General Government	1,269,661	-	1,269,661	1,166,440	-	1,166,440
Public Safety	301,236	-	301,236	262,584	-	262,584
Public Works	1,888,874	-	1,888,874	1,300,287	-	1,300,287
Health Welfare	242,804	-	242,804	79,029	-	79,029
Parks and Recreation	208,759	-	208,759	194,783	-	194,783
Miscellaneous	147,991	-	147,991	123,195	-	123,195
Board of Education	6,187,039	-	6,187,039	6,340,922	-	6,340,922
Sewer and Water Commission	-	526,206	526,206	-	549,158	549,158
Interest on Long-Term Debt	214,138	-	214,138	231,072	-	231,072
<b>Total Expenses</b>	<b>10,460,502</b>	<b>526,206</b>	<b>10,986,708</b>	<b>9,698,312</b>	<b>549,158</b>	<b>10,247,470</b>
<b>Increase (Decrease) in Net Position</b>	<b>996,762</b>	<b>(4,519)</b>	<b>992,243</b>	<b>1,235,530</b>	<b>(25,982)</b>	<b>1,209,548</b>
Net Position- July 1,	9,882,844	4,634,068	14,516,912	8,647,314	4,660,050	13,307,364
Net Position - June 30,	<u>\$ 10,879,606</u>	<u>\$ 4,629,549</u>	<u>\$ 15,509,155</u>	<u>\$ 9,882,844</u>	<u>\$ 4,634,068</u>	<u>\$ 14,516,912</u>

### Major revenue factors included:

- Property tax revenues recorded for fiscal year 2014 reflect an amount approximately \$475,000 more than budgeted.
- Other revenues were consistent with budgeted amounts and with prior years.

For Governmental Activities, more than 59% of the Town's expenditures related to education, 18% relate to public works, 12% to general governmental/services, and the remainder relates to public safety and other areas.

Major expenditure factors include:

- Public works expenses due to road and equipment expenses.
- Increase in debt service expenses due to bonding of capital projects.

#### **Business-Type Activities**

The Town maintains one major business-type activity at the present time; The Sewer and Water Commission. The objective of this fund is to be self-supporting through fees charged for services.

#### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the Town of Sharon's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Sharon'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 current fiscal year, the Town of Sharon's governmental funds reported combined ending fund balances of \$4,582,029, an increase of \$650,250 in comparison with the prior year. This is mainly attributable to actual amounts being much better than budgeted. The nonspendable portion amounts to \$1,000. The restricted portion amounts to \$251,361. The committed portion amounts to \$1,000,892 which includes a designation of \$50,000 to be used in the FYE 2015 budget. The assigned portion amounts to \$1,800. The unassigned fund balance amounts to \$3,326,976.

**General fund.** The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,326,976, while total fund balance was \$3,500,302. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.3 percent of the total General Fund expenditures, while total fund balance represents 33.0 percent of that same amount.

The fund balance of the Town of Sharon's General Fund increased by \$550,674 during the current fiscal year. Key factors in this increase are as follows:

- Actual revenues for the fiscal year ending 2014 were approximately \$615,000 more than budgeted.
- Actual expenditures for the fiscal year ending 2014 were approximately \$201,000 less than budgeted.
- The final budget of the Town for fiscal year ending 2014 included a planned draw down of fund balance of \$249,640, representing a portion of the unassigned fund balance from prior years.

**Proprietary funds.** The Town of Sharon's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

## General Fund Budgetary Highlights

The final budget contained additional appropriations approved during the year of \$199,640.

During the year, actual revenues on a budgetary basis were \$10.75 million, which were above budgetary estimates by \$615,274. Actual tax revenues were above the budget by \$474,718. There was higher than anticipated revenue from other sources.

Actual expenditures on a budgetary basis totaled \$10.19 million. Actual revenues exceeded expenditures on a budgetary basis by \$566,477. Actual expenditures came in under the final budget by \$200,843 with the Board of Education not expending \$77,570 (Regional High School portion \$77,570 and Town portion \$0) of their appropriation and town departments not expending \$123,273.

## Capital Assets and Debt Administration

**Capital Assets.** The Town of Sharon's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$12,284,208 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- The acquisition of a public works equipment at a cost of \$70,950.
- Depreciation of capital assets amounted to \$423,459 for the year.

Additional information on the Town of Sharon's capital assets can be found in Note 7 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Town of Sharon had total debt outstanding of \$7,082,642. This entire debt is backed by the full faith and credit of the government.

## TOWN OF SHARON, CONNECTICUT LONG TERM DEBT

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	Governmental Activities	
	2014	2013
2011 General Obligation Bonds	6,705,000	7,235,000
67 Main Street Note	273,195	361,136
School Roof Project Note	104,447	154,407
	<u>\$ 7,082,642</u>	<u>\$ 7,750,543</u>

The total long-term debt decreased \$667,901 or 8.6 percent during the year.

The overall statutory debt limit for the Town of Sharon is equal to seven times annual receipts from taxation or \$71 million. As of June 30, 2014, the Town recorded long-term debt of \$7.5 million related to Governmental Activities, and \$1.2 million related to business-type activities, well below its statutory debt limits.

Additional information on the Town of Sharon's long-term debt can be found in Note 8 on of this report, including information regarding the long-term debt of the Enterprise Fund.

### **Economic Factors and Next Year's Budgets and Rates**

The management of the Town of Sharon considered in preparing the FY 2015 budget:

- Continued low interest rates on investment income.
- Continued draw down from surplus.
- Hard-to-control increases in health and liability insurance and personnel costs.
- Condition of the state's economy and the effect on state revenues and tax collections.
- Debt service costs related to long-term financing.

During the fiscal year, unassigned fund balance in the general fund increased to \$3,326,976.

### **Request for Information**

This financial report from which this management discussion is designed to provide a general overview of the Town of Sharon finances for all those with an interest in the government's finances. The financial statements themselves are available at the Town Offices. Questions concerning any of the information provided in this discussion or requests for additional information should be addressed to the Finance Office, Town of Sharon, 63 Main Street, Sharon, Connecticut, 06069.

**TOWN OF SHARON**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,528,707	\$ 296,856	\$ 4,825,563
Investments	297,995		297,995
Receivables (Net of Uncollectible)			
Property Taxes	581,944	-	581,944
Grants Receivable	3,729	-	3,729
Accounts Receivable	7,438	117,937	125,375
Inventories	1,000	-	1,000
Other Long-Term Assets	787,575	-	787,575
Capital Assets			
Nondepreciable	274,081	135,354	409,435
Depreciable, Net of Accumulated Depreciation	12,010,127	5,268,175	17,278,302
<b>TOTAL ASSETS</b>	<b>\$ 18,492,596</b>	<b>\$ 5,818,322</b>	<b>\$ 24,310,918</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 285,969	\$ -	\$ 285,969
Security Deposits	1,000	-	1,000
Performance Bonds	102,748	-	102,748
Non-current Liabilities:			
Due within one year	1,023,617	168,968	1,192,585
Due in more than one year	6,180,206	1,019,805	7,200,011
<b>TOTAL LIABILITIES</b>	<b>7,593,540</b>	<b>1,188,773</b>	<b>8,782,313</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advanced Property Tax Collections	19,450	-	19,450
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,080,385	4,214,756	9,295,141
Restricted Net Position	-	140,000	140,000
Unrestricted	5,799,221	274,793	6,074,014
<b>TOTAL NET POSITION</b>	<b>\$ 10,879,606</b>	<b>\$ 4,629,549</b>	<b>\$ 15,509,155</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
<b>Governmental activities:</b>						
General Government	\$ (1,269,661)	\$ 200,929	\$ 62,910	\$ (1,005,822)	\$ -	\$ (1,005,822)
Public Safety	(301,236)	-	-	(301,236)	-	(301,236)
Public Works	(1,888,874)	118,095	354,661	(1,416,118)	-	(1,416,118)
Health Welfare	(242,804)	5,400	4,760	(67,355)	-	(67,355)
Parks and Recreation	(208,759)	10,330	-	(198,429)	-	(198,429)
Miscellaneous	(147,991)	19,920	-	(128,071)	-	(128,071)
Interest on Long-Term Debt	(214,138)	-	-	(214,138)	-	(214,138)
Board of Education	(6,187,039)	27,471	196,971	(5,962,597)	-	(5,962,597)
<b>Total Governmental activities</b>	<b>(10,460,502)</b>	<b>382,145</b>	<b>619,302</b>	<b>(9,293,766)</b>	<b>-</b>	<b>(9,293,766)</b>
<b>Business-Type activities:</b>						
Sewer and Water Commission	(526,206)	499,366	-	-	(26,840)	(26,840)
<b>Total Primary Government</b>	<b>\$ (10,986,708)</b>	<b>\$ 881,511</b>	<b>\$ 619,302</b>	<b>(9,293,766)</b>	<b>(26,840)</b>	<b>(9,320,606)</b>
General revenues:						
Property Taxes				10,130,569	-	10,130,569
Grants and contributions not restricted to specific programs				105,242	-	105,242
Unrestricted investment earnings				54,717	22,321	77,038
Total general revenues and transfers				10,290,528	22,321	10,312,849
Change in net position				996,762	(4,519)	992,243
Net position - beginning				9,882,844	4,634,068	14,516,912
Net position - ending				\$ 10,879,606	\$ 4,629,549	\$ 15,509,155

