

**TOWN OF SPRAGUE,  
CONNECTICUT**

**BASIC FINANCIAL STATEMENTS  
AS OF JUNE 30, 2020**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT,  
REQUIRED SUPPLEMENTARY  
INFORMATION,  
OTHER SUPPLEMENTARY INFORMATION,  
AND  
STATE SINGLE AUDIT REPORTS**



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# **INDEPENDENT AUDITORS' REPORT**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Finance of  
Town of Sprague, Connecticut

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sprague, Connecticut (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **OPINIONS**

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 14, the budgetary comparison information on pages 63 - 65, and the other post-employment benefit and pension schedules on pages 66 - 68 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's basic financial statements. The combining financial statements, supplementary schedules and the Schedule of Expenditures of State Financial Assistance as required by the Connecticut Single Audit Act are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements, supplementary schedules and the Schedule of Expenditures of State Financial Assistance 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 financial statements, supplementary schedules and the Schedule of Expenditures of State Financial Assistance 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 a report dated February 20, 2021, on our consideration of the Town'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's internal control over financial reporting and compliance.

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut  
February 20, 2021

# **TOWN OF SPRAGUE, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020**

Our discussion and analysis of Town of Sprague, Connecticut's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's financial statements, which begin with the Government Wide Statement of Net Position.

## **FINANCIAL HIGHLIGHTS**

The following are the Town's significant financial highlights for the year ended June 30, 2020:

- Total net position *decreased* \$19,638. This includes a governmental activities *increase* of \$14,008 and a business-type activities *decrease* of \$33,646.
- Total fund balance *decreased* by \$595,043. This includes a \$770,985 *increase* in the General Fund, a \$183,666 *decrease* in the Capital Nonrecurring Fund, a \$6,650 *decrease* in the Education Grants Fund, a \$33,706 *increase* in the Small Cities Fund, and a \$19,332 *decrease* in Nonmajor Governmental Funds.
- The General Fund, Capital Nonrecurring Fund, and Education Grant Fund ended the fiscal year with a net deficit fund balance of (\$48,306), (\$635,189), and (\$8,062), respectively.
- Total revenues for fiscal year ended June 30, 2020 came in \$10,036 *short* of budget, and total expenditures came in at \$267,525 *under* budget. The combination of the *shortfalls* in revenues and expenditures turned the small budgeted *excess* for the year into a much larger *surplus* of revenues over expenditures for the fiscal year.
- The majority of the reason why expenditures came in *under* budget is from cost savings in both the general government (\$93,046) and the board of education (\$174,479).

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with the Governmental Funds Balance Sheet. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

# **TOWN OF SPRAGUE, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020**

## **Reporting the Town as a Whole**

Our analysis of the Town as a whole begins with the Statement of Net Position. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's *net position* and changes in them. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town. In the Statement of Net Position and the Statement of Activities, the Town shows the following activity:

- Governmental activities—The Town's basic services are reported here, including education, public works and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.
- Business-type activities—The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water Pollution Control Authority (Water and Sewer Fund)'s operations are reported here.

## **Reporting the Town's Most Significant Funds**

Our analysis of the Town's major funds begins in the section titled "The Town's Funds". The fund financial statements begin on page 17 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental funds*—The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides.



**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Reporting the Town's Most Significant Funds (*Continued*)**

*Governmental funds (Continued)* - Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.

- *Proprietary funds*—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**The Town as Trustee**

The Town is the trustee, or *fiduciary*, for the activity funds and the Parent Teacher Organization funds at the school. These funds do not belong to the Town. The Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**The Town as a Whole – Governmental Activities – Statement of Net Position**

The total net position of the Town's Governmental Activities *increased* modestly by \$14,008 from a year ago increasing from \$20,340,880 to \$20,354,888.

	Governmental Activities		Increase
	2020	2019	(Decrease)
Current and other assets	\$ 1,101,219	\$ 733,961	\$ 367,258
Capital assets, net	29,861,455	30,691,886	(830,431)
Deferred outflows of resources	22,068	23,993	(1,925)
Total assets and deferred outflows of resources	<u>\$ 30,984,742</u>	<u>\$ 31,449,840</u>	<u>\$ (465,098)</u>
Other liabilities	\$ 1,338,078	\$ 1,576,900	\$ (238,822)
Long-term debt outstanding	8,875,219	9,496,697	(621,478)
Total liabilities	<u>10,213,297</u>	<u>11,073,597</u>	<u>(860,300)</u>
Deferred inflows of resources	416,557	35,363	381,194
Total liabilities and deferred inflows of resources	<u>10,629,854</u>	<u>11,108,960</u>	<u>(479,106)</u>
Net position			
Net investment in capital assets	21,706,592	21,763,057	(56,465)
Restricted	257,487	222,158	35,329
Unrestricted	(1,609,191)	(1,644,335)	35,144
Total net position	<u>20,354,888</u>	<u>20,340,880</u>	<u>14,008</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,984,742</u>	<u>\$ 31,449,840</u>	<u>\$ (465,098)</u>

Despite the modest *increase* in net position, the current and other assets of the governmental activities *increased* \$367,258. This is attributable primarily to the upfront payment of \$325,000 received in connection with an agreement to lease land to a commercial enterprise (*See Note 20*). In contrast, other liabilities *decreased* by \$238,822 as the result of OPM Municipal Restructuring Funds received and used to liquidate accounts payable carrying over from the previous fiscal year (*See Note 9*).

Long-term debt also *decreased* as principal maturities on the Town's bonds and notes were paid as scheduled and the Town's OPEB liability *decreased* from a change in actuarial assumptions (*See Note 15*).

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**The Town as a Whole – Business-Type Activities – Statement of Net Position**

The net position of the Town's Business-Type Activities *decreased* by \$33,646 from a year ago—*decreasing* from \$3,941,625 to \$3,907,979.

	Business-Type Activities		Increase (Decrease)
	2020	2019	
Current and other assets	\$ 549,911	\$ 471,929	\$ 77,982
Capital assets, net	3,373,383	3,496,910	(123,527)
Total assets	<u>\$ 3,923,294</u>	<u>\$ 3,968,839</u>	<u>\$ (45,545)</u>
Other liabilities	\$ 3,879	\$ 14,536	\$ (10,657)
Long-term debt outstanding	11,436	12,678	(1,242)
Total liabilities	<u>15,315</u>	<u>27,214</u>	<u>(11,899)</u>
Net position			
Net investment in capital assets	3,373,383	3,496,910	(123,527)
Restricted	-	-	-
Unrestricted	534,596	444,715	89,881
Total net position	<u>3,907,979</u>	<u>3,941,625</u>	<u>(33,646)</u>
Total liabilities and net position	<u>\$ 3,923,294</u>	<u>\$ 3,968,839</u>	<u>\$ (45,545)</u>

Current and other assets *increased* \$77,982 from the prior year primarily as a result in an *increase* in operating income, which in turn, was from a *decrease* of more than fifty-percent in repairs and maintenance costs incurred during the fiscal year.

Capital assets and overall net position both *decreased* as a result of depreciation expense for the year. There were no capital additions in the business-type activities during the fiscal year ended June 30, 2020.

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**The Town as a Whole – Combined Statement of Net Position**

The Town's *combined* net position *decreased* slightly by \$19,638 from a year ago—*decreasing* from \$24,282,505 to \$24,262,867 as presented below:

	Total Town		Increase
	2020	2019	(Decrease)
Current and other assets	\$ 1,651,130	\$ 1,205,890	\$ 445,240
Capital assets, net	33,234,838	34,188,796	(953,958)
Deferred outflows of resources	22,068	23,993	(1,925)
Total assets and deferred outflows of resources	<u>\$ 34,908,036</u>	<u>\$ 35,418,679</u>	<u>\$ (510,643)</u>
Other liabilities	\$ 1,341,957	\$ 1,591,436	\$ (249,479)
Long-term debt outstanding	8,886,655	9,509,375	(622,720)
Total liabilities	<u>10,228,612</u>	<u>11,100,811</u>	<u>(872,199)</u>
Deferred inflows of resources	416,557	35,363	381,194
Total liabilities and deferred inflows of resources	<u>10,645,169</u>	<u>11,136,174</u>	<u>(491,005)</u>
Net position			
Net investment in capital assets	25,079,975	25,259,967	(179,992)
Restricted	257,487	222,158	35,329
Unrestricted	<u>(1,074,595)</u>	<u>(1,199,620)</u>	<u>125,025</u>
Total net position	<u>24,262,867</u>	<u>24,282,505</u>	<u>(19,638)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 34,908,036</u>	<u>\$ 35,418,679</u>	<u>\$ (510,643)</u>

As discussed earlier, the overall *increase* in current and other assets was from the upfront lease payment received in the governmental activities of \$325,000 and the operating earnings of the business-type activities. Capital assets *decreased* as depreciation expense exceeded capital additions for the year. Other liabilities *decreased* as OPM funding was received and used to pay accounts payable that carried forward from the previous fiscal year. And finally, long-term debt *decreased* as scheduled debt service payments were made and the actuarially determined OPEB liability *decreased* from a change in assumptions.

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**The Town as a Whole - Governmental Activities – Statement of Activities**

	Governmental Activities		Increase
	2020	2019	(Decrease)
Revenues			
Program revenues			
Charges for services	\$ 160,062	\$ 183,588	\$ (23,526)
Operating grants and contributions	4,797,144	4,842,297	(45,153)
Capital grants and contributions	704,877	1,476,629	(771,752)
General revenues			
Property taxes, payments in lieu of taxes, interest and liens	5,953,612	5,619,961	333,651
Revenues not restricted to specific programs	10,022	277,331	(267,309)
Unrestricted interest and investment earnings	3,214	6,668	(3,454)
Gain on foreclosure	-	-	-
Total revenues	<u>11,628,931</u>	<u>12,406,474</u>	<u>(777,543)</u>
Program expenses			
General government	2,337,156	1,818,642	518,514
Public safety	411,928	469,781	(57,853)
Public works	618,214	646,536	(28,322)
Education	8,099,859	8,223,892	(124,033)
Interest on long-term debt	264,786	389,413	(124,627)
Water and Sewer Enterprise Fund	-	-	-
Total expenses	<u>11,731,943</u>	<u>11,548,264</u>	<u>183,679</u>
Excess (deficiency) before transfers	(103,012)	858,210	(961,222)
Transfers in (transfers out)	<u>117,020</u>	<u>105,559</u>	<u>11,461</u>
Change in net position	14,008	963,769	(949,761)
Net position - beginning of year	<u>20,340,880</u>	<u>19,377,111</u>	<u>963,769</u>
Net position - end of year	<u>\$ 20,354,888</u>	<u>\$ 20,340,880</u>	<u>\$ 14,008</u>

Capital grants and contributions *decreased* \$771,752 as fewer capital project grant funding was available in fiscal year ended June 30, 2020. Similarly other special grant funding was not available during the fiscal year which resulted in a *decrease* of \$267,309. The \$333,651 *increase* in property tax and related revenues was the result of an *increase* in the mil rate by \$1.50 to \$34.75 for the 2019-2020 fiscal year. General government expenses *increased* from the prior year from rising costs in multiple line items as well as an *increase* in depreciation expense resulting from recent year acquisitions placed in service.

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**The Town as a Whole – Business-Type Activities – Statement of Activities**

	Business-Type Activities		Increase (Decrease)
	2020	2019	
Revenues			
Program revenues			
Charges for services	\$ 572,445	\$ 574,877	\$ (2,432)
Unrestricted interest and investment earnings	265	265	-
Total revenues	572,710	575,142	(2,432)
Program expenses			
Water and Sewer Enterprise Fund	489,336	569,042	(79,706)
Total expenses	489,336	569,042	(79,706)
Excess (deficiency) before transfers	83,374	6,100	77,274
Transfers in (transfers out)	(117,020)	(105,559)	(11,461)
Change in net position	(33,646)	(99,459)	65,813
Net position - beginning of year	3,941,625	4,041,084	(99,459)
Net position - end of year	\$ 3,907,979	\$ 3,941,625	\$ (33,646)

There were no significant variations between years with respect to the revenues of the Town's business-type activities. Program expenses *decreased* by approximately 14% primarily as a result of *decreased* repairs and maintenance costs incurred on equipment and facilities.