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2014

	General Fund	Capital and Non-Recurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,739,472	\$ 506,993	\$ 282,242	\$ 4,528,707
Investments	-	-	297,995	297,995
Receivables (Net of Uncollectible)				
Property Taxes	581,944	-	-	581,944
Grants Receivable	-	-	3,729	3,729
Accounts Receivables	-	-	7,438	7,438
Inventories	-	-	1,000	1,000
Due from Other Funds	3,188	22,537	-	25,725
<b>TOTAL ASSETS</b>	<b>\$ 4,324,604</b>	<b>\$ 529,530</b>	<b>\$ 592,404</b>	<b>\$ 5,446,538</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 151,154	\$ -	\$ 40,207	\$ 191,361
Due to Other Funds	25,725	-	-	25,725
Security Deposit	1,000	-	-	1,000
Performance Bonds	102,748	-	-	102,748
<b>TOTAL LIABILITIES</b>	<b>280,627</b>	<b>-</b>	<b>40,207</b>	<b>320,834</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advance Tax Collections	19,450	-	-	19,450
Unavailable Revenue - Property Taxes	524,225	-	-	524,225
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>543,675</b>	<b>-</b>	<b>-</b>	<b>543,675</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,000	1,000
Restricted	-	-	251,361	251,361
Committed	171,526	529,530	299,836	1,000,892
Assigned	1,800	-	-	1,800
Unassigned	3,326,976	-	-	3,326,976
<b>TOTAL FUND BALANCES</b>	<b>3,500,302</b>	<b>529,530</b>	<b>552,197</b>	<b>4,582,029</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,324,604</b>	<b>\$ 529,530</b>	<b>\$ 592,404</b>	

Amounts reported for governmental activities in the statement of net position are different because:

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

12,284,208

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

1,311,800

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

(7,298,430)

Net position of governmental activities

\$ 10,879,600

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	General	Capital and Non-Recurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General Property Taxes	\$ 10,110,941	\$ -	\$ -	\$ 10,110,941
Intergovernmental	611,714	-	570,833	1,182,547
Investment Income	7,377	743	46,597	54,717
Licenses, Fees and Charges	354,674	-	-	354,674
Other Revenue	68,109	2,947	29,723	100,779
Contributions	-	-	4,462	4,462
Sales	-	-	27,471	27,471
<b>TOTAL REVENUES</b>	<b>11,152,815</b>	<b>3,690</b>	<b>679,086</b>	<b>11,835,591</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,182,586	-	32,775	1,215,361
Public Safety	301,236	-	-	301,236
Public Works	1,224,870	-	408,223	1,633,093
Health Welfare	67,880	-	9,635	77,515
Parks and Recreation	208,759	-	-	208,759
Miscellaneous	147,991	-	-	147,991
Education	6,377,957	-	93,660	6,471,617
Debt Service	893,530	-	-	893,530
Capital Outlay	-	70,950	165,289	236,239
<b>TOTAL EXPENDITURES</b>	<b>10,404,809</b>	<b>70,950</b>	<b>709,582</b>	<b>11,185,341</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>748,006</b>	<b>(67,260)</b>	<b>(30,496)</b>	<b>650,250</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	12,200	187,032	22,500	221,732
Transfers Out	(209,532)	-	(12,200)	(221,732)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(197,332)</b>	<b>187,032</b>	<b>10,300</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>550,674</b>	<b>119,772</b>	<b>(20,196)</b>	<b>650,250</b>
<b>FUND BALANCES, BEGINNING</b>	<b>2,949,628</b>	<b>409,758</b>	<b>572,393</b>	<b>3,931,779</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 3,500,302</b>	<b>\$ 529,530</b>	<b>\$ 552,197</b>	<b>\$ 4,582,029</b>

The accompanying notes to financial statements are an integral part of this statement.



**TOWN OF SHARON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 13)	\$	650,250
<p>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. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
		(352,509)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		19,629
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		678,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		<u>1,392</u>
Change in net position of governmental activities (page 11)	\$	<u><u>996,762</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES –**  
**BUDGET TO ACTUAL – GENERAL FUND**  
**Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes, Interest and Lien Fees	\$ 9,633,123	\$ 9,633,123	\$ 10,107,841	\$ 474,718
Intergovernmental Revenue	194,869	194,869	209,758	14,889
Investment Income	9,000	9,000	7,161	(1,839)
Licenses, Fees and Charges	258,900	258,900	366,874	107,974
Other Revenue	41,200	41,200	60,732	19,532
<b>TOTAL REVENUES</b>	<u>10,137,092</u>	<u>10,137,092</u>	<u>10,752,366</u>	<u>615,274</u>
<b>EXPENDITURES</b>				
General Government	1,178,295	1,188,218	1,128,427	59,791
Public Safety	304,710	307,287	306,296	991
Public Works	1,182,317	1,337,317	1,324,870	12,447
Health Department	71,908	71,908	67,880	4,028
Parks and Recreation	234,051	251,191	233,759	17,432
Miscellaneous	171,564	186,564	157,991	28,573
Debt Service	893,541	893,541	893,530	11
Education	6,150,706	6,150,706	6,073,136	77,570
<b>TOTAL EXPENDITURES</b>	<u>10,187,092</u>	<u>10,386,732</u>	<u>10,185,889</u>	<u>200,843</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (50,000)</u>	<u>\$ (249,640)</u>	<u>\$ 566,477</u>	<u>\$ 816,117</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**June 30, 2014**

	<b>Business-Type Activities Enterprise Fund Sewer &amp; Water Commission</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 296,856
Accounts Receivable, Net of Allowance for Doubtful Accounts	117,937
<b>TOTAL CURRENT ASSETS</b>	414,793
<b>NONCURRENT ASSETS</b>	
Capital Assets	
Land	135,354
Utility Plant, Net of Accumulated Depreciation	5,268,175
<b>TOTAL NONCURRENT ASSETS</b>	5,403,529
<b>TOTAL ASSETS</b>	\$ 5,818,322
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ -
Current Portion of Notes Payable	168,968
<b>TOTAL CURRENT LIABILITIES</b>	168,968
<b>LONG-TERM LIABILITIES</b>	
Notes Payable, Net of Current Portion	1,019,805
<b>TOTAL LIABILITIES</b>	1,188,773
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	4,214,756
Restricted for Capital Improvements	140,000
Unrestricted	274,793
<b>TOTAL NET POSITION</b>	\$ 4,629,549

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2014**

	<b>Business-Type Activities <u>Enterprise Fund</u> Sewer &amp; Water <u>Commission</u></b>
<b>OPERATING REVENUE</b>	
Water Sales	\$ 353,504
Sewer Services	<u>145,862</u>
<b>TOTAL OPERATING REVENUES</b>	<b>499,366</b>
<b>OPERATING EXPENSES</b>	
Management Services	175,656
Chemicals	3,648
Depreciation	195,689
Electric	17,611
Repairs and Maintenance	27,139
Supplies	2,821
Telephone	2,695
Fuel	7,032
Other Costs	676
Professional Services	6,725
Wages and Payroll Taxes	14,733
Insurance	10,690
Lab Fees	10,730
Sewer Bed Cleaning	9,500
Meters	<u>2,102</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>487,447</u></b>
<b>OPERATING INCOME</b>	<b>11,919</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Revenue	579
Finance Charge Revenue	21,742
Bad Debt Expense	(95)
Interest Expense	<u>(38,664)</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>(16,438)</u></b>
<b>CHANGE IN NET POSITION</b>	<b>(4,519)</b>
<b>NET POSITION, BEGINNING</b>	<b><u>4,634,068</u></b>
<b>NET POSITION, ENDING</b>	<b><u>\$ 4,629,549</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON  
STATEMENT OF CASH FLOWS –  
PROPRIETARY FUND  
Year Ended June 30, 2014**

	<b>Business-Type Activities <u>Enterprise Fund Sewer &amp; Water Commission</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from Customers	\$ 520,638
Cash payments to Suppliers for Goods and Services	(292,332)
Cash payments to Employees and Professional Contractors for Services	<u>(21,458)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	206,848
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Repayments	(164,370)
Interest Paid	<u>(38,664)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(203,034)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipts of Interest	<u>579</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>579</u>
<b>NET INCREASE IN CASH</b>	4,393
<b>CASH, BEGINNING OF YEAR</b>	<u>292,463</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 296,856</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ 11,919
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	195,689
Receipt of Other Revenue	21,742
(Increase) Decrease in Accounts Receivable	(470)
Increase (Decrease) in Accounts Payable	<u>(22,032)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 206,848</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**June 30, 2014**

	<u>Pension Trust Fund</u>	<u>Agency Fund Student Activity Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 16,313
Investments	<u>1,062,039</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>1,062,039</u>	<u>16,313</u>
<b>LIABILITIES</b>		
Due to Student Groups	<u>-</u>	<u>16,313</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>16,313</u>
<b>NET POSITION HELD IN TRUST</b>	<u><u>\$ 1,062,039</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
Year Ended June 30, 2014

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	\$ 72,447
<b>INVESTMENT GAIN</b>	<u>136,441</u>
<b>TOTAL ADDITIONS</b>	<u>208,888</u>
<b>DEDUCTIONS</b>	
Benefits	14,783
Administration	<u>750</u>
<b>TOTAL DEDUCTIONS</b>	<u>15,533</u>
<b>CHANGE IN NET ASSETS</b>	193,355
<b>NET POSITION HELD IN TRUST</b>	
Beginning of the Year	<u>868,684</u>
End of Year	<u>\$ 1,062,039</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Sharon, Connecticut (the "Town") is a municipal corporation governed by a Board of Selectman, Town Meeting, Board of Finance form of government. Under this form of government, the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes, and borrow money. The executive branch is led by an elected three-member Board of Selectman. The selectman oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the Town's financial matters.

The accounting policies conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

Financial Reporting Entity

The financial reporting entity consists of: (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government as a whole. For the most part, the effects of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, have no measurement focus.



**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

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

The Capital and Non-Recurring Fund: it accounts for the resources to purchase and construct town projects.

The Town reports one major proprietary fund:

Sewer and Water Commission Enterprise Fund: is used to account for the operations of the Sewer and Water Commission, which oversees the water and sewer services.

Additionally, the Town reports the following fund types:

*Pension Trust Fund:* it is used to account for the activities of the Town's pension plan, which accumulates resources for pension benefit payments to qualified employees.

*Agency Fund:* it accounts for monies held as a custodian for outside groups and agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise fund and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash Equivalents**

For purposes of reporting cash flows, all savings, checking, money market accounts and certificates of deposit with an original maturity of less than 90 days are considered to be cash equivalents.

**Investments**

Investments are recorded at fair value.

**Inventories and Prepaid Items**

All inventories are valued at cost or market using the first-in/first-out (FIFO) method. Inventories of donated commodities are stated at fair market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and enterprise fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Machinery and Equipment	5-20

Capital outlay is considered an expenditure in the governmental fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

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

Compensated Absences

Employees are paid by a prescribed formula for absences due to sickness or vacation. Sickness and vacation pay expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid with available resources.

Long-Term Obligations

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

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

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Equity

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

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

**Restricted Net Position** – Net position is restricted because it is externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** - This component consists of net position that does not meet the definition of “reserved” or “net investment in capital assets.”

**Net Position Flow Assumption** – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

**Nonspendable Fund Balance** – These represents amounts cannot be spent due to form (e.g., inventories nd prepaid amounts).

**Restricted Fund Balance** – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – This represents amounts constrained, prior to year-end, for a specific purpose by a government using the highest level of decision-making authority (Town of Sharon, Town Meeting).

**Assigned Fund Balance** – Amounts constrained for the intent to be used for a specific purpose by the Board of Finance.

**Unassigned Fund Balance** – Includes residual positive fund balance within the General Fund which has not been classified within the other abovementioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the Town considers that committed amounts would be reduced first, followed by assigned amounts, and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

The Town has not adopted a minimum fund balance policy.

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property Taxes

Property taxes are assessed on property values as of October 1. Real estate and personal property taxes are billed in the following July and are due quarterly installments, July 1, October 1, January 1, and April 1. Motor vehicle taxes are billed July 1 and are due in a single payment on July 1. Liens are effective on the assessment date and are continued by filing on July 1, following the due date.

Property taxes that have been levied and are due on or before year-end are recognized as revenue if they have been collected within sixty days after year-end. Property taxes receivable not collected within sixty days after year-end are reflected as deferred revenue. An allowance based on historical collection experience is provided for uncollectible taxes.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$7,298,431 difference are as follows:

Bonds Payable	\$	7,203,823
Accrued Interest Payable		94,608
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position Governmental Activities	\$	7,298,431

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$352,509 difference are as follows:

Capital Outlay	\$	70,950
Depreciation Expense		<u>(423,459)</u>
Net Adjustment to Decrease Net Changes in Fund Balances - total Governmental Funds to arrive at changes in Net Position of Governmental Activities	\$	<u>(352,509)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$678,000 difference are as follows:

Net Adjustment to Increase Net Changes in Fund Balances - total Governmental Funds to arrive at Changes in Net Position of Governmental Activities	\$	<u>678,000</u>
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**3. BUDGETS AND BUDGETARY ACCOUNTING**

The Town adheres to the following procedures in establishing the budgetary data reflected in the General Fund financial statements. All Town departments submit estimated budgets to the Board of Selectmen who then present the estimated budgets to the Board of Finance for the ensuing fiscal year. By state statute, the Board of Finance holds hearings to review and revise the budget.

- The citizens of the Town vote on the recommended budget.
- The Board of Finance sets the tax rate for the fiscal year.
- All budget transfers must be approved by the Board of Finance.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- Except for encumbrance accounting, the budget is prepared on the modified accrual basis of accounting.

All unencumbered appropriations of the General Fund lapse at year end.

**Additional Appropriations**

Departments seeking additional appropriations or appropriation transfers between budgetary line items must make a written request to the Board of Finance through the Board of Selectmen. An additional appropriation to a budgetary line item requires approval at a Town meeting if it exceeds \$20,000 or is a second request by the

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**3. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

asking board or department. An additional appropriation of \$20,000 or higher must be voted on by the citizens of the Town. Additional appropriations for the year ended June 30, 2014 amounted to \$199,640.

**Legal Level of Control**

No officer of the Town shall expend or enter into any contract by which the Town shall become liable for any sum which, with any contract then in force, shall exceed the appropriation for the department, except in case of necessity connected with the repair of highways, bridges, sidewalks, and water and sewer systems and the care of the Town poor, and then not more than \$1,000.

Formal budgetary integration of these budgets is employed as a management control device in the General Fund. Formal budgetary integration is not employed in other funds because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

All encumbered appropriations lapse at year-end except for those in the Capital Projects Fund. Appropriations for these funds are continued until completion of the applicable projects, which often last more than one fiscal year but cannot exceed five (5) years.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (GAAP basis). The major differences between the budget and GAAP basis are as follows:

- Taxes collected 60 days subsequent to June 30 are recognized as revenue for GAAP purposes during the current year compared to recognition in the year received for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current years whereas they are shown as a reservation of fund balances on a GAAP basis of accounting.
- State of Connecticut payments on-behalf of the Town teachers for the State teacher retirement system are reported for GAAP purposes only.
- For budgetary purposes, the Town does not recognize payroll expenditures and certain lawsuit expenditures which had been incurred but had not yet been paid out at June 30. Such amounts were recorded for GAAP purposes.
- An allowance for uncollectible property taxes is reported for GAAP purposes only.

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in the financial statements in conformity with GAAP. A reconciliation of these differences at June 30, 2014 follows:

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**3. BUDGETS AND BUDGETARY ACCOUNTING(CONTINUED)**

	<u>General Fund</u>	
	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Non-GAAP budgetary basis, Page 15	\$ 10,752,366	10,185,889
Encumbrances		
June 30, 2013	-	-
June 30, 2014	-	(1,800)
Activity of Certain Special Revenue Funds consolidated into the General Fund	11,593	87,156
Elimination of Transfers to/from Special Revenue Funds now consolidated into the General Fund	-	(54,860)
Allowance for Doubtful Accounts	3,100	-
Unliquidated Prior Year Encumbrances	-	-
State on-behalf payments for teacher retirement	397,956	397,956
GAAP basis, Page 13	<u>\$ 11,165,015</u>	<u>\$ 10,614,341</u>

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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



**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Cash and Cash Equivalents

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

Deposits:	
Deposits	\$ 4,841,576
Certificates of Deposit	-
Total deposits	<u>4,841,576</u>
Petty Cash	300
Less: Certificates of Deposit Classified as Investments	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 4,841,876</u>

Deposits

At June 30, 2014 the carrying amount of the Town deposits was \$4,841,576 and the bank balance was \$4,995,320.

*Custodial Credit Risk* – Custodial credit risk is the risk that in event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy for custodial credit risk. Of the June 30, 2014 bank balance, \$544,592 was covered by Federal Depository Insurance. Section 36a-333 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. As of June 30, 2014, \$4,450,728 was not covered by Federal Depository Insurance; however, all bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the town or by its agent in the Town's name.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2014, the Town held no cash equivalents.

**TOWN OF SHARON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted-Average Maturity (Years)</u>
<b>Interest Bearing Investments:</b>		
Certificates of Deposit*	\$ -	0.00
Corporate Bonds & Notes	42,837	1.86
<b>Other Investments:</b>		
<b>Non-major Governmental Funds:</b>		
Common Stock	213,389	
Foreign Equities	33,509	
<b>Pooled Open-End Mutual Fund Accounts:</b>		
Mutual Funds	8,260	
Pension Trust Fund	<u>1,062,039</u>	
<b>Total</b>	<u>\$ 1,360,034</u>	

Portfolio weighted average maturity for interest bearing investments	1.86
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\*Subject to coverage by Federal Depository Insurance and collateralization as described under "Deposits" above.