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**The Town as a Whole – Combined Statement of Activities**

As mentioned earlier, the Town overall incurred a *decrease* in Net Position of \$19,638. This was a *decrease* from the 2019-2020 fiscal year change by \$883,948.

	Total Town		Increase (Decrease)
	2020	2019	
Revenues			
Program revenues			
Charges for services	\$ 732,507	\$ 758,465	\$ (25,958)
Operating grants and contributions	4,797,144	4,842,297	(45,153)
Capital grants and contributions	704,877	1,476,629	(771,752)
General revenues			
Property taxes, payments in lieu of taxes, interest and liens	5,953,612	5,619,961	333,651
Revenues not restricted to specific programs	10,022	277,331	(267,309)
Unrestricted interest and investment earnings	3,479	6,933	(3,454)
Total revenues	<u>12,201,641</u>	<u>12,981,616</u>	<u>(779,975)</u>
Program expenses			
General government	2,337,156	1,818,642	518,514
Public safety	411,928	469,781	(57,853)
Public works	618,214	646,536	(28,322)
Education	8,099,859	8,223,892	(124,033)
Interest on long-term debt	264,786	389,413	(124,627)
Water and Sewer Enterprise Fund	489,336	569,042	(79,706)
Total expenses	<u>12,221,279</u>	<u>12,117,306</u>	<u>103,973</u>
Excess (deficiency) before transfers	(19,638)	864,310	(883,948)
Transfers in (transfers out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(19,638)	864,310	(883,948)
Net position - beginning of year	<u>24,282,505</u>	<u>23,418,195</u>	<u>864,310</u>
Net position - end of year	<u>\$ 24,262,867</u>	<u>\$ 24,282,505</u>	<u>\$ (19,638)</u>

**Governmental Activities – Total and Net Cost of Activities**

The schedule below presents the cost of each of the Town's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions:

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Governmental Activities – Total and Net Cost of Activities (Continued)**

	Total Cost of Services		Increase (Decrease)	Net Cost (Revenue) of Services		Increase (Decrease)
	2020	2019		2020	2019	
General government	2,337,156	1,818,642	28.50%	1,214,748	763,695	59.10%
Public safety	411,928	469,781	-12.30%	396,518	70,230	464.60%
Public works	618,214	646,536	-4.40%	454,974	10,479	4241.80%
Education	8,099,859	8,223,892	-1.50%	3,738,837	3,811,933	-1.90%
	<u>\$ 11,467,157</u>	<u>\$ 11,158,851</u>	<u>2.80%</u>	<u>\$ 5,805,077</u>	<u>\$ 4,656,337</u>	<u>24.70%</u>

The largest percentage change in net cost of services from the prior year is with the Town's public works. The net cost of public works *increased* by 4241.80%. This is due to a large *decrease* in capital grants available to offset public works expenses.

**Business-type Activities – Total and Net Cost of Activities**

The only business-type activity in Sprague is the Water and Sewer Fund. The schedule below presents the cost of the Town's business-type programs as well as the business-type program's net cost (total cost less revenues generated by the activities):

	Total Cost of Services		Increase (Decrease)	Net Cost (Revenue) of Services		Increase (Decrease)
	2020	2019		2020	2019	
Water and Sewer Enterprise Fund	<u>\$ 489,336</u>	<u>\$ 569,042</u>	<u>-14.00%</u>	<u>\$ (83,109)</u>	<u>\$ (5,835)</u>	<u>1324.30%</u>

The total cost and net cost from services for 2020 *decreased* due to reduced repairs and maintenance expenses incurred, while revenues remained flat.

**THE TOWN'S FUNDS**

As the year showed a positive \$14,008 change in net position in governmental activities, it showed an ever greater *increase* of \$595,043 in the combined fund balances of the governmental funds. The difference in the amounts is primarily from the treatment of long-term debt and capital assets. In the fund financial statements, principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net position on the government-wide statements. Likewise, purchases of capital assets are reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net position on the government-wide statements. In the government-wide financial statements, grants and revenues used to acquire capital assets *increase* the Town's net position, while in the fund financial statements, the acquisition is treated as an expenditure and offsets the related revenues. During the fiscal year ended June 30, 2020, the Town received \$500,000 in OPM Municipal Restructuring Funds which has been treated as an other financing source in the fund financial statements and additional long-term debt in the government-wide financials.



**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**General Fund Budgetary Highlights**

Over the course of the year, the Board of Finance can revise the Town's budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. This requirement has been temporarily suspended by the Connecticut Governor's Executive Order issued in response to the 2020 Coronavirus outbreak. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Property taxes	\$ 5,931,604	\$ 5,952,079	\$ 20,475
State grants-school	2,690,078	2,666,736	(23,342)
State grants-local	597,726	596,909	(817)
Local revenues	<u>222,771</u>	<u>216,419</u>	<u>(6,352)</u>
Total revenues	<u>9,442,179</u>	<u>9,432,143</u>	<u>(10,036)</u>
<b>Expenditures</b>			
General government operating budget	2,016,879	1,923,833	93,046
Board of Education expenditures	6,525,766	6,351,287	174,479
Debt service	878,325	878,325	-
Other financing sources	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Total expenditures	<u>9,428,970</u>	<u>9,161,445</u>	<u>267,525</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 13,209</u>	<u>\$ 270,698</u>	<u>\$ 257,489</u>

The largest variance relates to the budgets for the general government and board of education. During the year ended June 30, 2020, the Town achieved significant budget savings in both areas as revenues were slightly below budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of this year, the Town had almost \$44 million invested in government activity capital assets. This amount represents a slight *increase* (including additions and deductions) in historical cost of \$110,533 from last year. Significant capital additions included the construction in progress on school sidewalks and fire department breathing apparatus.

**TOWN OF SPRAGUE, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION (*Continued*)**

**Capital Assets (*Continued*)**

At the end of June 30, 2020, the Town had business-type activity capital assets of approximately \$6.3 million. There were no additions or disposals during the fiscal year. Depreciation expense totaled \$123,527 for the year.

**Debt**

At year end, the Town had \$8,551,265 in bonds and notes outstanding. This is a net *decrease* of \$234,943 from last year. The Town's debt also includes compensated absences, post closure landfill costs, and an other post-employment benefits obligation. More detailed information about the Town's long-term liabilities is present in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

As of June 30, 2020, the Town's General Fund had a net deficit fund balance of (\$48,306). The Town's budget for the 2020-2021 fiscal year, taking into account general fiscal uncertainty regarding the Coronavirus pandemic and its effect on the economy, includes \$9,591,708 of budgeted revenues and \$9,550,860 of budgeted expenditures, leaving a small surplus of \$40,848 to bring the General Fund closer to a positive fund balance.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Sprague, Connecticut, 1 Main Street, Baltic CT 06330.

**TOWN OF SPRAGUE, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 574,559	\$ 442,809	\$ 1,017,368
Receivables, net	508,992	104,257	613,249
Prepaid expenses	8,226	1,000	9,226
Inventories	9,442	1,845	11,287
Capital assets			
Non-depreciable	9,811,674	-	9,811,674
Depreciable, net	20,049,781	3,373,383	23,423,164
Total assets	<u>30,962,674</u>	<u>3,923,294</u>	<u>34,885,968</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Differences between expected and actual experience - OPEB	2,803	-	2,803
Changes of assumptions - OPEB	19,265	-	19,265
Total deferred outflows of resources	<u>22,068</u>	<u>-</u>	<u>22,068</u>
Total assets and deferred outflows of resources	<u>\$ 30,984,742</u>	<u>\$ 3,923,294</u>	<u>\$ 34,908,036</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

<b>LIABILITIES</b>			
Accounts payable	\$ 745,199	\$ 936	\$ 746,135
Accrued payroll and related	36,957	2,855	39,812
Accrued interest payable	103,598	-	103,598
Internal balances	(88)	88	-
Due to others	24,806	-	24,806
Unearned revenues	427,606	-	427,606
Noncurrent liabilities			
Due within one year	4,027,255	-	4,027,255
Due in more than one year	4,847,964	11,436	4,859,400
Total liabilities	<u>10,213,297</u>	<u>15,315</u>	<u>10,228,612</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Differences between expected and actual experience - OPEB	398,819	-	398,819
Changes in assumptions - OPEB	17,738	-	17,738
Total deferred inflows of resources	<u>416,557</u>	<u>-</u>	<u>416,557</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	21,706,592	3,373,383	25,079,975
Restricted			
Expendable	256,237	-	256,237
Nonexpendable	1,250	-	1,250
Unrestricted	<u>(1,609,191)</u>	<u>534,596</u>	<u>(1,074,595)</u>
Total net position	<u>20,354,888</u>	<u>3,907,979</u>	<u>24,262,867</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,984,742</u>	<u>\$ 3,923,294</u>	<u>\$ 34,908,036</u>

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

**TOWN OF SPRAGUE, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ (2,337,156)	\$ 141,010	\$ 439,761	\$ 541,637	\$ (1,214,748)	\$ -	\$ (1,214,748)
Public safety	(411,928)	-	15,410	-	(396,518)	-	(396,518)
Public works	(618,214)	-	-	163,240	(454,974)	-	(454,974)
Education	(8,099,859)	19,052	4,341,973	-	(3,738,834)	-	(3,738,834)
Interest on long-term debt	(264,786)	-	-	-	(264,786)	-	(264,786)
Total governmental activities	<u>(11,731,943)</u>	<u>160,062</u>	<u>4,797,144</u>	<u>704,877</u>	<u>(6,069,860)</u>		<u>(6,069,860)</u>
Business-type activities							
Water and sewer enterprise fund	<u>(489,336)</u>	<u>572,445</u>	<u>-</u>	<u>-</u>		<u>83,109</u>	<u>83,109</u>
Total government	<u>\$ (12,221,279)</u>	<u>\$ 732,507</u>	<u>\$ 4,797,144</u>	<u>\$ 704,877</u>	<u>(6,069,860)</u>	<u>83,109</u>	<u>(5,986,751)</u>
General revenues							
Property taxes, payments in lieu of taxes, interest and liens					5,953,612	-	5,953,612
Revenues not restricted to specific programs					10,022	-	10,022
Unrestricted interest and investment earnings					3,214	265	3,479
Total general revenues					<u>5,966,848</u>	<u>265</u>	<u>5,967,113</u>
Transfers in (out), net					117,020	(117,020)	-
Change in net position					14,008	(33,646)	(19,638)
NET POSITION, beginning of year					<u>20,340,880</u>	<u>3,941,625</u>	<u>24,282,505</u>
NET POSITION, end of year					<u>\$ 20,354,888</u>	<u>\$ 3,907,979</u>	<u>\$ 24,262,867</u>

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

**TOWN OF SPRAGUE, CONNECTICUT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

**ASSETS**

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 402,586	\$ 80,681	\$ -	\$ 13,071	\$ 78,219	\$ 574,557
Receivables, net	219,502	47,924	8,193	233,373	-	508,992
Due from other funds	618,335	-	62,183	-	22,871	703,389
Prepaid expenditures	8,226	-	-	-	-	8,226
Inventories	7,091	-	-	-	2,351	9,442
Total current assets	<u>\$ 1,255,740</u>	<u>\$ 128,605</u>	<u>\$ 70,376</u>	<u>\$ 246,444</u>	<u>\$ 103,441</u>	<u>\$ 1,804,606</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