*Interest Rate Risk* - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk – Investments* – As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. The following table provides a summary of the Town's investments (excluding US government guaranteed obligations) as rated by a nationally recognized statistical rating organization.

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

	<u>Standard &amp; Poor's</u>
<b>Nonmajor Governmental Funds:</b>	
<b>Common Stock:</b>	
Abbott Labs	A+
Automatic Data Processing	AA
Caterpillar, Inc	A
Covidian PLC	A
Deere & Co	A
Discovery Communications, Inc.	BBB
Ecolab, Inc.	BBB+
Exxon Mobil Corp.	AAA
FMC Corp.	A-
General Electric Co.	AA+
Google	AA
Intel Corp	A+
Johnson & Johnson	AAA
JPMorgan Chase & Co.	A
Kraft Foods Inc Class A	BBB
Lowe's Cos Inc.	A-
Marsh & McLennan Cos Inc	A-
McCormick & Co., Inc	A-
McDonalds Corp.	A
Microsoft Corp.	AAA
Mondelez International	BBB
Nike, Inc.	AA-
Novartis AG	AA-
PepsiCo, Inc.	A
Procter & Gamble Co.	AA-
Schlumberger Ltd	AA-
Stanley Black & Decker, Inc.	A
Thermo Fisher Corp	BBB
United Technologies Corp	A
US Bancorp Del	A+
Walt Disney Company	A
Whole Foods Market, Inc.	BBB-
<b>Corporate Bonds &amp; Notes:</b>	
Baxter International Inc.	A-
Johnson & Johnson	AAA
<b>Closed End Bond Funds:</b>	
Templeton Global Income Fund Inc.	Not Rated
<b>Pension Trust:</b>	
Annuities (American Express)	Not Rated
Annuities (Hartford Life Insurance)	Not Rated

*Custodial Credit Risk* – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2014, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**5. RECEIVABLES**

Receivables at June 30, 2014 including the applicable allowances for collection losses, are as follows:

	<u>General Fund</u>	<u>Non-Major and Other Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property Taxes	\$ 612,544	\$ -	\$ -	\$ 612,544
Grants Receivable	-	3,729	-	3,729
Accounts Receivable	-	7,438	147,422	154,860
	<hr/>	<hr/>	<hr/>	<hr/>
Total Gross Receivables	612,544	11,167	147,422	771,133
	<hr/>	<hr/>	<hr/>	<hr/>
Allowance for Collection Losses	30,600	-	29,485	60,085
	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Receivables	<u>\$ 581,944</u>	<u>\$ 11,167</u>	<u>\$ 117,937</u>	<u>\$ 711,048</u>

**6. INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS**

Interfund Receivables and Payables at June 30, 2014 were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 3,188	\$ 25,725
Capital Non-Recurring Fund	22,537	-
	<hr/>	<hr/>
Total	<u>\$ 25,725</u>	<u>\$ 25,725</u>

All interfund balances result from the time lag between dates payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2014 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 12,200	\$ 209,532
Capital Non-Recurring Fund	187,032	-
Non-Major Governmental Funds	22,500	12,200
	<hr/>	<hr/>
Total	<u>\$ 221,732</u>	<u>\$ 221,732</u>

Transfers are used to account for unrestricted revenues collected mainly in the General Fund to finance various programs accounted for in other funds in accordance with budget authorizations.

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**7. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated	\$ -	\$ -	\$ -	\$ -
Land	274,081	-	-	274,081
<b>Total Capital Assets, not being depreciated</b>	<u>274,081</u>	<u>-</u>	<u>-</u>	<u>274,081</u>
<b>Capital Assets, being depreciated:</b>				
Building and Improvements	9,412,005	-	-	9,412,005
Machinery and Equipment	2,355,275	70,950	-	2,426,225
Infrastructure	7,382,824	-	-	7,382,824
<b>Total Capital Assets being depreciated</b>	<u>19,150,104</u>	<u>70,950</u>	<u>-</u>	<u>19,221,054</u>
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements	4,736,653	157,647	-	4,894,300
Machinery and Equipment	1,686,932	118,156	-	1,805,088
Infrastructure	363,883	147,656	-	511,539
<b>Total Accumulated Depreciation</b>	<u>6,787,468</u>	<u>423,459</u>	<u>-</u>	<u>7,210,927</u>
<b>Total Capital Assets, being depreciated, net</b>	<u>12,362,636</u>	<u>(352,509)</u>	<u>-</u>	<u>12,010,127</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 12,636,717</u>	<u>\$ (352,509)</u>	<u>\$ -</u>	<u>\$ 12,284,208</u>
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated	\$ -	\$ -	\$ -	\$ -
Land	135,354	-	-	135,354
Construction in Progress	-	-	-	-
<b>Total Capital Assets, not being depreciated</b>	<u>135,354</u>	<u>-</u>	<u>-</u>	<u>135,354</u>
<b>Capital Assets, being depreciated:</b>				
Building and Improvements	6,568,569	-	-	6,568,569
Machinery and Equipment	1,245,399	-	-	1,245,399
<b>Total Capital Assets being depreciated</b>	<u>7,813,968</u>	<u>-</u>	<u>-</u>	<u>7,813,968</u>
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements	2,049,959	192,217	-	2,242,176
Machinery and Equipment	300,145	3,472	-	303,617
<b>Total Accumulated Depreciation</b>	<u>2,350,104</u>	<u>195,689</u>	<u>-</u>	<u>2,545,793</u>
<b>Total Capital Assets, being depreciated, net</b>	<u>5,463,864</u>	<u>(195,689)</u>	<u>-</u>	<u>5,268,175</u>
<b>Business-Type activities capital assets, net</b>	<u>\$ 5,599,218</u>	<u>\$ (195,689)</u>	<u>\$ -</u>	<u>\$ 5,403,529</u>

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**7. CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities:</b>		
General Government Services	\$	54,300
Public Works, including depreciation of general infrastructure assets		255,781
Education		<u>113,378</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$</b>	<b><u>423,459</u></b>
<b>Business-Type Activities:</b>		
Sewer and Water Commission	\$	<u>195,689</u>

**8. GENERAL LONG-TERM DEBT**

Changes in General Long-Term Debt are summarized below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonds and Debt Payable, July 1, 2013	\$ 7,750,543	\$ 1,353,143	\$ 9,103,686
Additions	-	-	-
Deductions	<u>(667,901)</u>	<u>(164,370)</u>	<u>(832,271)</u>
Bonds and Debt Payable, June 30, 2014	7,082,642	1,188,773	8,271,415
Premium	163,222	-	163,222
Deferred Charges	<u>(42,041)</u>	<u>-</u>	<u>(42,041)</u>
<b>Total Bonds/Debt and Related Liabilities June 30, 2014</b>	<b><u>\$ 7,203,823</u></b>	<b><u>\$ 1,188,773</u></b>	<b><u>\$ 8,392,596</u></b>

The amortization of bond premiums for the year ended June 30, 2014 amounted to \$13,602, and the amortization of deferred charges amounted to \$3,503 for the year then ended.

The annual principal requirements to amortize all outstanding debt are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2015	854,649	168,968	1,023,617
2016	582,993	173,665	756,658
2017	530,000	165,422	695,422
2018	530,000	103,363	633,363
2019	530,000	106,256	636,256
2020-2041	4,055,000	471,099	4,526,099
	<b><u>\$ 7,082,642</u></b>	<b><u>\$ 1,188,773</u></b>	<b><u>\$ 8,271,415</u></b>

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**8. GENERAL LONG-TERM DEBT (CONTINUED)**

Bonds and Debt payable at June 30, 2014 are comprised of the following obligations:

Bonds payable dated 08-2013 to 08-2026 payable at various annual installments, including interest at rates from 3.00% to 3.35%, final payment due 08-2026 - General Fund.	\$ 6,705,000
Note payable dated 8-2011 to Salisbury Bank and Trust Company, payable \$54,577.97 per year, including interest at 2.95%, final payment due 08-2015 - General Fund.	104,447
Note payable dated 09-2005 to Salisbury Bank and Trust Company, payable \$3,009 a month, including interest at 3.50%, final payment was made in July, 2014 - General Fund.	273,195
Note payable dated 10-2010 to Salisbury Bank and Trust Company, payable \$1,464 a month, including interest at the 4.25% final payment due 10-2040 – Enterprise Fund.	276,203
Note payable dated 12-1999 to State of Connecticut Clear Water Fund, payable \$6,568 a month, including interest at 2.77%, final payment due 05-2017 – Enterprise Fund.	214,561
Note payable dated 12-2000 to State of Connecticut Drinking Water Fund, payable \$1,110 a month, including interest at 2.60%, final payment due 06-2020 – Enterprise Fund.	73,911
Note Payable dated 06/01 to State of Connecticut Clean Water Fund, payable \$5,503 a month, including interest at 2.77%, final payment due 12-2020 – Enterprise Fund.	392,375
Note Payable dated 06-2004 to State of Connecticut Drinking Water Fund, payable \$2,275 a month, including interest at 2.40% after first payment of \$27,166 in December 2004, final payment due 12-2023 –Enterprise Fund.	<u>231,723</u>
<b>TOTAL BONDS AND NOTES PAYABLE</b>	<b><u>\$ 8,271,415</u></b>