<b>LIABILITIES</b>						
Accounts payable	\$ 692,005	\$ 53,111	\$ -	\$ 83	\$ -	\$ 745,199
Accrued payroll and related	36,957	-	-	-	-	36,957
Due to other funds	70,798	632,503	-	-	-	703,301
Due to others	24,806	-	-	-	-	24,806
Unearned revenue	322,719	34,642	70,245	-	-	427,606
Total current liabilities	<u>1,147,285</u>	<u>720,256</u>	<u>70,245</u>	<u>83</u>	<u>-</u>	<u>1,937,869</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Revenue - unavailable	156,761	43,538	8,193	83	-	208,575
Total deferred inflows of resources	<u>156,761</u>	<u>43,538</u>	<u>8,193</u>	<u>83</u>	<u>-</u>	<u>208,575</u>
Total liabilities and deferred inflows of resources	<u>1,304,046</u>	<u>763,794</u>	<u>78,438</u>	<u>166</u>	<u>-</u>	<u>2,146,444</u>
<b>FUND BALANCES</b>						
Nonspendable	15,317	-	-	233,290	3,678	252,285
Restricted	-	7,415	-	13,071	2,461	22,947
Committed	-	152,089	-	-	-	152,089
Assigned	-	27,690	-	-	97,342	125,032
Unassigned	(63,623)	(822,383)	(8,062)	(83)	(40)	(894,191)
Total fund balances	<u>(48,306)</u>	<u>(635,189)</u>	<u>(8,062)</u>	<u>246,278</u>	<u>103,441</u>	<u>(341,838)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,255,740</u>	<u>\$ 128,605</u>	<u>\$ 70,376</u>	<u>\$ 246,444</u>	<u>\$ 103,441</u>	<u>\$ 1,804,606</u>

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

**TOWN OF SPRAGUE, CONNECTICUT  
RECONCILIATION OF THE BALANCE SHEET OF THE  
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE  
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
JUNE 30, 2020**

Total fund balance for governmental funds		\$ (341,838)
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		29,861,455
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds		208,577
Deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds		22,068
Deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds		(416,557)
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest payable	(103,598)	
Long-term debt:		
General obligation bonds	(7,485,000)	
Other long-term liabilities:		
Notes payable	(1,066,265)	
Compensated absences	(53,953)	
Post-closure landfill costs	(4,800)	
Net OPEB obligation	(265,201)	
		(8,978,817)
Net position of governmental activities		\$ 20,354,888

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

**TOWN OF SPRAGUE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>						
Property taxes, interest, lien fees	\$ 5,952,079	\$ -	\$ -	\$ -	\$ -	\$ 5,952,079
Intergovernmental revenues	4,450,403	463,363	384,240	49,451	96,046	5,443,503
Local revenues	146,047	91,277	-	1	24,010	261,335
Total revenues	<u>10,548,529</u>	<u>554,640</u>	<u>384,240</u>	<u>49,452</u>	<u>120,056</u>	<u>11,656,917</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,028,565	47,222	-	15,746	2,666	1,094,199
Public safety	342,306	-	-	-	-	342,306
Public works	552,675	-	-	-	-	552,675
Education	7,538,045	-	390,890	-	136,722	8,065,657
Capital outlays	-	585,305	-	-	-	585,305
Debt service:						
Principal payments	734,943	3,440,000	-	-	-	4,174,943
Interest and fiscal charges	190,030	84,279	-	-	-	274,309
Bond issuance costs	-	29,500	-	-	-	29,500
Total expenditures	<u>10,386,564</u>	<u>4,186,306</u>	<u>390,890</u>	<u>15,746</u>	<u>139,388</u>	<u>15,118,894</u>
Excess (deficiency) of revenues over expenditures	<u>161,965</u>	<u>(3,631,666)</u>	<u>(6,650)</u>	<u>33,706</u>	<u>(19,332)</u>	<u>(3,461,977)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from issuance of long-term bonds and notes	500,000	3,440,000	-	-	-	3,940,000
Transfers in	117,020	8,000	-	-	-	125,020
Transfers out	(8,000)	-	-	-	-	(8,000)
Total other financing sources (uses)	<u>609,020</u>	<u>3,448,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,057,020</u>
Net change in fund balances	770,985	(183,666)	(6,650)	33,706	(19,332)	595,043
FUND BALANCE, beginning of year	<u>(819,291)</u>	<u>(451,523)</u>	<u>(1,412)</u>	<u>212,572</u>	<u>122,773</u>	<u>(936,881)</u>
FUND BALANCE, end of year	<u>\$ (48,306)</u>	<u>\$ (635,189)</u>	<u>\$ (8,062)</u>	<u>\$ 246,278</u>	<u>\$ 103,441</u>	<u>\$ (341,838)</u>

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

**TOWN OF SPRAGUE, CONNECTICUT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds \$ 595,043

Total change in net position reported for governmental activities in the statement of activities is different because:

Government 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 amount by which capital outlays exceeded depreciation expense in the current period is as follows:

Expenditures for capital assets	110,533	
Depreciation expense	(940,964)	
Net adjustment		(830,431)

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

Property taxes and other revenues in the General Fund	4,771	
Revenues in the Capital Nonrecurring Fund	(41,036)	
Revenues in the Education Grants Fund	8,193	
Revenues in the Small Cities Fund	83	
Net adjustment		(27,989)

Deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds (1,925)

Deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds (381,191)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Debt issued or incurred:		
General obligation bonds	(3,440,000)	
Note payable	(500,000)	
Principal repayments:		
General obligation bonds	4,140,000	
Note payable	34,943	
Net adjustment		234,943

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the effect of such items:

Accrued interest	39,023	
Compensated absences	6,857	
Post-closure landfill costs	1,200	
Net OPEB obligation	378,478	
Net adjustment		425,558

Change in net position of governmental activities \$ 14,008

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



**TOWN OF SPRAGUE, CONNECTICUT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020**

**ASSETS**

		Water and Sewer Fund
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	442,809
Receivables, net		104,257
Prepaid expenses		1,000
Inventories		1,845
Total current assets		549,911
 <b>CAPITAL ASSETS, net</b>		
Total assets		3,373,383
	\$	3,923,294

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$	936
Accrued payroll and related		2,855
Due to other funds		88
Total current liabilities		3,879
 <b>COMPENSATED ABSENCES</b>		
		11,436
 <b>NET POSITION</b>		
Invested in capital assets		3,373,383
Unrestricted		534,596
Total net position		3,907,979
Total liabilities and net position	\$	3,923,294

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

**TOWN OF SPRAGUE, CONNECTICUT  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Water and Sewer Fund
<b>OPERATING REVENUE</b>	
Charges for services	\$ 571,945
Miscellaneous	500
Total operating revenue	572,445
<b>OPERATING EXPENSES</b>	
Salaries and related	195,788
Contractual services	21,221
Utilities	81,848
Repairs and maintenance	32,518
Other supplies and expenses	34,434
Depreciation	123,527
Total operating expenses	489,336
Operating income	83,109
<b>NON-OPERATING REVENUE</b>	
Interest income	265
Total non-operating revenue	265
<b>TRANSFERS</b>	
Transfers out	(117,020)
Transfers in	-
Net transfers	(117,020)
Change in net position	(33,646)
NET POSITION, beginning of year	3,941,625
NET POSITION, end of year	\$ 3,907,979

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

**TOWN OF SPRAGUE, CONNECTICUT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 572,528
Cash payments to employees	(200,621)
Cash payments to suppliers	(177,070)
Net cash provided by operating activities	194,837
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of interest income	265
Net cash provided by investing activities	265
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers out	(117,020)
Net cash used in non-capital financing activities	(117,020)
Net increase in cash and cash equivalents	78,082
CASH AND CASH EQUIVALENTS, beginning of year	364,727
CASH AND CASH EQUIVALENTS, end of year	\$ 442,809
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 83,109
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	123,527
Changes in assets and liabilities:	
Accounts receivable	83
Inventories	17
Accounts payable	(7,014)
Accrued payroll and related	(3,591)
Due to other funds	(52)
Compensated absences	(1,242)
Net cash provided by operating activities	\$ 194,837

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

**TOWN OF SPRAGUE, CONNECTICUT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

**ASSETS**

	<u>Agency Funds</u>
Cash and cash equivalents	<u>\$ 21,973</u>

**LIABILITIES**

Due to students	<u>\$ 21,973</u>
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*The accompanying notes are an integral part of these financial statements.*

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**PURPOSE OF ORGANIZATION**

The Town of Sprague, Connecticut (Town) is a municipal corporation governed by a selectmen-town meeting 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 administrative branch is led by an elected three-member Board of Selectmen. The selectmen 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 financial matters.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

**REPORTING ENTITY**

The reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) 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 incomplete or misleading as set forth by GASB.

In evaluating how to define the reporting entity for financial statement 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.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), 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 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 or 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 and (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. The Town does not allocate indirect expenses to functions in the Statement of Activities.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues and expenses/expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with nonmajor funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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 and enterprise funds are reported as separate columns in the fund financial statements.

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 operation. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles, as follows:

**Fund Categories**

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:
  - **General Fund** - This fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.
  - **Capital Nonrecurring Fund** - The Capital Nonrecurring Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (*Continued*)**

The Town also reports the following other governmental funds, some of which are major and others are considered nonmajor:

- Special Revenue Funds — Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purpose other than debt service or capital projects. The Special Revenue Funds of the Town are:
  - The Library Fund is used to account for the transactions of the Sprague Public Library. This fund is considered nonmajor.
  - The Dog Fund is used to account for activity for the Regional Animal Control Program. This fund is considered nonmajor.
  - The Child Nutrition Fund is used to account for the cafeteria at the elementary school. This fund is considered nonmajor.
  - The Education Grants Fund is used to account for State, Federal, and private grants to be used for educational purposes. This fund is considered a major fund.
  - The Recreation Fund is used for the transactions of the Parks & Recreation Committee. This fund is considered nonmajor.
  - The School Fund is used to account for donations and expenditures for school purposes. This fund is considered nonmajor.
  - The Small Cities Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for the Federal community development block grants for both program income and the First and Second Street project. This fund is considered a major fund.
  - The Senior Smile Fund is used to account for transactions related to the Senior Center. This fund is considered nonmajor.

The Town also reports the following permanent fund:

- Lovett Cemetery Fund — The Lovett Cemetery Fund is used to maintain the principal endowment of the cemetery fund and accounts for the financial transactions of the Lovett Cemetery. This fund is considered nonmajor.
- b. Proprietary Funds - Proprietary funds include enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The following is the Town's major proprietary fund:

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (Continued)**

- Water and Sewer Fund — The Water and Sewer Fund accounts for transactions through the Sprague Water and Sewer Authority. The authority has the responsibility to plan and direct the water and sewage supply, systems, disposal and distribution facilities for certain sections of the Town.
- c. Fiduciary Funds - (Not Included in Government-Wide Financial Statements) The Town's Fiduciary Funds (Agency Funds) are used to account for assets held by the Town in an agency capacity on behalf of others. The Agency Funds are primarily utilized to account for monies held as custodian for outside student groups.

**MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and the business-type activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. 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.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.



**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION  
(Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES**

**DEPOSITS AND RISK DISCLOSURES**

Cash and equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut 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.

The Short-Term Investment Fund (STIF) is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. 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 changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (*Continued*)**

**DEPOSITS AND RISK DISCLOSURES (*Continued*)**

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

**TAXES RECEIVABLE**

Property taxes are assessed on property values as of October 1<sup>st</sup>. The tax levy is divided into two billings; the following July 1<sup>st</sup> and January 1<sup>st</sup>. This is used to finance the fiscal year from the first billing (July 1<sup>st</sup>) to June 30<sup>th</sup> of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1<sup>st</sup> and February 1<sup>st</sup>), the bill becomes delinquent, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

An allowance for uncollectable taxes of \$30,000 has been recorded net with taxes and interest receivable as of June 30, 2020.

**OTHER RECEIVABLES**

Other receivables include amounts due from other governments, individuals for services provided by the Town, and promissory notes due from property owners for renovations and rehabilitation costs financed with Small Cities funds. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (*Continued*)**

**DUE FROM/TO OTHER FUNDS**

During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

**PREPAID EXPENSES/EXPENDITURES**

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

**INVENTORIES**

Inventories in the governmental and business-type funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to record inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

**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. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Intangible assets lack physical substance, are nonfinancial in nature and their useful lives extend beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized. Intangible assets with legal, contractual, regulatory, technological or other factors limiting their useful life are amortized over their useful lives.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (Continued)**

**CAPITAL ASSETS (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Construction in progress has not been put into service yet and, therefore, is not depreciated.