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**8. GENERAL LONG-TERM DEBT (CONTINUED)**

The approximate annual requirements to amortize all bonds and notes payable at June 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1,023,617	250,241	1,273,858
2016	756,658	212,006	968,664
2017	695,422	189,643	885,065
2018	633,363	170,104	803,467
2019	636,256	151,311	787,567
2020	639,204	132,463	771,667
2021	590,606	113,901	704,507
2022	533,801	97,316	631,117
2023	534,775	81,342	616,117
2024	522,033	65,432	587,465
2025	508,875	49,564	558,439
2026	509,266	33,174	542,440
2027	509,673	16,267	525,940
2028	10,077	7,488	17,565
2029	10,541	7,024	17,565
2030	11,004	6,561	17,565
2031	11,488	6,077	17,565
2032	11,977	5,588	17,565
2033	12,519	5,046	17,565
2034	13,069	4,496	17,565
2035	13,644	3,921	17,565
2036	14,234	3,331	17,565
2037	14,869	2,696	17,565
2038	15,523	2,042	17,565
2039	16,205	1,360	17,565
2040	16,915	650	17,565
2041	5,801	53	5,854
	<u>\$ 8,271,415</u>	<u>\$ 1,619,097</u>	<u>\$ 9,890,512</u>

Of the above amounts, the Enterprise Fund is responsible for principal payments amounting to \$1,188,773 and interest payments amounting to \$265,588. The balance will be paid via General Fund appropriations.

The town's indebtedness does not exceed the legal debt limitations as established by Connecticut general statutes as reflected in the supplementary schedule. The total overall statutory debt limit for the town is equal to seven times annual receipts from taxation or \$70,888,293.

Sharon is a member of the Regional School District #1. The Town of Sharon's share of the school district's indebtedness as of June 30, 2014 was \$448,862. These are general obligations of Regional School District #1 and its member towns.

**9. DEFICIT FUND BALANCES**

As of June 30, 2014, no funds of the Town of Sharon reported deficit fund balances.



**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**10. PENSION PLANS**

Substantially all town and non-certified Board of Education employees are eligible to participate in a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. To be eligible to participate in the plan, the employee must be at least twenty one years of age and complete one year of service. Employees who work less than one thousand hours per annum are not eligible to participate. The town contributes seven percent of base compensation. Plan assets are held in investment accounts through the Plan Administrator. Vesting is immediate. Employer contributions of \$72,447 amount to 7% of covered payroll \$1,034,958 which is of 34% of total town payroll \$3,048,132. A summary of changes in plan assets for the year ended June 30, 2014 is presented below:

Balance, July 1, 2013		\$	868,684
Contributions:			
Town			72,447
Investment Earnings (Loss)			136,441
Expenses:			
Distributions			(14,783)
Administrative			(750)
			<hr style="width: 100%;"/>
Balance, June 30, 2014		\$	<u>1,062,039</u>

**Teachers Retirement System:**

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers' Retirement Board.

The funding of the system is provided by required member contributions (7.25 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2014, the State contributed \$397,956 into the pension plan on behalf of the Town of Sharon, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for this year was \$1,571,666 or 52% of the total town payroll of \$3,048,132.

**11. LITIGATION**

Legal counsel indicates that there are no material or substantial claims against the town nor is there pending litigation which would be finally determined so as to result in a final judgment against the town which would materially adversely affect its financial position.

**12. SUPPLEMENTAL DISCLOSURE FOR THE STATEMENT OF CASH FLOWS**

During the year ended June 30, 2014, the Town of Sharon Sewer and Water Commission paid interest expense in the amount of \$38,664. There were no non-cash investing or financing activities for the year ended June 30, 2014.

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**13. RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage and manages risk through employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The Town is currently not involved in any litigation matters. In the estimation of the Town's management and legal counsel, there are not any matters outstanding that will materially affect the financial condition of the Town. During the past three years, there were no deductibles paid by the Town and there have been no reductions in insurance coverage.

**14. CONTINGENT LIABILITIES**

The Town has received state and federal grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

**15. RESTRICTED NET ASSETS**

At June 30, 2014, the Board of Commissioners of the Sewer and Water Commission has restricted \$140,000 of retained earnings for capital improvements. The following is a summary of these designations:

Capital Improvements	\$ <u>140,000</u>
----------------------	-------------------

**16. SUBSEQUENT EVENT EVALUATION BY MANAGEMENT**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 1, 2014.

**Subsequent Event**

At a Town Meeting on July 11, 2014, approval was given to pay off the Note Payable to Salisbury Bank and Trust Company for 67 Main Street. The note was paid in full on July 17, 2014.

**17. GOVERNMENTAL FUNDS – FUND BALANCES**

Fund balances for governmental funds are reported in classifications that compromise 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. The following is a table of fund balance categories and classifications at June 30, 2014 for the Town's governmental funds:

**TOWN OF SHARON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

	<u>General Fund</u>	<u>Capital and Non-Recurring Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventory	\$ -	\$ -	\$ 1,000	\$ 1,000
<b>Restricted</b>				
General Government	-	-	16,267	16,267
Public Works	-	-	120,993	120,993
Education	-	-	13,285	13,285
Health Department	-	-	100,816	100,816
<b>Total Restricted</b>	-	-	251,361	251,361
<b>Committed</b>				
General Government	64,738	-	299,836	364,574
Public Works	76,681	-	-	76,681
Parks and Recreation	30,107	-	-	30,107
Capital Outlay	-	529,530	-	529,530
<b>Total Committed</b>	171,526	529,530	299,836	1,000,892
<b>Assigned</b>				
General Government	1,800	-	-	1,800
<b>Unassigned</b>				
General Government	3,326,976	-	-	3,326,976
<b>Total Unassigned</b>	3,326,976	-	-	3,326,976
<b>Total Fund Balance</b>	<u>\$ 3,500,302</u>	<u>\$ 529,530</u>	<u>\$ 552,197</u>	<u>\$ 4,582,029</u>

**TOWN OF SHARON  
GENERAL FUND  
BALANCE SHEET  
June 30, 2014**

**ASSETS**

Cash	\$ 3,739,472
Property Taxes Receivable	612,544
Due From Other Funds	<u>3,188</u>

**TOTAL ASSETS**

**\$ 4,355,204**

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ 135,699
Accrued Liabilities	15,455
Advance Tax Collections	19,450
Deferred Property Taxes	524,225
Due To Other Funds	25,725
Performance Bonds Payable	102,748
Security Deposit	<u>1,000</u>

**TOTAL LIABILITIES**

824,302

**FUND BALANCE**

Committed	171,526
Assigned	1,800
Unassigned	<u>3,357,576</u>

**TOTAL FUND BALANCE**

3,530,902

**TOTAL LIABILITIES AND FUND BALANCE**

**\$ 4,355,204**

**TOWN OF SHARON**  
**GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**ENCUMBRANCES – BUDGET TO ACTUAL**  
**Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>GENERAL PROPERTY TAXES</b>				
Property Taxes, Interest and Lien Fees	\$ 9,633,123	\$ 9,633,123	\$ 10,107,841	\$ 474,718
<b>INTERGOVERNMENTAL REVENUES</b>				
State of Connecticut:				
ECS	145,800	145,800	145,798	(2)
Pilot - State Property	17,348	17,348	16,201	(1,147)
Tax Relief - Elderly & Veterans	18,500	18,500	21,381	2,881
Unrestricted - Pequot	7,087	7,087	6,782	(305)
Manufacturers Equipment	-	-	12,440	12,440
Miscellaneous	5,000	5,000	990	(4,010)
Pilot-Sharon Ridge	-	-	4,760	4,760
School Transportation	534	534	290	(244)
Federal Property	600	600	1,116	516
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<u>194,869</u>	<u>194,869</u>	<u>209,758</u>	<u>14,889</u>
<b>INVESTMENT INCOME</b>				
Interest on Temporary Cash Investments	9,000	9,000	7,161	(1,839)
<b>LICENSES, FEES AND CHARGES</b>				
Town Clerk	70,000	70,000	166,693	96,693
Town Beach	10,500	10,500	10,330	(170)
Vital Statistics	25,000	25,000	34,236	9,236
Building Permits	100,000	100,000	115,274	15,274
Zoning Permits	2,500	2,500	2,821	321
Cemetery Fund	13,400	13,400	12,200	(1,200)
Sanitary Inspector	5,500	5,500	5,400	(100)
Miscellaneous	32,000	32,000	19,920	(12,080)
<b>TOTAL LICENSES, FEES AND CHARGES</b>	<u>258,900</u>	<u>258,900</u>	<u>366,874</u>	<u>107,974</u>
<b>OTHER REVENUES</b>				
Telecommunication Grant	19,000	19,000	18,412	(588)
Rental Income	22,200	22,200	22,200	-
Little Rascals	-	-	20,120	20,120
<b>TOTAL OTHER REVENUES</b>	<u>41,200</u>	<u>41,200</u>	<u>60,732</u>	<u>19,532</u>
<b>TOTAL REVENUES</b>	<u>\$ 10,137,092</u>	<u>\$ 10,137,092</u>	<u>\$ 10,752,366</u>	<u>\$ 615,274</u>