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

Assets	Years	Capitalization Threshold
Land	N/A	\$ 50,000
Construction in progress	N/A	5,000
Buildings and systems	50	15-30,000
Machinery and equipment	5 - 20	5-15,000
Infrastructure	25 - 50	5-100,000

**UNEARNED REVENUES**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met. This balance also includes the portion of the long-term lease payment to be recognized ratably over the term of the lease (*See Note 20*).

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows or resources in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not “available” pursuant to generally accepted accounting principles.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (*Continued*)**

**LONG-TERM LIABILITIES**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and debt payments, are reported as debt service expenditures.

**COMPENSATED ABSENCES**

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee termination or retirement.

**NET POSITION**

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes net investment in capital assets and restricted. The balance is classified as unrestricted.

In order to calculate the amounts to report 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 the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**FUND BALANCE**

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION, FUND BALANCES (*Continued*)**

**FUND BALANCE (*Continued*)**

- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for specific purposes as provided in the legislation.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. A motion at a Town Meeting is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.
- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. 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, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**ENCUMBRANCES**

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

**USE OF 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, liabilities, deferred inflows and outflows, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**SUBSEQUENT EVENTS 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 February 20, 2021. Subsequent events are discussed in *Note 21*.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGET BASIS**

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

**Teachers' Retirement** - The Town does not recognize as income or expenditures payments made for the teachers' retirement or other post-employment benefits by the State of Connecticut on the Town's behalf in its budget. U.S. Generally Accepted Accounting Principles require that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.

**Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.

**Excess Cost and Certain Other Grants** - The State reimburses the Town for certain costs incurred for special educational needs. This reimbursement is the Excess Cost Grant — Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as a revenue. Certain other grants are also net with education expenditures instead of being reported as intergovernmental revenue.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (*Continued*)**

**BUDGET BASIS (*Continued*)**

**Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.

**Cash Basis Payroll** —The general government payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

**BUDGET CALENDAR**

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

**BUDGET CONTROL**

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. In response to the COVID-19 pandemic, the governor of the State of Connecticut has issued Executive Orders which temporarily suspend certain public meeting requirements relating to additional appropriations.

For the year ended June 30, 2020, several line item transfers were made to the Town's budget, but no additional appropriations.

**EXPENDITURES IN EXCESS OF BUDGET**

There were no expenditures in excess of their budgeted amounts in the Town's budget for the fiscal year ended June 30, 2020.



**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (*Continued*)**

**APPLICATION OF ACCOUNTING STANDARDS**

For the year ended June 30, 2020, the following accounting pronouncements became effective. The Town implemented such pronouncements, where applicable:

GASB Statement 90, *Majority Equity Interests – and amendment of GASB Statements No. 14 and 61*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement delays the effective date of specifically referenced pronouncements.

**NET POSITION / FUND DEFICITS**

At June 30, 2020, the Town reported a deficit balance of (\$1,609,191) in its unrestricted net position for governmental activities in the government-wide financial statements

In the fund financial statements, the General Fund reported an unassigned fund balance deficit of (\$63,623) at June 30, 2020, the Education Grants Fund reported an unassigned fund balance deficit of (\$8,062), the Capital Nonrecurring Fund reported an unassigned fund balance deficit of (\$822,383), the Small Cities Fund reported an unassigned fund balance deficit of (\$83), and the Lovett Cemetery nonmajor fund reported an unassigned fund balance deficit of (\$40).

The Town is currently working on a five-year plan to replenish its deficit fund balances as a Connecticut Tier II municipality and has obtained assistance from the State of Connecticut (*See Note 9*).

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of the Town consist of the following at June 30, 2020:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 1,017,368
Statement of fiduciary net position:	
Cash and cash equivalents	<u>21,973</u>
	<u><u>\$ 1,039,341</u></u>

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)**

Cash and Cash Equivalents - As of June 30, 2020, the carrying amount of the Town's deposits with financial institutions and funds maintained in external investment pools was as follows:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 664,286
Plus external investment pools	375,055
	\$ 1,039,341

The bank balance of the deposits with financial institutions was \$837,908 and exposed to custodial credit risk as follows:

Covered by Federal Depository insurance	\$ 250,000
Collateralized	58,791
Uninsured and uncollateralized	529,117
	\$ 837,908

**NOTE 4 - RECEIVABLES, DEFERRED INFLOWS AND UNEARNED REVENUES**

Receivables consisted of the following at June 30, 2020:

	Fund Financials					Government-Wide Financials	
	General Fund	Capital Non-Recurring Fund	Education Grants Fund	Small Cities Fund	Water & Sewer Fund	Governmental Activities	Business-type Activities
Receivables							
Property taxes and interest	\$ 215,372	\$ -	\$ -	\$ -	\$ -	\$ 215,372	\$ -
Accounts	34,130	4,296	-	-	-	38,426	-
Intergovernmental	-	43,538	8,193	83	-	51,814	-
Loans	-	-	-	233,290	-	233,290	-
Usage	-	-	-	-	104,257	-	104,257
Receivables, gross	249,502	47,834	8,193	233,373	104,257	538,902	104,257
Allowance for doubtful accounts	(30,000)	-	-	-	-	(30,000)	-
Receivables, net	\$ 219,502	\$ 47,834	\$ 8,193	\$ 233,373	\$ 104,257	\$ 508,902	\$ 104,257

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2020. Governmental funds report deferred inflows of resources in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The Town reports property taxes not received within 60 days of the year end as *deferred inflows of resources*.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 - RECEIVABLES, DEFERRED INFLOWS AND UNEARNED REVENUES**  
*(Continued)*

At June 30, 2020, the Town's unearned revenues and deferred inflows of resources consisted of the following:

	Fund Financials				Government-Wide Financials	
	General Fund	Capital Non- Recurring Fund	Education Grants Fund	Small Cities Fund	Governmental Activities	Business-type Activities
Current liabilities						
Unearned revenues	\$ 322,719	\$ 34,642	\$ 70,245	\$ -	\$ 427,606	\$ -
Deferred inflows of resources						
Revenue - unavailable	\$ 156,761	\$ 43,538	\$ 8,193	\$ 83	\$ -	\$ -

**NOTE 5 - INTERFUND TRANSACTIONS**

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2020, these were summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 88
General Fund	Capital Nonrecurring Fund	618,247
Education Grants Fund	General Fund	62,183
Nonmajor Governmental Funds	Capital Nonrecurring Fund	14,256
Nonmajor Governmental Funds	General Fund	8,615
		\$ 703,389

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2020 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewer Fund	\$ 117,020
Capital Nonrecurring Fund	General Fund	8,000
		\$ 125,020

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS**

Changes in the Town's capital assets used in the governmental activities are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 9,532,616	\$ -	\$ -	\$ 9,532,616
Construction in progress	372,587	48,380	(141,909)	279,058
Total capital assets, not being depreciated	<u>9,905,203</u>	<u>48,380</u>	<u>(141,909)</u>	<u>9,811,674</u>
Capital assets, being depreciated:				
Buildings and systems	10,992,916	5,997	-	10,998,913
Machinery and equipment	4,593,609	198,065	-	4,791,674
Infrastructure	18,363,387	-	-	18,363,387
Total capital assets, being depreciated	<u>33,949,912</u>	<u>204,062</u>	<u>-</u>	<u>34,153,974</u>
Less accumulated depreciation for:				
Buildings and systems	(5,528,757)	(145,763)	-	(5,674,520)
Machinery and equipment	(2,691,867)	(167,129)	-	(2,858,996)
Infrastructure	(4,942,605)	(628,072)	-	(5,570,677)
Total accumulated depreciation	<u>(13,163,229)</u>	<u>(940,964)</u>	<u>-</u>	<u>(14,104,193)</u>
Total capital assets, being depreciated, net	<u>20,786,683</u>	<u>(736,902)</u>	<u>-</u>	<u>20,049,781</u>
Governmental activities capital assets, net	<u>\$ 30,691,886</u>	<u>\$ (688,522)</u>	<u>\$ (141,909)</u>	<u>\$ 29,861,455</u>

The Town made reclassifications to its opening governmental activities capital asset categories. The reclassification had no effect on total opening capital assets or net position. Depreciation expense was charged to functions/programs of the governmental activities as follows:

	<u>Depreciation Expense</u>
General Government	\$ 724,548
Education	81,255
Public Safety	69,622
Public Works	65,539
	<u>\$ 940,964</u>

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS (Continued)**

Changes in the Town's capital assets used in the business-type activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, being depreciated:				
Buildings and systems	\$ 5,625,177	\$ -	\$ -	\$ 5,625,177
Machinery and equipment	731,181	-	-	731,181
Total capital assets, being depreciated	<u>6,356,358</u>	<u>-</u>	<u>-</u>	<u>6,356,358</u>
Less accumulated depreciation for:				
Buildings and systems	\$ (2,425,186)	\$ (113,328)	\$ -	\$ (2,538,514)
Machinery and equipment	(434,262)	(10,199)	-	(444,461)
Total accumulated depreciation	<u>(2,859,448)</u>	<u>(123,527)</u>	<u>-</u>	<u>(2,982,975)</u>
Total capital assets, being depreciated, net	<u>\$ 3,496,910</u>	<u>\$ (123,527)</u>	<u>\$ -</u>	<u>\$ 3,373,383</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

	Depreciation Expense
Water and sewer	<u>\$ 123,527</u>

**NOTE 7 - LONG-TERM LIABILITIES**

The following table summarizes changes in the Town's long-term indebtedness for the governmental activities for the year ending June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 8,185,000	\$ 3,440,000	\$ (4,140,000)	\$ 7,485,000	\$ 3,985,000
Direct borrowings and direct placements:					
Notes payable	601,208	500,000	(34,943)	1,066,265	35,649
Other liabilities:					
Compensated absences	60,810	5,703	(12,560)	53,953	5,406
Post closure landfill costs	6,000	-	(1,200)	4,800	1,200
Net OPEB obligation	643,679	-	(378,478)	265,201	-
	<u>\$ 9,496,697</u>	<u>\$ 3,945,703</u>	<u>\$ (4,567,181)</u>	<u>\$ 8,875,219</u>	<u>\$ 4,027,255</u>

Each governmental fund's liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 - GENERAL OBLIGATION BONDS**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2020 consisted of the following:

<u>Purpose</u>	<u>Fiscal Year of Issue</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
General	2006	\$ 1,600,000	4/1/2025	3.75-5.00%	\$ 410,000
General	2009	1,810,000	12/1/2024	2.50-4.00%	535,000
General	2013	5,290,000	6/30/2034	3.50-4.375%	3,100,000
General	2019	3,580,000	9/13/2019	3.75%	-
General	2020	3,440,000	9/13/2020	2.50%	3,440,000
					<u>\$ 7,485,000</u>

Payments to maturity on the general obligation bonds are as follows:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>		
	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,985,000	\$ 245,624	\$ 4,230,624
2022	445,000	143,224	588,224
2023	435,000	116,174	551,174
2024	435,000	101,974	536,974
2025	435,000	88,399	523,399
2026	250,000	65,393	315,393
2027	250,000	56,175	306,175
2028	250,000	46,644	296,644
2029	250,000	36,800	286,800
2030	150,000	28,800	178,800
2031	150,000	22,650	172,650
2032	150,000	16,312	166,312
2033	150,000	9,843	159,843
2034	150,000	3,281	153,281
	<u>\$ 7,485,000</u>	<u>\$ 981,293</u>	<u>\$ 8,466,293</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2020 totaled \$253,081, which includes \$29,500 of expensed bond issuance costs.

**TOWN OF SPRAGUE, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - GENERAL OBLIGATION BONDS (Continued)**

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2020, approximately \$83,859 of bonds outstanding are considered defeased.

**NOTE 9 - LOANS AND NOTES PAYABLE**

**Clean Water Fund** - The Town has a loan from the Clean Water Fund with an original amount of \$775,645. The note is payable in monthly installments of \$3,887 beginning in fiscal year 2015 when the final project obligation was signed. This loan includes interest at a rate of 2 percent per year.

**Connecticut Office of Policy and Management – Restructuring Funds** - In September 2019, the Town, as a designated Tier II municipality under Connecticut General Statutes Section 7-576i, entered into an agreement with the Connecticut Office of Policy and Management (“OPM”) to receive \$500,000 in Municipal Restructuring Funds. The agreement contains an option to receive an additional \$400,000 at the Secretary of the OPM's sole discretion. The Town received \$500,000 in September 2019 for the purpose of paying down outstanding obligations of the Town and to eliminate its General Fund balance deficit. The agreement does not bear an interest rate for repayment.

Repayment of the Municipal Restructuring Funds (“Restructuring Funds”) is scheduled to begin in the year following the first year the Town achieves a General Fund fund balance of at least 5% of expenditures. In that subsequent fiscal year, the Town shall repay OPM in the amount of 60% of the surplus for the year. For every year afterward in which the Town has a fund balance of at least 5%, but less than 7.5% of expenditures, the town will continue to reimburse OPM at 60% of the year's surplus. Should the Town's fund balance achieve 7.5% to 10% of expenditures, the reimbursement will decrease to 50% of the surplus. Any year in which the Town achieves a fund balance of 10% or more of expenditures, the reimbursement will be 50% of the year's surplus. If within ten (10) years of receiving the Restructuring Funds, the cumulative reimbursements have not totaled the amount of Restructuring Funds received, the Town shall remit the balance at the end of the tenth year (June 30, 2030). If the repayment would negatively impact the Town's ability to meet legal and other obligations, OPM, consistent with the intent of Connecticut General Statutes 7-576i, may waive the final payment requirement.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 - LOANS AND NOTES PAYABLE (Continued)**

Annual debt service requirements to maturity for the loans and notes payable, assuming full payment of the Restructuring Funds are made in the tenth fiscal year, are as follows:

Year ending June 30:	Governmental Activities		
	Notes and Loans		
	Principal	Interest	Total
2021	\$ 35,649	\$ 10,999	\$ 46,648
2022	36,368	10,280	46,648
2023	37,102	9,546	46,648
2024	37,851	8,797	46,648
2025	38,612	8,036	46,648
2026	39,395	7,253	46,648
2027	40,190	6,458	46,648
2028	41,001	5,647	46,648
2029	41,828	4,820	46,648
2030	542,673	3,975	546,648
2031	43,534	3,114	46,648
2032	44,413	2,235	46,648
2033	45,310	1,338	46,648
2034	42,339	425	42,764
	<u>\$ 1,066,265</u>	<u>\$ 82,923</u>	<u>\$ 1,149,188</u>

Interest incurred and expensed on loans and notes payable for the year ended June 30, 2020 totaled \$11,705.

**NOTE 10 – POST CLOSURE LANDFILL COSTS**

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Monitoring costs for the next 4 years totals \$4,800. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year, the actual costs amounted to \$406.

**NOTE 11 – LONG-TERM LIABILITIES — ENTERPRISE FUND**

The following table summarizes changes in the Town's long-term indebtedness in the enterprise fund for the year ending June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Compensated absences	<u>\$ 12,678</u>	<u>1,264</u>	<u>(2,506)</u>	<u>\$ 11,436</u>



**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 12 – LEGAL DEBT LIMIT**

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Sprague, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year	\$ 5,734,093
Debt limitation base	\$ 5,734,093

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
<b>Debt limitation:</b>					
2-1/4 times base	\$ 12,901,709	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	25,803,419	-	-	-
3-3/4 times base	-	-	21,502,849	-	-
3-1/4 times base	-	-	-	18,635,802	-
3 times base	-	-	-	-	17,202,279
<b>Total debt limitation</b>	<b>\$ 12,901,709</b>	<b>\$ 25,803,419</b>	<b>\$ 21,502,849</b>	<b>\$ 18,635,802</b>	<b>\$ 17,202,279</b>
<b>Indebtedness:</b>					
Bonds and certain notes payable	\$ 6,522,283	\$ 359,114	\$ 1,169,868	\$ -	\$ -
<b>Debt limitation in excess of outstanding and authorized debt</b>	<b>\$ 6,379,426</b>	<b>\$ 25,444,305</b>	<b>\$ 20,332,981</b>	<b>\$ 18,635,802</b>	<b>\$ 17,202,279</b>

In no case shall total indebtedness exceed seven times the annual receipts from taxation	\$ 40,138,651
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**NOTE 13 - NET POSITION**

The components of net position are detailed below:

*Net Investment in Capital Assets* - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Restricted Net Position — Expendable* - the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of:

General Government	\$ 246,361
Education	2,461
Capital Projects	7,415
	<b>\$ 256,237</b>

*Restricted Net Position- Nonexpendable* - the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$1,250 in trust principal.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 13 - NET POSITION (Continued)**

*Unrestricted* - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets". At June 30, 2020, the Town of Sprague had a deficit unrestricted net position of (\$1,609,191) in its governmental activities, while it reported a positive unrestricted net position of \$534,596 in its business-type activities.

**NOTE 14 - FUND BALANCES**

As discussed in *Note 1*, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds
<b>Nonspendable</b>					
Not in spendable form					
Prepaid expenditures	\$ 8,226	\$ -	\$ -	\$ -	\$ -
Long-term receivables	-	-	-	233,290	-
Inventories	7,091	-	-	-	2,428
Required to be maintained					
Trust principal	-	-	-	-	1,250
	<u>\$ 15,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,290</u>	<u>\$ 3,678</u>
	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds
<b>Restricted</b>					
General Government	\$ -	\$ -	\$ -	\$ 13,071	\$ -
Education	-	-	-	-	2,461
Capital Projects	-	7,415	-	-	-
	<u>\$ -</u>	<u>\$ 7,415</u>	<u>\$ -</u>	<u>\$ 13,071</u>	<u>\$ 2,461</u>
<b>Committed</b>					
Capital Projects	<u>\$ -</u>	<u>\$ 152,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Assigned</b>					
General Government	\$ -	\$ -	\$ -	\$ -	\$ 17,948
Education	-	-	-	-	29,905
Public Safety	-	-	-	-	49,489
Capital Projects	-	27,690	-	-	-
To balance next year's budget	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 27,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,342</u>
Unassigned	<u>\$ (63,623)</u>	<u>\$ (822,383)</u>	<u>\$ (8,062)</u>	<u>\$ (83)</u>	<u>\$ (40)</u>

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS**

**TEACHERS' RETIREMENT SYSTEM**

**Plan Description**

Teachers and certain other certified personnel in the Town are eligible to participate in the Connecticut State Teachers' Retirement System (TRS), a cost-sharing multiple employer public employee retirement system described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The TRS is administered by the Teachers' Retirement Board. The plan does not issue a separate financial statement.

**Plan Membership** – All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

**Plan Benefits** – Plan provisions are set by statute of the State of Connecticut. Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. 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 normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary. A minimum monthly benefit of \$1,200 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty-five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)**

**TEACHERS' RETIREMENT SYSTEM (Continued)**

**Funding Policy** – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contribution. Contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Members are required to contribute six percent of their annual salary for the pension benefit. Effective January 1, 2018, the required contribution increased to seven percent of pensionable salary.

The Town is not required to make contributions to the plan. The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

**Actuarial Methods and Significant Assumptions** – The following assumptions were used in the pension valuations (from the June 30, 2018 valuation date), prepared as of June 30, 2019 (the measurement date) for use in the June 30, 2020 financial statements (reporting date):

<b>Experience study dates</b>	July 1, 2010 – June 30, 2015
<b>Inflation</b>	2.50%
<b>Salary increases</b>	3.25-6.50%, including inflation
<b>Investment rate of return</b>	6.90%, net of investment related expense, including inflation
<b>Discount rate</b>	6.90%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
<b>Cost of living adjustment</b>	Annually compounded increases vary based on member age and date of retirement and range from 3.00% to 5.00%
<b>Post-Retirement mortality</b>	RPH-2014 White Collar Mortality Table projected to 2020

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)**

**TEACHERS' RETIREMENT SYSTEM (Continued)**

**Target Asset Allocation and Rates of Return** – The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the fiduciary of the plan:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity - US equity	20.00%	8.10%
Public equity - International developed equity	11.00%	8.50%
Public equity - emerging markets equity	9.00%	10.40%
Fixed income - core fixed income	16.00%	4.60%
Fixed income - inflation linked bonds	5.00%	3.60%
Fixed income - high yield	6.00%	6.50%
Fixed income - emerging market debt	5.00%	5.20%
Private equity	10.00%	9.80%
Real estate	10.00%	7.00%
Alternative investments - real assets	4.00%	8.20%
Alternative investments - hedge funds	3.00%	5.40%
Liquidity fund	1.00%	2.90%
	100.00%	

**Town's Proportionate Share of the Collective Net Pension Liability** – Connecticut school teachers participate in the TRS pursuant to Section 10-183b et seq. of the Connecticut General Statutes (the “Teachers’ Retirement Act”). The Teachers’ Retirement Act governs the pension benefits and eligibility of the active and retired teachers of the Sprague Public Schools. The Teachers’ Retirement Act requires the Connecticut General Assembly, not any town, city or local school district, to appropriate the funds necessary to pay the pension benefits due to retirees under the System, including retired teachers of the Sprague Public Schools.

Section 10-183c of the Connecticut general statutes provides that the retirement benefits of teachers who have vested under the TRS are contractual in nature and may not be diminished by act of the general assembly. Accordingly, funding the pension benefits of retired teachers of the Sprague Public Schools is a statutory and contractual obligation of the State government, not an obligation of the Town of Sprague.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)**

**TEACHERS' RETIREMENT SYSTEM (Continued)**

**Town's Proportionate Share of the Collective Net Pension Liability**

At June 30, 2020, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town of Sprague's Net Pension Liability	\$	-
State of Connecticut's Net Pension Liability for the Town of Sprague		8,098,759
Net Pension Liability	\$	<u>8,098,759</u>

Portion of the State of Connecticut's Net Pension Liability		
which is related to the Town of Sprague employees		0.047437%
On-behalf payments revenue and Pension expense	\$	994,666
Proportion Basis		Employee contributions
Change in proportion since prior measurement date		None

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

The following presents the net pension liability, calculated using the discount rate of 8.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate 6.90%	1% Increase
	<u>5.90%</u>		<u>7.90%</u>
State's Net Pension Liability	<u>\$ 10,102,421</u>	<u>\$ 8,098,759</u>	<u>\$ 6,414,279</u>

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

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)**

**TEACHERS' RETIREMENT SYSTEM (*Continued*)**

**Support Provided by Nonemployer Contributing Entity (State)** – The Town has a special funding situation whereby the State is obligated to pay the pension costs of the TRS and the Town is not required to pay any of the costs. However, the Town must record the costs paid by the State on behalf of the Town's employees as revenue and expense in its GAAP financial statements which amounted to \$994,666 of revenue and expense.

**Obtaining a Report of the Plan** – TRS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. The report includes information on the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position.

**DEFERRED COMPENSATION PLAN**

The Town of Sprague, Connecticut Employee Savings Plan was established under Internal Revenue Code Section 457 and is administered by AETNA. This was established and can be amended with a change in the personnel policies and union contracts. This plan provides a noncontributory employer-contributed non-elective contribution for certain full-time employees. The contribution percentage is based on the employee's years of service. Employer contributions during the year totaled \$16,273.

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM**

**Plan Description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System - a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**Benefit Provisions**

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)**

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM  
(*Continued*)**

**Benefit Provisions (*Continued*)**

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan. Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). Employees are eligible to retire at age sixty with twenty years of credited service in Connecticut, or thirty-five years of credited service including at least twenty-five years of service in Connecticut.

**Contributions**

*State of Connecticut*

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of the plan costs through an annual appropriation in the General Fund.

*Employer*

School district employers are not required to make contributions to the Plan.

*Employees/Retirees*

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.