**TOWN OF SHARON**  
**GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**ENCUMBRANCES – BUDGET TO ACTUAL**  
**Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Office of Selectmen	\$ 73,053	\$ 73,053	\$ 72,552	\$ 501
Town Secretary	39,271	39,271	39,271	-
Probate Court	6,165	6,165	6,165	-
Elections	11,100	12,600	12,420	180
Board of Finance	2,000	2,000	905	1,095
Auditor	32,979	32,979	32,979	-
Town Treasurer	14,906	14,906	14,805	101
Town Counsel	15,000	16,023	16,023	-
Assessors	87,420	87,420	79,473	7,947
Board of Assessment Appeals	5,000	5,000	1,590	3,410
Tax Collector	38,426	48,231	48,231	-
Town Clerk	69,691	69,691	66,003	3,688
Planning and Zoning Commission	41,807	41,807	25,256	16,551
Town Hall	86,514	86,514	75,619	10,895
67 Main Street	3,500	3,500	483	3,017
Town Insurance	135,000	123,947	119,315	4,632
Employee Benefits	380,477	380,702	380,702	-
Building Official/Fire Marshall	91,652	91,652	91,652	-
Miscellaneous Administration	30,784	28,207	23,596	4,611
Community Hall	13,550	24,550	21,387	3,163
<b>TOTAL GENERAL GOVERNMENT</b>	<u>1,178,295</u>	<u>1,188,218</u>	<u>1,128,427</u>	<u>59,791</u>
<b>PUBLIC SAFETY</b>				
Fire	237,240	237,912	237,912	-
Police Protection	300	300	300	-
Street Lighting	8,000	7,328	7,061	267
Water Hydrants	52,000	52,000	51,376	624
Civil Preparedness	100	100	-	100
Dog Warden	7,070	9,647	9,647	-
<b>TOTAL PUBLIC SAFETY</b>	<u>304,710</u>	<u>307,287</u>	<u>306,296</u>	<u>991</u>
<b>PUBLIC WORKS</b>				
Highways and Roadways	859,277	1,014,277	1,002,219	12,058
Municipal Waste	223,040	223,040	222,651	389
Equipment Replacement	100,000	100,000	100,000	-
<b>TOTAL PUBLIC WORKS</b>	<u>1,182,317</u>	<u>1,337,317</u>	<u>1,324,870</u>	<u>12,447</u>
<b>HEALTH DEPARTMENT</b>				
Conservation of Health	30,065	30,065	28,491	1,574
Sanitary Inspector	4,000	1,336	1,270	66
Public Health Nurse	5,003	5,003	2,615	2,388
Welfare and Social Services	32,840	35,504	35,504	-
<b>TOTAL HEALTH DEPARTMENT</b>	<u>\$ 71,908</u>	<u>\$ 71,908</u>	<u>\$ 67,880</u>	<u>\$ 4,028</u>

**TOWN OF SHARON**  
**GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**ENCUMBRANCES – BUDGET TO ACTUAL**  
**Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>PARKS AND RECREATION</b>				
Recreation	\$ 19,857	\$ 30,197	\$ 28,826	\$ 1,371
Youth Services	77,312	77,312	75,700	1,612
Town Beach	66,300	73,100	60,558	12,542
Sharon Green	70,582	70,582	68,675	1,907
<b>TOTAL PARKS AND RECREATION</b>	<u>234,051</u>	<u>251,191</u>	<u>233,759</u>	<u>17,432</u>
<b>MISCELLANEOUS</b>				
Hotchkiss Library	50,000	50,000	50,000	-
Contingency	100	100	-	100
Contributions	45,934	60,934	60,934	-
Other	52,130	52,130	24,857	27,273
Cemeteries	13,400	13,400	12,200	1,200
Reserve for Capital Non-Recurring	10,000	10,000	10,000	-
<b>TOTAL MISCELLANEOUS</b>	<u>171,564</u>	<u>186,564</u>	<u>157,991</u>	<u>28,573</u>
<b>DEBT SERVICE</b>				
General Obligation Bonds	742,850	742,850	742,850	-
67 Main Street	96,103	96,103	96,102	1
Old Amenia Landfill	10	10	-	10
School Roof	54,578	54,578	54,578	-
<b>TOTAL DEBT SERVICE</b>	<u>893,541</u>	<u>893,541</u>	<u>893,530</u>	<u>11</u>
<b>EDUCATION</b>				
Elementary Education	3,973,349	3,973,349	3,973,349	-
Regional Education	2,177,357	2,177,357	2,099,787	77,570
<b>TOTAL EDUCATION</b>	<u>6,150,706</u>	<u>6,150,706</u>	<u>6,073,136</u>	<u>77,570</u>
<b>TOTAL EXPENDITURES</b>	<u>10,187,092</u>	<u>10,386,732</u>	<u>10,185,889</u>	<u>200,843</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (50,000)</u>	<u>\$ (249,640)</u>	<u>\$ 566,477</u>	<u>\$ 816,117</u>

**TOWN OF SHARON**  
**GENERAL FUND SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND**  
**ENCUMBRANCES – BOARD OF EDUCATION**  
**Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>SALARIES</b>				
Certified	\$ 1,724,610	\$ 1,724,610	\$ 1,704,714	\$ 19,896
Classified	443,338	443,338	447,339	(4,001)
<b>TOTAL SALARIES</b>	<u>2,167,948</u>	<u>2,167,948</u>	<u>2,152,053</u>	<u>15,895</u>
<b>EMPLOYEE BENEFITS</b>				
Health Insurance	592,251	592,251	500,970	91,281
Social Security	66,855	66,855	67,525	(670)
Pension-Classified	32,237	32,237	32,058	179
Graduate Reimbursement	6,000	6,000	5,167	833
Unemployment Compensation	1,000	1,000	-	1,000
Workman's Compensation	13,885	13,885	12,203	1,682
Life Insurance	5,109	5,109	5,099	10
<b>TOTAL EMPLOYEE BENEFITS</b>	<u>717,337</u>	<u>717,337</u>	<u>623,022</u>	<u>94,315</u>
<b>PURCHASED SERVICES</b>				
Board, In-Service	100	100	100	-
Assemblies and Student Activities	19,261	19,261	17,434	1,827
In Service/ Curriculum Development	11,425	11,425	7,279	4,146
Public Relations	600	600	754	(154)
School Physician	1,000	1,000	-	1,000
Legal/Negotiation Fees	1,500	1,500	43	1,457
Audit ED 001	6,259	6,259	6,259	-
Technology Support Service	18,768	18,768	15,290	3,478
<b>TOTAL PURCHASED SERVICES</b>	<u>58,913</u>	<u>58,913</u>	<u>47,159</u>	<u>11,754</u>
<b>PROPERTY SERVICES</b>				
Water and Sewer	9,480	9,480	8,593	887
Cleaning Services	5,000	5,000	733	4,267
Refuse Removal	5,527	5,527	5,320	207
Upkeep	22,000	22,000	32,284	(10,284)
Service Office A/V	7,167	7,167	6,646	521
Building Repairs	141,076	141,076	195,803	(54,727)
Emergency	10,000	10,000	13,005	(3,005)
Scheduled Painting	15,000	15,000	30,382	(15,382)
Asbestos	560	560	450	110
<b>TOTAL PROPERTY SERVICES</b>	<u>215,810</u>	<u>215,810</u>	<u>293,216</u>	<u>(77,406)</u>
<b>TRANSPORTATION</b>				
Bus Contract	240,830	240,830	240,822	8
School Class Trips	16,210	16,210	15,340	870
<b>TOTAL TRANSPORTATION</b>	<u>257,040</u>	<u>257,040</u>	<u>256,162</u>	<u>878</u>
<b>REGION ONE</b>				
High School	1,442,220	1,442,220	1,404,526	37,694
Pupil Services	612,915	612,915	576,186	36,729
Administrative Services	122,222	122,222	119,075	3,147
<b>TOTAL REGION ONE</b>	<u>\$ 2,177,357</u>	<u>\$ 2,177,357</u>	<u>\$ 2,099,787</u>	<u>\$ 77,570</u>