**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)**

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM  
(*Continued*)**

**Administrative Expenses**

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

<b>Inflation</b>	2.50%
<b>Real Wage Growth</b>	0.75%
<b>Wage Inflation</b>	3.25%
<b>Health care costs trend rate</b>	5.95% decreasing to 4.75% by 2025 (Pre-Medicare) 5.00% decreasing to 4.75% by 2028 (Medicare)
<b>Salary increases</b>	3.25-6.50%, including inflation
<b>Municipal bond index rate (measurement date)</b>	3.50%
<b>Municipal bond index rate (prior)</b>	3.87%
<b>Single equivalent interest rate (measurement date)</b>	3.50% (net of investment exp, incl. inflation)
<b>Single equivalent interest rate (prior)</b>	3.87% (net of investment exp, incl. inflation)
<b>Investment rate of return</b>	3.00%, net of OPEB plan investment expense, including inflation
<b>Year fund net position will be depleted</b>	2019

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)**

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM  
(*Continued*)**

**Long-Term Rate of Return**

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is 0.41%. Price inflation is expected to be 2.50% while the expected rate of return is 3.00%.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

**Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates**

The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

The State of Connecticut's proportionate share of the net OPEB liability associated with the Town is .0474368% or \$1,263,046. The Town recognized on-behalf revenues and expenditures of \$92,425 in connection with this plan.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)**

**OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM  
(*Continued*)**

**Other Information**

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at [www.ct.gov](http://www.ct.gov).

**OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION**

From an accrual accounting perspective, the cost of post-employment health care benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows.

**Plan Description**

The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of Sprague, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

At July 1, 2019, plan membership consisted of 27 participants, of which 26 were active employees and 1 was a retiree.

**Funding Policy**

Retired teachers and their spouses must be allowed to continue their health insurance benefits, in the same health insurance plan offered to active teachers, through their last employing Town. The Town does not contribute to the retirees' health insurance. The retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements. Since the Town's liability is solely from the implicit rate subsidy calculation, the Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)**

**OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)**

**Actuarial Methods and Significant Assumptions**

The Town's annual post employment benefit expense is calculated based using the Entry Age Normal Cost Method. Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The normal cost for each participant is expected to remain a level percentage of the employee's salary. The normal cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis.

Other actuarial methods and significant assumptions are summarized as follows:

<b>Latest Actuarial Date</b>	July 1, 2019
<b>Measurement Date</b>	June 30, 2020
<b>Actuarial Cost Method</b>	Entry Age Normal Actuarial Cost Method
<b>Investment Rate of Return</b>	2.21% (June 30, 2020) (Prior: 3.51%)
<b>Payroll Growth Rate</b>	2.60% (Prior 2.60%)
<b>Inflation</b>	2.60% (Prior 2.60%)
<b>Healthcare Cost Trend Rates</b>	6.50% for 2019, decreasing 0.2% per year, to an ultimate rate of 4.60% for 2029 and beyond
<b>Asset Valuation Method</b>	N/A

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)**

**OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)**

**Actuarial Methods and Significant Assumptions (Continued)**

<b>Mortality</b>	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables for Teachers, projected to valuation date with Scale MP-2019.
<b>Retirement</b>	As used in the Connecticut State Teachers' Retirement System 2016 Pension Valuation
<b>Future Retiree Coverage</b>	75% of employees are assumed to elected medical insurance at retirement.
<b>Future Dependent Coverage</b>	50% of males and 50% of females assumed married with wives assumed to be three years younger than their husbands

The discount rate used to measure the total OPEB liability was 2.21% and was based on the published Bond Buyer General Obligation 20-Bond Municipal Index effective as of June 30, 2020.

Total OPEB expense recognized for this Plan for the year ended June 30, 2020 was \$4.641.

**Changes in the OPEB Liability**

Changes in the OPEB liability for the year ended June 30, 2020 are as follows:

Balance as of June 30, 2019	\$ 643,679
Changes for the year:	
Service cost	23,230
Interest	23,224
Differences between expected and actual experience	(410,287)
Changes of assumptions	(4,063)
Benefit payments	<u>(10,582)</u>
Net changes	<u>(378,478)</u>
Balance as of June 30, 2020	<u><u>\$ 265,201</u></u>

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)**

**OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)**

**Sensitivity Analysis**

The following presents the total OPEB liability of the Town, calculated using the current discount rate of 2.21% as well as what the Town’s net OPEB liability if it were calculated using a discount rate that is 1 percentage lower (1.21%) or 1 percentage higher (3.21%)

	1% Decrease 1.21 %	Current Discount Rate 2.21%	1% Increase 3.21%
Total OPEB liability as of June 30, 2020	<u>\$ 296,404</u>	<u>\$ 265,201</u>	<u>\$ 238,247</u>

The following presents the total OPEB liability of the Town, calculated using the current health care cost trend rate of 6.50% decreasing to 4.60% as well as what the Town’s net OPEB liability if it were calculated using a health care cost trend rate that is 1 percentage lower (5.50% decreasing to 3.60%) or 1 percentage higher (7.50% decreasing to 5.60%).

	5.50% decreasing to 3.60%	6.50% decreasing to 4.60%	7.50% decreasing to 5.60%
Total OPEB liability as of June 30, 2020	<u>\$ 230,358</u>	<u>\$ 265,201</u>	<u>\$ 307,616</u>

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

As of June 30, 2020, the Town reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,803	\$ (398,819)
Changes of assumptions	19,265	(17,738)
Total	<u>\$ 22,068</u>	<u>\$ (416,557)</u>

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS (Continued)**

**OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB  
(Continued)**

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

Year ended June 30,	
2021	\$ (31,231)
2022	(31,231)
2023	(31,231)
2024	(31,231)
2025	(31,231)
2026 and thereafter	(238,334)
	<u>\$ (394,489)</u>

**NOTE 16 – CONTINGENT LIABILITIES**

**LITIGATION**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**CONTINGENCIES**

**Grants** - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

**School Building Grants** - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, it will owe a portion of the State funding back to the State.

For projects with a cost of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 17 – RISK MANAGEMENT**

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

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

**NOTE 18 – TAX ABATEMENT**

As an inducement for a private commercial venture to build and operate a solar photovoltaic facility (the Project) on approximately 114 acres located within the Town, the Town has entered into a 20 year tax abatement agreement, as permissible under Connecticut General Statutes Section 12-81(57)(F), effective July 1, 2016. Under the terms of the agreement, the Town of Sprague agrees to abate the combined real estate and personal property taxes on the Project in exchange for an annual payment of \$200,000 due and payable in the month of July of each of the 20 years. These payments shall be subject to collection and enforcement as real estate taxes as provided in the Connecticut General Statutes. Should any or all of a payment due under this agreement be in default for 90 days or more, the Town may declare the abatement to be void. During the year ended June 30, 2020, the Town received its scheduled payment of \$200,000, while the abated taxes were estimated at \$455,390.

**NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS**

The Towns of Sprague, Bozrah, Franklin, Lebanon and Lisbon entered into an agreement effective July 1, 2010 to operate a regional animal control service. The Animal Control Service's Board of Directors has oversight responsibility over the entity. The board is composed of the First Selectman of each of the five towns. The animal control services net costs are funded on a per capita basis. The Town of Sprague maintains the financial records and financial reports are prepared and presented by the Town of Sprague at the regular meetings of their Board of Directors.

**NOTE 20 – LAND LEASE**

In December 2019, the Town entered into an agreement to lease approximately 25.795 acres of Town owned land to a private commercial enterprise. Under the terms of the lease, which began December 6, 2019 and terminates on November 30, 2117, the lessee shall make one payment of \$325,000 upon commencement, and annual payments of \$5 starting January 1, 2021. The lease also includes a provision for the lessee to make an annual payment in lieu of taxes (PILOT). On December 11, 2019, the Town received a total of \$325,435 consisting of the \$325,000 lease payment and a \$435 PILOT payment. The unearned portion of the lease payment was \$322,949 and is included with Unearned Revenues on the government-wide statement of net position and general fund balance sheet.



**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 21 – SUBSEQUENT EVENTS**

General Obligation Bonds, Series 2020

On September 10, 2020, the Town issued \$3,880,000 of General Obligation Bonds, with interest at 4.00% to finance certain capital and nonrecurring projects and to pay off an existing Bond Anticipation Note. The Bonds, which were issued at a premium of \$391,153 are payable in stated annual installments commencing September 1, 2021 through final maturity at September 1, 2045.

**NOTE 22 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 84 – *Fiduciary Activities* – This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and is effective for periods beginning after December 15, 2019 (the Town’s year ending June 30, 2021).
- GASB Statement 87 – *Leases* - This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for reporting periods beginning after June 15, 2021 (the District’s year ending June 30, 2022).
- GASB Statement 91 – *Conduit Debt Obligations* – This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 92 – *Omnibus*- This statement enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing various practice issues identified in the implementation of certain pronouncements. Certain requirements of this statement are effective upon issuance while other requirements are effective for reporting periods beginning after June 15, 2021 (the Town’s year ending June 30, 2022).

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 22 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE**

- GASB Statement 93 - *Replacement of Interbank Offered Rates* - This statement addresses accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate), the most prevalent being the LIBOR (London Interbank Offered Rate). Provisions of the statement are effective for reporting periods beginning after June 15, 2021 and reporting periods ending after December 31, 2021 (the Town's years ending June 30, 2022 and 2023).
- GASB Statement 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (the Town's year ending June 30, 2023).
- GASB Statement 96 - *Subscription-Based Information Technology Arrangements* - This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (the Town's year ending June 30, 2023).

**TOWN OF SPRAGUE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
<b>PROPERTY TAXES</b>					
Current year taxes	\$ 5,479,604	\$ -	\$ 5,479,604	\$ 5,494,857	\$ 15,253
PILOT Solar Farm	200,000	-	200,000	200,435	435
Prior year taxes	125,000	-	125,000	109,619	(15,381)
Interest and lien fees	55,000	-	55,000	58,039	3,039
Motor vehicle supplement	72,000	-	72,000	89,129	17,129
	<u>5,931,604</u>	<u>-</u>	<u>5,931,604</u>	<u>5,952,079</u>	<u>20,475</u>
<b>STATE GRANTS - SCHOOL</b>					
Education cost sharing (ECS)	2,690,078	-	2,690,078	2,666,736	(23,342)
	<u>2,690,078</u>	<u>-</u>	<u>2,690,078</u>	<u>2,666,736</u>	<u>(23,342)</u>
<b>STATE GRANTS - LOCAL</b>					
MRSA municipal projects	386,528	-	386,528	386,528	-
Town aid roads (TAR)	151,064	-	151,064	151,738	674
MRSA property tax relief	-	-	-	-	-
Mashantucket Pequot grant	17,749	-	17,749	17,479	(270)
Adult Education	-	-	-	-	-
State police overtime reimbursement	15,000	-	15,000	15,410	410
Elderly tax relief - homeowners	-	-	-	-	-
Elderly and disabled transportation grant	8,800	-	8,800	5,695	(3,105)
Telecommunication property grant	5,416	-	5,416	5,222	(194)
PILOT state property	6,156	-	6,156	6,156	-
Veterans tax relief	2,518	-	2,518	2,576	58
Emergency management agency	2,800	-	2,800	2,764	(36)
Disability exemption reimbursement	695	-	695	581	(114)
Judicial 10th circuit	1,000	-	1,000	2,760	1,760
	<u>597,726</u>	<u>-</u>	<u>597,726</u>	<u>596,909</u>	<u>(817)</u>
<b>LOCAL REVENUES</b>					
Waste management	52,000	-	52,000	40,939	(11,061)
Principal subsidy for Resv. Dam project	45,000	-	45,000	45,000	-
Interest subsidy for Resv. Dam project	25,371	-	25,371	25,372	1
Landfill receipts	25,000	-	25,000	19,316	(5,684)
Building permit fees	25,000	-	25,000	20,152	(4,848)
Conveyance tax	17,000	-	17,000	22,235	5,235
Land records, maps, etc.	10,000	-	10,000	14,941	4,941
Copies and fax machine	5,000	-	5,000	6,950	1,950
Permit fees, planning and zoning, inlands and wetlands	4,000	-	4,000	3,465	(535)
Newsletter	3,000	-	3,000	1,532	(1,468)
Dog license fees	2,750	-	2,750	982	(1,768)
Transportation subsidy (SCRRRA)	2,000	-	2,000	3,238	1,238
License and permit fees	1,000	-	1,000	840	(160)
Interest income	4,000	-	4,000	3,214	(786)
Farmland preservation	950	-	950	1,026	76
Sundry receipts	400	-	400	160	(240)
Marriage licenses	150	-	150	192	42
Sportsman licenses	150	-	150	84	(66)
Miscellaneous local revenues	-	-	-	6,781	6,781
	<u>222,771</u>	<u>-</u>	<u>222,771</u>	<u>216,419</u>	<u>(6,352)</u>
<b>Total revenues</b>	<u>9,442,179</u>	<u>-</u>	<u>9,442,179</u>	<u>9,432,143</u>	<u>(10,036)</u>

*Continued*

**TOWN OF SPRAGUE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
GENERAL GOVERNMENT					
Board of Selectmen	93,025	-	93,025	90,966	2,059
Elections	20,103	-	20,103	11,407	8,696
Board of Finance	250	-	250	188	62
Auditing	22,650	-	22,650	18,137	4,513
Bookkeeper	29,110	-	29,110	29,012	98
Tax Assessor	25,425	-	25,425	23,312	2,113
Tax Collector	30,262	-	30,262	29,951	311
Town Treasurer	2,400	-	2,400	2,400	-
Town Counsel and Financial Advisor	27,000	-	27,000	26,670	330
Town Clerk	52,675	-	52,675	51,444	1,231
Telephone services and website	11,700	140	11,840	11,840	-
Pool secretaries	58,198	-	58,198	57,744	454
Town office building	37,397	-	37,397	34,771	2,626
Grants/contracts manager	34,057	-	34,057	15,541	18,516
Planning and zoning commission	19,225	-	19,225	18,245	980
Land use	800	-	800	406	394
Economic development	900	-	900	-	900
Conservation commission	1,100	-	1,100	823	277
Conservation/Wetlands enforcement officer	6,500	518	7,018	7,018	-
Highways	407,935	(21,599)	386,336	377,885	8,451
Tree maintenance	15,300	-	15,300	15,246	54
Street lighting	14,000	1,392	15,392	15,392	-
Social security	63,586	-	63,586	55,244	8,342
Deferred compensation	16,274	-	16,274	16,273	1
Regional planning agencies	38,528	-	38,528	38,232	296
Insurance	197,566	1,953	199,519	199,518	1
Police department	178,903	17,437	196,340	196,340	-
Fire department	110,329	8,332	118,661	118,661	-
Emergency management	4,030	-	4,030	3,954	76
Fire marshal	11,442	-	11,442	10,913	529
Building official	21,141	-	21,141	20,047	1,094
Blight enforcement officer	3,856	-	3,856	3,658	198
Sanitation and waste removal	71,000	6,830	77,830	77,830	-
Waste management	63,000	-	63,000	50,431	12,569
Commission on aging	91,767	-	91,767	86,853	4,914
Capital projects	11,000	1,403	12,403	12,403	-
Parks and playground	1,500	2,230	3,730	3,730	-
Recreation commission	16,094	-	16,094	13,578	2,516
Recreation facilities	1,900	-	1,900	1,751	149
Recreation events	7,833	-	7,833	5,388	2,445
Other recreation programs	1,250	-	1,250	-	1,250
Grist mill	19,388	-	19,388	15,278	4,110
Historical museum	5,200	-	5,200	3,218	1,982
Library	90,447	(31,537)	58,910	58,910	-
Miscellaneous	21,556	12,901	34,457	34,457	-
Water and sewer authority	8,500	-	8,500	8,078	422
Computer service and supplies	50,777	-	50,777	50,690	87
Total general government	2,016,879	-	2,016,879	1,923,833	93,046

*Continued*

**TOWN OF SPRAGUE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
BOARD OF EDUCATION	6,525,766	-	6,525,766	6,351,287	174,479
DEBT SERVICE					
Principal payments	700,000	-	700,000	700,000	-
Interest and fiscal charges	178,325	-	178,325	178,325	-
Total debt service	<u>878,325</u>	<u>-</u>	<u>878,325</u>	<u>878,325</u>	<u>-</u>
OTHER FINANCING USES					
Transfer out - Capital Nonrecurring Fund	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Total expenses and other financing uses	<u>9,428,970</u>	<u>-</u>	<u>9,428,970</u>	<u>9,161,445</u>	<u>267,525</u>
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ 13,209</u>	<u>\$ -</u>	<u>\$ 13,209</u>	270,698	<u>\$ 257,489</u>
Adjustments to Generally Accepted Accounting Principals (GAAP):					
On behalf revenues from teacher's retirement and OPEB netted in budget				1,087,091	
On behalf expenditures from teacher's retirement and OPEB netted in budget				(1,087,091)	
Municipal Restructuring Fund proceeds not included in budget				500,000	
Revenues from education grants netted in budget				99,667	
Expenditures from education grants netted in budget				(99,667)	
Transfers in from Water and Sewer Funds				46,648	
Payment of Water and Sewer debt				(46,648)	
Change in accrued payroll - Town				<u>287</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) - GAAP Basis				<u>\$ 770,985</u>	

*See Independent Auditors' Report*

**TOWN OF SPRAGUE, CONNECTICUT**  
**SCHEDULE OF THE CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**OTHER POST EMPLOYMENT BENEFITS PLAN**  
**BOARD OF EDUCATION**  
**LAST 10 YEARS OR SINCE INCEPTION OF GASB 75**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 643,679	\$ 604,903	\$ 601,477
Changes for the year:			
Service cost	23,230	20,633	20,930
Interest	23,224	24,077	21,838
Differences between expected and actual experience	(410,287)	(21,666)	3,595
Changes of assumptions	(4,063)	22,587	(17,926)
Benefit payments	(10,582)	(6,855)	(25,011)
Net changes	<u>(378,478)</u>	<u>38,776</u>	<u>3,426</u>
Balance, end of year	<u>\$ 265,201</u>	<u>\$ 643,679</u>	<u>\$ 604,903</u>
Town's covered payroll	\$ 1,750,278	\$ 1,977,969	\$ 1,927,845
Total OPEB liability as a percentage of its covered payroll	15.15%	32.54%	31.38%

**NOTES TO SCHEDULE**

There are no assets being accumulated in a trust to pay benefits that meets the criteria of GASB 75.

**Changes in Actuarial Assumptions**

Investment Rate of Return 2.21% as of June 30, 2020 (Prior was 3.51%).

Rate of Compensation Increase 2.60% (No change from 2019).

Inflation 2.60% (No change from 2019).

Mortality Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables for Teachers, projected to valuation date with Scale MP-2019 (Prior was RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017).

Mortality Improvement Projected to date of decrement using Scale MP-2019.

(Prior was projected to date of decrement using Scale MP-2017).

OPEB Election Rate: 75% of Employees are assumed to elect medical insurance at retirement (Prior was 100%)

**TOWN OF SPRAGUE, CONNECTICUT  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
TEACHERS' RETIREMENT SYSTEM  
LAST 10 YEARS OR SINCE INCEPTION OF GASB 75**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net OPEB liability	0.0%	0.0%	0.0%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>\$ 1,263,046</u>	<u>\$ 1,248,358</u>	<u>\$ 1,780,523</u>
Total proportionate share of the collective net pension liability	<u>\$ 1,263,046</u>	<u>\$ 1,248,358</u>	<u>\$ 1,780,523</u>
Town's covered payroll	\$ 1,750,278	\$ 1,977,969	\$ 1,927,845
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	2.08%	1.49%	1.79%

**NOTES TO THE SCHEDULE:**

*Benefit changes:* None

*Changes in assumptions:* The discount rate was decreased from 3.87% to 3.50% to reflect the change in the Municipal Bond Index rate. Additionally, expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that become effective on January 1, 2019. Further, the expected rate of inflation was decreased and the Real Wage Growth assumption as increased.

Valuation Date:	June 30, 2019
Inflation	2.50% (Decreased from 2.75%)
Real wage growth	0.75% (Increased from 0.5%)
Wage inflation	3.25% (No change)
Salary increases	3.25-6.5%, including inflation (No change)
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation (No change)

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**TOWN OF SPRAGUE, CONNECTICUT  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
CONNECTICUT TEACHERS' RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	<u>\$ 8,098,759</u>	<u>\$ 6,244,614</u>	<u>\$ 6,917,597</u>	<u>\$ 7,298,118</u>	<u>\$ 5,540,211</u>	<u>\$ 5,120,815</u>
Total proportionate share of the collective net pension liability	<u>\$ 8,098,759</u>	<u>\$ 6,244,614</u>	<u>\$ 6,917,597</u>	<u>\$ 7,298,118</u>	<u>\$ 5,540,211</u>	<u>\$ 5,120,815</u>
Town's covered payroll	\$ 1,750,278	\$ 1,977,969	\$ 1,927,845	\$ 2,063,242	\$ 2,059,331	\$ 1,905,034
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

**NOTES TO THE SCHEDULE:**

The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2020 is based on a June 30, 2018 actuarial valuation and a June 30, 2019 measurement date).

*Benefit changes:* There were no changes in benefit terms that affected the measurement of the total pension liability.

*Changes in assumptions:* The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50% (Decreased from 2.75%)
Salary increase	3.25-6.5%, including inflation (No change)
Investment rate of return	6.90%, (Decreased from 8.00%) net of pension plan investment expenses, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.



**TOWN OF SPRAGUE, CONNECTICUT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	Nonmajor Special Revenue Funds	Permanent Fund - Lovett Cemetery Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 77,009	\$ 1,210	\$ 78,219
Due from other funds	22,871	-	22,871
Inventories	2,351	-	2,351
Total assets	<u>\$ 102,231</u>	<u>\$ 1,210</u>	<u>\$ 103,441</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	2,428	1,250	3,678
Restricted	2,461	-	2,461
Assigned	97,342	-	97,342
Unassigned	-	(40)	(40)
Total fund balances	<u>102,231</u>	<u>1,210</u>	<u>103,441</u>
Total liabilities and fund balances	<u>\$ 102,231</u>	<u>\$ 1,210</u>	<u>\$ 103,441</u>

*See Independent Auditors' Report*

**TOWN OF SPRAGUE, CONNECTICUT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

	Nonmajor Special Revenue Funds	Permanent Fund - Lovett Cemetery Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenues	\$ 96,046	\$ -	\$ 96,046
Local revenues	24,010	-	24,010
Total revenues	<u>120,056</u>	<u>-</u>	<u>120,056</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,666	-	2,666
Education	136,722	-	136,722
Total expenditures	<u>139,388</u>	<u>-</u>	<u>139,388</u>
Excess (deficiency) of revenues over expenditures	(19,332)	-	(19,332)
Fund balances, beginning of year	<u>121,563</u>	<u>1,210</u>	<u>122,773</u>
Fund balances, end of year	<u>\$ 102,231</u>	<u>\$ 1,210</u>	<u>\$ 103,441</u>

**TOWN OF SPRAGUE, CONNECTICUT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2020**

	Library Fund	Dog Fund	Child Nutrition Fund	Recreation Fund	School Fund	Senior Smile Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,459	\$ 49,489	\$ 21,367	\$ -	\$ 2,461	\$ 233	\$ 77,009
Due from other funds	-	-	8,615	14,256	-	-	22,871
Inventories	-	-	2,351	-	-	-	2,351
Total assets	<u>\$ 3,459</u>	<u>\$ 49,489</u>	<u>\$ 32,333</u>	<u>\$ 14,256</u>	<u>\$ 2,461</u>	<u>\$ 233</u>	<u>\$ 102,231</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	2,428	-	-	-	2,428
Restricted	-	-	-	-	2,461	-	2,461
Assigned	3,459	49,489	29,905	14,256	-	233	97,342
Total fund balances	<u>3,459</u>	<u>49,489</u>	<u>32,333</u>	<u>14,256</u>	<u>2,461</u>	<u>233</u>	<u>102,231</u>
Total liabilities and fund balances	<u>\$ 3,459</u>	<u>\$ 49,489</u>	<u>\$ 32,333</u>	<u>\$ 14,256</u>	<u>\$ 2,461</u>	<u>\$ 233</u>	<u>\$ 102,231</u>