**TOWN OF SHARON**  
**GENERAL FUND SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND**  
**ENCUMBRANCES – BOARD OF EDUCATION**  
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>OTHER PURCHASED SERVICES</b>				
Multi-Peril Insurance	\$ 48,206	\$ 48,206	\$ 46,025	\$ 2,181
Student Athletic	425	425	402	23
Postage	3,023	3,023	2,085	938
Telephone	10,821	10,821	10,757	64
Advertising	150	150	-	150
Printing	1,200	1,200	1,384	(184)
Summer School	5,606	5,606	5,328	278
Staff Travel	9,172	9,172	9,807	(635)
Technology	49,542	49,542	59,346	(9,804)
<b>TOTAL OTHER PURCHASED SERVICES</b>	<u>128,145</u>	<u>128,145</u>	<u>135,134</u>	<u>(6,989)</u>
<b>SUPPLIES AND MATERIALS</b>				
Classroom Supplies	24,167	24,167	23,968	199
Art Supplies	3,000	3,000	5,097	(2,097)
Music Supplies	3,000	3,000	2,050	950
Physical Education Supplies	4,000	4,000	4,778	(778)
Test Materials	800	800	1,873	(1,073)
Workbooks	7,866	7,866	7,099	767
Nurse Supplies	3,000	3,000	1,155	1,845
Audio Visual Supplies	2,000	2,000	2,043	(43)
Computer Software	36,111	36,111	45,089	(8,978)
Office Supplies	9,884	9,884	7,471	2,413
PBIS Supplies	500	500	373	127
Graduation Materials	2,500	2,500	2,791	(291)
Custodial Supplies	25,552	25,552	20,062	5,490
Maintenance Supplies	28,524	28,524	23,551	4,973
Electricity	58,000	58,000	50,630	7,370
Heating Fuel	54,438	54,438	59,659	(5,221)
Diesel Fuel	43,200	43,200	43,849	(649)
Textbooks	25,025	25,025	25,066	(41)
Library Replacement	8,440	8,440	8,354	86
Library Supplies	6,400	6,400	6,337	63
<b>TOTAL SUPPLIES AND MATERIALS</b>	<u>346,407</u>	<u>346,407</u>	<u>341,295</u>	<u>5,112</u>
<b>CAPITAL EXPENDITURES</b>				
Equipment - Non-Instructional	12,059	12,059	12,694	(635)
Equipment - Instructional	4,440	4,440	19,238	(14,798)
<b>TOTAL CAPITAL EXPENDITURES</b>	<u>16,499</u>	<u>16,499</u>	<u>31,932</u>	<u>(15,433)</u>
<b>MISCELLANEOUS</b>				
Education Connection	250	250	241	9
Capital Reserve Fund	50,000	50,000	70,635	(20,635)
Cafeteria	15,000	15,000	22,500	(7,500)
<b>TOTAL MISCELLANEOUS</b>	<u>65,250</u>	<u>65,250</u>	<u>93,376</u>	<u>(28,126)</u>
<b>TOTAL</b>	<u>\$ 6,150,706</u>	<u>\$ 6,150,706</u>	<u>\$ 6,073,136</u>	<u>\$ 77,570</u>

**TOWN OF SHARON  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014**

	Town Aid Road Fund	School Cafeteria Fund	Special Revenue			Brown Fund	Sharon Fund
			School Education Grants Fund	Local and State Fund			
<b>ASSETS</b>							
Cash	\$ 161,200	\$ 9,556	\$ -	\$ 16,267	\$ 52,174	\$ 41,204	
Investments	-	-	-	-	-	-	
Accounts Receivable	-	-	-	-	-	7,438	
Grant Funds Receivable	-	3,729	-	-	-	-	
Inventory	-	1,000	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 161,200</b>	<b>\$ 14,285</b>	<b>\$ -</b>	<b>\$ 16,267</b>	<b>\$ 52,174</b>	<b>\$ 48,642</b>	
<b>LIABILITIES</b>							
Accounts Payable	\$ 40,207	-	-	-	-	-	
<b>FUND BALANCES</b>							
Nonspendable	-	1,000	-	-	-	-	
Restricted	120,993	13,285	-	16,267	52,174	48,642	
Committed	-	-	-	-	-	-	
<b>TOTAL FUND BALANCES</b>	<b>120,993</b>	<b>14,285</b>	<b>-</b>	<b>16,267</b>	<b>52,174</b>	<b>48,642</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 161,200</b>	<b>\$ 14,285</b>	<b>\$ -</b>	<b>\$ 16,267</b>	<b>\$ 52,174</b>	<b>\$ 48,642</b>	

**TOWN OF SHARON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2014

	<u>Special Revenue</u>	<u>Capital Project</u>	
	<u>Sharon</u>	<u>STEAP</u>	<u>Total</u>
	<u>Cemetery</u>	<u>Grant</u>	
	<u>Fund</u>		
<b>ASSETS</b>			
Cash	\$ 1,841	-	\$ 282,242
Investments	297,995	-	297,995
Accounts Receivable	-	-	7,438
Grant Funds Receivable	-	-	3,729
Inventory	-	-	1,000
<b>TOTAL ASSETS</b>	<b>\$ 299,836</b>	<b>\$ -</b>	<b>\$ 592,404</b>
<b>LIABILITIES</b>			
Accounts Payable	-	-	\$ 40,207
<b>FUND BALANCES</b>			
Nonspendable	-	-	1,000
Restricted	-	-	251,361
Committed	299,836	-	299,836
<b>TOTAL FUND BALANCES</b>	<b>299,836</b>	<b>-</b>	<b>552,197</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 299,836</b>	<b>\$ -</b>	<b>\$ 592,404</b>

**TOWN OF SHARON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2014

	Town Aid Road Fund	School Cafeteria Fund	Special Revenue				Brown Fund	Sharon Fund
			Special Education Grant Fund	Local and State Fund				
<b>REVENUES</b>								
State of Connecticut	\$ 354,661	\$ 19,228	\$ 31,655	\$ -	\$ -	\$ -	\$ -	
Contributions	-	500	-	-	-	-	3,962	
Investment Income	371	-	-	-	83	-	62	
Other Income	-	-	-	29,723	-	-	-	
Sales	-	27,471	-	-	-	-	-	
<b>TOTAL REVENUES</b>	<b>355,032</b>	<b>47,199</b>	<b>31,655</b>	<b>29,723</b>	<b>83</b>	<b>83</b>	<b>4,024</b>	
<b>EXPENDITURES</b>								
Program Expenditures	408,223	62,005	31,655	29,883	-	-	9,635	
Capital Outlay	-	-	-	-	-	-	-	
<b>TOTAL EXPENDITURES</b>	<b>408,223</b>	<b>62,005</b>	<b>31,655</b>	<b>29,883</b>	<b>-</b>	<b>-</b>	<b>9,635</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(53,191)</b>	<b>(14,806)</b>	<b>-</b>	<b>(160)</b>	<b>83</b>	<b>83</b>	<b>(5,611)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating Transfers In	-	22,500	-	-	-	-	-	
Operating Transfers Out	-	-	-	-	-	-	-	
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>22,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(53,191)</b>	<b>7,694</b>	<b>-</b>	<b>(160)</b>	<b>83</b>	<b>83</b>	<b>(5,611)</b>	
<b>FUND BALANCES, BEGINNING</b>	<b>174,184</b>	<b>6,591</b>	<b>-</b>	<b>16,427</b>	<b>52,091</b>	<b>52,091</b>	<b>54,253</b>	
<b>FUND BALANCES, ENDING</b>	<b>\$ 120,993</b>	<b>\$ 14,285</b>	<b>\$ -</b>	<b>\$ 16,267</b>	<b>\$ 52,174</b>	<b>\$ 52,174</b>	<b>\$ 48,642</b>	

**TOWN OF SHARON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Capital Project</u>		<u>Total</u>
	<u>Sharon</u>	<u>STEAP</u>		
	<u>Cemetery</u>	<u>Grant</u>		
	<u>Fund</u>			
<b>REVENUES</b>				
State of Connecticut	\$ -	\$ 165,289	\$	570,833
Contributions	-	-		4,462
Investment Income	46,081	-		46,597
Other Income	-	-		29,723
Sales	-	-		27,471
<b>TOTAL REVENUES</b>	<b>46,081</b>	<b>165,289</b>		<b>679,086</b>
<b>EXPENDITURES</b>				
Program Expenditures	2,892	-		544,293
Capital Outlay	-	165,289		165,289
<b>TOTAL EXPENDITURES</b>	<b>2,892</b>	<b>165,289</b>		<b>709,582</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES</b>	<b>43,189</b>	<b>-</b>		<b>(30,496)</b>
<b>OTHER FINANCING</b>				
<b>SOURCES (USES)</b>				
Operating Transfers In	-	-		22,500
Operating Transfers Out	(12,200)	-		(12,200)
<b>NET OTHER FINANCING</b>	<b>(12,200)</b>	<b>-</b>		<b>10,300</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>30,989</b>	<b>-</b>		<b>(20,196)</b>
<b>FUND BALANCES, BEGINNING</b>	<b>268,847</b>	<b>-</b>		<b>572,393</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 299,836</b>	<b>\$ -</b>		<b>\$ 552,197</b>

**TOWN OF SHARON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS –**  
**SCHEDULE BY SOURCE**  
**June 30, 2014**

**GOVERNMENTAL FUNDS CAPITAL ASSETS**

Land	\$ 274,081
Buildings and Improvements	9,412,005
Machinery and Equipment	2,426,225
Infrastructure	7,382,824
Construction in Progress	-

**TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS**

**\$ 19,495,135**

Investments in Governmental Funds Capital by source:

Assets put into service prior to July 1, 2014	<b><u>\$ 19,495,135</u></b>
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This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts.

TOWN OF SHARON  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS --**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
 June 30, 2014

	Land	Building and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government	\$ 100,000	\$ 2,574,646	\$ 114,160	\$ -	\$ -	\$ 2,788,806
Board of Education	174,081	6,610,470	321,350	-	-	7,105,901
Public Works	-	226,889	1,990,715	7,382,824	-	9,600,428
	<u>\$ 274,081</u>	<u>\$ 9,412,005</u>	<u>\$ 2,426,225</u>	<u>\$ 7,382,824</u>	<u>\$ -</u>	<u>\$ 19,495,135</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts.

**TOWN OF SHARON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS –**  
**SCHEDULE OF CHANGES**  
**Year Ended June 30, 2014**

	<b>General Fixed Assets June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>General Fixed Assets June 30, 2014</b>
General Government	\$ 2,788,806	\$ -	\$ -	\$ 2,788,806
Board of Education	7,105,901	-	-	7,105,901
Public Works	9,529,478	70,950	-	9,600,428
	<u>\$ 19,424,185</u>	<u>\$ 70,950</u>	<u>\$ -</u>	<u>\$ 19,495,135</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts.



**TOWN OF SHARON**  
**REPORT OF PROPERTY TAX COLLECTOR**  
Year Ended June 30, 2014

Grand List Year	Outstanding Balance July 1, 2013	Net Lawful Corrections	Adjusted Taxes Collectible	Actual Collections During Year			Total	Transfer to Suspend	Outstanding Balance June 30, 2014
				Taxes	Interest	Lien Fees			
2012	\$ 9,968,786	\$ (11,069)	\$ 9,957,717	\$ 9,733,404	\$ 50,426	\$ 33,969	\$ 9,817,799	\$ 184	\$ 224,129
2011	271,641	(8,332)	263,309	142,889	24,105	1,032	168,026	-	120,420
2010	123,386	(8,161)	115,225	29,477	11,183	312	40,972	-	85,748
2009	76,504	(7,683)	68,821	10,954	6,137	216	17,307	-	57,867
2008	53,546	(7,296)	46,250	7,603	8,458	256	16,317	-	38,647
2007	33,062	(5,918)	27,144	5,224	5,674	216	11,114	-	21,920
2006	28,553	(5,866)	22,687	7,635	5,582	144	13,361	-	15,052
2005	22,421	(5,919)	16,502	3,932	4,974	144	9,050	-	12,570
2004	19,756	(5,365)	14,391	3,467	4,558	144	8,169	-	10,924
2003	14,176	(4,980)	9,196	1,923	2,462	120	4,505	-	7,273
2002	10,158	(3,905)	6,253	87	159	72	318	-	6,166
2001	9,408	(3,883)	5,525	52	105	48	205	-	5,473
2000	8,578	(3,492)	5,086	297	444	72	813	-	4,789
1999	2,666	(166)	2,500	1,086	812	72	1,970	-	1,414
1998	205	(151)	54	54	137	48	239	-	-
1997	319	(114)	205	53	144	48	245	-	152
1996	141	(141)	-	-	-	-	-	-	-
	<u>\$ 10,643,306</u>	<u>\$ (82,441)</u>	<u>\$ 10,560,865</u>	<u>\$ 9,948,137</u>	<u>\$ 125,360</u>	<u>\$ 36,913</u>	<u>\$ 10,110,410</u>	<u>\$ 184</u>	<u>\$ 612,544</u>

Suspend Collections	48
60 Days 6/30/2013	(90,936)
60 Days 6/30/2014	88,319
<b>Total</b>	<u>\$ 10,107,841</u>

**TOWN OF SHARON**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**Year Ended June 30, 2014**

	General Fund		Enterprise Fund				TOTALS
	2011	2011	2005	1999	2000	2001	
	Roof Project	67 Main Street	Drinking Water Fund	Clean Water Fund	Drinking Water Fund	Clean Water Fund	
<b>LONG-TERM DEBT</b>							
PAYABLE, JULY 1, 2013	\$ 154,407	\$ 361,136	\$ 253,184	\$ 286,356	\$ 85,147	\$ 446,720	\$ 281,736
ISSUANCES OF NEW DEBT	-	-	-	-	-	-	-
PAYMENTS DURING YEAR	(49,960)	(87,941)	(21,461)	(71,795)	(11,236)	(54,345)	(5,533)
<b>LONG-TERM DEBT</b>							
PAYABLE, JUNE 30, 2014	\$ 104,447	\$ 273,195	\$ 231,723	\$ 214,561	\$ 73,911	\$ 392,375	\$ 276,203
<b>MATURITIES BY FISCAL</b>							
<b>YEARS ENDING, JUNE 30:</b>							
2015	\$ 51,454	\$ 273,195	\$ 21,982	\$ 73,809	\$ 11,532	\$ 55,869	\$ 5,776
2016	52,993	-	22,515	75,880	11,836	57,437	5,997
2017	-	-	23,062	64,872	12,147	59,048	6,293
2018	-	-	23,621	-	12,467	60,705	6,570
2019	-	-	24,194	-	12,795	62,408	6,859
2020	-	-	24,781	-	13,134	64,158	7,131
2021	-	-	25,383	-	-	32,750	7,473
2022	-	-	25,999	-	-	-	7,802
2023	-	-	26,630	-	-	-	8,145
2024	-	-	13,556	-	-	-	8,477
2025	-	-	-	-	-	-	8,875
2026	-	-	-	-	-	-	9,266
2027	-	-	-	-	-	-	9,673
2028	-	-	-	-	-	-	10,077
2029	-	-	-	-	-	-	10,541
2030	-	-	-	-	-	-	11,004
2031	-	-	-	-	-	-	11,488
2032	-	-	-	-	-	-	11,977
2033	-	-	-	-	-	-	12,519
2034	-	-	-	-	-	-	13,069
2035	-	-	-	-	-	-	13,644
2036	-	-	-	-	-	-	14,234
2037	-	-	-	-	-	-	14,869
2038	-	-	-	-	-	-	15,523
2039	-	-	-	-	-	-	16,205
2040	-	-	-	-	-	-	16,915
2041	-	-	-	-	-	-	5,801
<b>TOTALS</b>	<b>\$ 104,447</b>	<b>\$ 273,195</b>	<b>\$ 231,723</b>	<b>\$ 214,561</b>	<b>\$ 73,911</b>	<b>\$ 392,375</b>	<b>\$ 276,203</b>
							<b>\$ 8,271,415</b>

**TOWN OF SHARON  
SCHEDULE OF DEBT LIMITATION  
Year Ended June 30, 2014**

Total Tax Collections (Including Interest and Lien Fees) for Current Fiscal Year	\$ 10,107,841
Reimbursement for Revenue Loss On: Tax Relief for Elderly	<u>19,058</u>
Base (Total of Above)	<u>\$ 10,126,899</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
<b>DEBT LIMITATION</b>					
2.25 x \$10,126,899	\$ 22,785,523	\$ -	\$ -	\$ -	\$ -
4.50 x \$10,126,899	-	45,571,046	-	-	-
3.75 x \$10,126,899	-	-	37,975,871	-	-
3.25 x \$10,126,899	-	-	-	32,912,422	-
3.00 x \$10,126,899	-	-	-	-	30,380,697
	22,785,523	45,571,046	37,975,871	32,912,422	30,380,697
<b>OUTSTANDING INDEBTEDNESS</b>					
General Obligation Bonds	6,705,000	-	-	-	-
Roof Project	-	104,447	-	-	-
67 Main Street	273,195	-	-	-	-
Town Share of RD #1 Indebtedness	-	448,862	-	-	-
Sewer Bonds and Notes	-	-	1,188,773	-	-
	6,978,195	553,309	1,188,773	-	-
<b>AUTHORIZED BUT UNISSUED INDEBTEDNESS</b>					
Sewer	-	-	-	-	-
General Government	-	-	-	-	-
Town Share of RD #1 Indebtedness	-	466,743	-	-	-
	-	466,743	-	-	-
<b>TOTAL OUTSTANDING AND AUTHORIZED BUT UNISSUED INDEBTEDNESS</b>	6,978,195	1,020,052	1,188,773	-	-
<b>DEBT LIMITATION IN EXCESS OF OUTSTANDING OR AUTHORIZED DEBT</b>	\$ 15,807,328	\$ 44,550,994	\$ 36,787,098	\$ 32,912,422	\$ 30,380,697

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

**TOWN OF SHARON  
SCHEDULE OF DEBT  
Year Ended June 30, 2014**

<u>Description</u>	<u>Amount</u>
2011 General Obligation Bonds-General Fund	\$ 6,705,000
Roof Project-General Fund	104,447
67 Main Street Note-General Fund	273,195
1999 Clean Water Fund-Enterprise Fund	214,561
2000 Drinking Water Fund-Enterprise Fund	73,911
2001 Clean Water Fund-Enterprise Fund	392,375
2005 Drinking Water Fund-Enterprise Fund	231,723
2010 Sewer Improvements-Enterprise Fund	<u>276,203</u>
	<u>\$ 8,271,415</u>
Percentage of annual property tax levy uncollected	2.25%
Total direct debt per capita	\$ 3,015
Total direct debt to net taxable grand list	0.97%

- (a) Population of 2,743 as of 07/01/2013.  
 (b) Net taxable grand list 10/01/12 was \$851,320,312.