*See Independent Auditors' Report*

**TOWN OF SPRAGUE, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2020**

	Library Fund	Dog Fund	Child Nutrition Fund	Recreation Fund	School Fund	Senior Smile Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>							
Intergovernmental revenues	\$ -	\$ -	\$ 96,046	\$ -	\$ -	\$ -	\$ 96,046
Local revenues	879	-	19,051	2,026	1	2,053	24,010
Total revenues	<u>879</u>	<u>-</u>	<u>115,097</u>	<u>2,026</u>	<u>1</u>	<u>2,053</u>	<u>120,056</u>
<b>EXPENDITURES</b>							
Current:							
General government	251	-	-	-	-	2,415	2,666
Education	-	-	136,527	-	195	-	136,722
Total expenditures	<u>251</u>	<u>-</u>	<u>136,527</u>	<u>-</u>	<u>195</u>	<u>2,415</u>	<u>139,388</u>
Excess (deficiency) of revenues over expenditures	628	-	(21,430)	2,026	(194)	(362)	(19,332)
Fund balances, beginning of year	<u>2,831</u>	<u>49,489</u>	<u>53,763</u>	<u>12,230</u>	<u>2,655</u>	<u>595</u>	<u>121,563</u>
Fund balances, end of year	<u>\$ 3,459</u>	<u>\$ 49,489</u>	<u>\$ 32,333</u>	<u>\$ 14,256</u>	<u>\$ 2,461</u>	<u>\$ 233</u>	<u>\$ 102,231</u>

*See Independent Auditors' Report*

**TOWN OF SPRAGUE, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2020**

	<b>Student Activity Fund</b>			Ending Balance
	Beginning Balance	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,563	\$ 23,507	\$ (18,097)	\$ 21,973
<b>LIABILITIES</b>				
Due to Students	\$ 16,563	\$ 23,507	\$ (18,097)	\$ 21,973

	<b>Parent - Teacher Organization Fund</b>			Ending Balance
	Beginning Balance	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,163	\$ 8,560	\$ (17,723)	\$ -
<b>LIABILITIES</b>				
Due to Students	\$ 9,163	\$ 8,560	\$ (17,723)	\$ -

	<b>Total Agency Funds</b>			Ending Balance
	Beginning Balance	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,726	\$ 32,067	\$ (35,820)	\$ 21,973
<b>LIABILITIES</b>				
Due to Students	\$ 25,726	\$ 32,067	\$ (35,820)	\$ 21,973

*See Independent Auditors' Report*

**TOWN OF SPRAGUE, CONNECTICUT  
REPORT OF THE PROPERTY TAX COLLECTOR  
FOR THE YEAR ENDED JUNE 30, 2020**

Grand List	Taxes Receivable July 01, 2019	Current Year Levy	Lawful Corrections		Transfer to Suspense	Net Taxes Collectable	Collections during the Year			Taxes Receivable June 30, 2020	
			Additions	Deductions			Taxes	Susp. Tax/ Overpmts	Interest & Liens		Total
2018	\$ -	\$ 5,733,927	\$ 4,668	\$ (26,948)	\$ -	\$ 5,711,647	\$ 5,578,040	\$ -	\$ 25,803	\$ 5,603,843	\$ 133,607
2017	119,095	-	-	-	-	119,095	82,899	-	18,273	101,172	36,196
2016	45,971	-	-	-	(22,180)	23,791	17,427	-	6,008	23,435	6,364
2015	6,078	-	-	-	-	6,078	4,306	-	1,337	5,643	1,772
2014	1,773	-	-	-	-	1,773	-	-	-	-	1,773
2013	(19)	-	-	-	-	(19)	-	-	-	-	(19)
2012	6	-	-	-	-	6	-	-	-	-	6
2011	95	-	-	-	-	95	-	-	-	-	95
2010	(103)	-	-	-	-	(103)	-	-	-	-	(103)
2009	(32)	-	-	-	-	(32)	-	-	-	-	(32)
2008	108	-	-	-	-	108	-	-	-	-	108
Prior	410	-	7	-	-	417	-	-	-	-	417
	<u>\$ 173,382</u>	<u>\$ 5,733,927</u>	<u>\$ 4,675</u>	<u>\$ (26,948)</u>	<u>\$ (22,180)</u>	<u>\$ 5,862,856</u>	<u>\$ 5,682,672</u>	<u>\$ -</u>	<u>\$ 51,421</u>	<u>\$ 5,734,093</u>	<u>\$ 180,184</u>

*See Independent Auditors' Report*

Town of Sprague, Connecticut  
 Schedule of Changes in Fund Balances - by Project  
 Capital Nonrecurring Fund  
 For the year ended June 30, 2020

	Beginning Ending Balance	Adjustments to Beg. Balance	Transfers In	Bond Proceeds	Other Revenues	Total Available	CY Expenditures	Internal Transfers	Ending Fund Balance	Elimination Deficit Balances	Reported Fund Balance
<b>Restricted Fund Balance</b>											
<i>General Government</i>											
Historic Document Preservation Fund	\$ 4,673	\$ -	\$ -	\$ -	\$ 6,526	\$ 11,199	\$ (6,094)	\$ -	\$ 5,105	\$ -	\$ 5,105
Town Clerk - Mers Grantee	1,800	-	-	-	510	2,310	-	-	2,310	-	2,310
Agricultural Viability Grant	-	-	-	-	-	-	-	-	-	-	-
LOCIP	(1,763)	-	-	-	-	(1,763)	-	-	(1,763)	1,763	-
Baltic Mills Brownfield	(43,539)	-	-	-	-	(43,539)	-	-	(43,539)	43,539	-
41 West Main Street Renovations	-	-	-	-	16,684	16,684	(17,516)	832	-	-	-
SC 2018 Housing Rehabilitation Program	-	-	-	-	-	-	-	-	-	-	-
<i>Public Works</i>											
CT Main Street/LOTICIP/Tap Set Aside	(49,356)	-	-	-	26,029	(23,327)	-	-	(23,327)	23,327	-
Town Garage Refurbishing	(23,556)	-	-	-	23,556	-	-	-	-	-	-
Cold Storage Building FY17	(111,516)	-	-	-	39,780	(71,736)	-	-	(71,736)	71,736	-
<i>Public Safety</i>											
Hanover Reservoir Dam	(17,996)	-	-	-	-	(17,996)	-	-	(17,996)	17,996	-
Shetucket River Walkway Grant	(312)	-	-	-	169,942	169,630	(185,280)	-	(15,650)	15,650	-
FEMA Breathing Units Grant - FD	-	-	-	-	171,429	171,429	(171,429)	-	-	-	-
<i>Education</i>											
Fiber to the Library CSL Grant	-	-	-	-	21,941	21,941	(21,941)	-	-	-	-
Sayles Library - Lord Foundation Grant	-	-	-	-	10,000	10,000	(10,000)	-	-	-	-
<i>Elimination Deficit Balances</i>											
<b>Total Restricted Fund Balance</b>	<b>(241,565)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>486,397</b>	<b>244,832</b>	<b>(412,260)</b>	<b>832</b>	<b>(166,596)</b>	<b>174,011</b>	<b>7,415</b>
<b>Committed Fund Balance</b>											
<i>General Government</i>											
Open Space	(17,636)	-	-	-	24,193	6,557	(15,925)	-	(9,368)	9,368	-
Foley Property Survey	(7,120)	-	-	-	-	(7,120)	-	-	(7,120)	7,120	-
Library Technology	3,627	-	3,000	-	-	6,627	-	-	6,627	-	6,627
Bombero License Agreements	-	-	-	-	1,000	1,000	-	-	1,000	-	1,000
Senior Center Technology (FY18)	(5,000)	-	-	-	-	(5,000)	-	-	(5,000)	5,000	-
Plan of Conserv. & Dev.	18,752	-	-	-	-	18,752	-	-	18,752	-	18,752
Salary 27th Pay Period	17,000	-	-	-	-	17,000	-	-	17,000	-	17,000
Town Facilities Technology	4,420	-	3,000	-	-	7,420	-	-	7,420	-	7,420
Robinson Property Survey	(27,200)	-	-	-	-	(27,200)	-	-	(27,200)	27,200	-
Revaluation	2,819	-	-	-	-	2,819	(6,531)	-	(3,712)	3,712	-
Town Hall File Cabinets FY13	-	-	-	-	-	-	-	-	-	-	-
<i>Public Works</i>											
Miscellaneous Tools & Equipment FY20	-	-	2,000	-	-	2,000	-	-	2,000	-	2,000
Sidewalk Phase VIII (River St Phase II)	(584)	-	-	-	-	(584)	(1,000)	-	(1,584)	1,584	-
<i>Public Works Dept Equipment Acquisitions</i>											
PW Dump Truck FY 17	19	-	-	-	-	19	-	-	19	-	19
PW Mason Dump Body Replacement FY18	31	-	-	-	-	31	-	-	31	-	31
River Park Dry Hydrants FY 17	1,264	-	-	-	-	1,264	-	-	1,264	-	1,264
Water Supply Plan	255	-	-	-	-	255	(255)	-	-	-	-
Water & Sewer Capital Upgrades FY18	11,687	-	-	-	-	11,687	(8,499)	-	3,188	-	3,188
Security Equipment Acquisition & Installation FY 17	-	-	-	-	-	-	-	-	-	-	-

CONTINUED

See Independent Auditors' Report

Town of Sprague, Connecticut  
Schedule of Changes in Fund Balances - by Project  
Capital Nonrecurring Fund  
For the year ended June 30, 2020

	Beginning Ending Balance	Adjustments to Beg. Balance	Transfers In	Bond Proceeds	Other Revenues	Total Available	CY Expenditures	Internal Transfers	Ending Fund Balance	Elimination Deficit Balances	Reported Fund Balance
<i>Roads</i>											
Roads 2017-2018	(68,272)	-	-	-	12,227	(56,045)	(131,909)	-	(187,954)	187,954	-
Roads 2019-2020	(3,870)	-	-	-	600	(3,270)	(26,697)	-	(29,967)	29,967	-
School Hill Road Emergency Culvert Repair	(69,284)	-	-	-	-	(69,284)	-	-	(69,284)	69,284	-
Sale of Timber - Baltic Reservoir Property	-	-	-	-	12,088	12,088	(3,500)	-	8,588	-	8,588
<i>Public Safety</i>											
Security Equipment - Cameras at Town Sites FY18	(1,673)	-	-	-	-	(1,673)	-	-	(1,673)	1,673	-
BFD Building Impr. FY18	20,600	-	-	-	-	20,600	-	-	20,600	-	20,600
FY10 1986 Seagrave 100' Ladder Truck Repair	-	-	-	-	-	-	-	-	-	-	-
FY10 Four Defibrillators	-	-	-	-	-	-	-	-	-	-	-
FY09 1988 Ford E-One Pumper ET-324	-	-	-	-	-	-	-	-	-	-	-
<i>Education</i>											
Sayles School Improvements FY18	70,709	-	-	-	-	70,709	(5,109)	-	65,600	-	65,600
<i>Committed</i>											
<b>Total Committed Fund Balance</b>	<b>(49,456)</b>	<b>-</b>	<b>8,000</b>	<b>-</b>	<b>50,108</b>	<b>8,652</b>	<b>(199,425)</b>	<b>-</b>	<b>(190,773)</b>	<b>342,862</b>	<b>152,089</b>
<i>Assigned Fund Balance</i>											
Bond Proceeds	(77,819)	-	-	3,440,000	-	3,362,181	(3,553,779)	-	(191,598)	191,598	-
Skateboard Park & Upgrades	1,566	-	-	-	-	1,566	-	-	1,566	-	1,566
Sprague Land Preserve	-	-	-	-	-	-	-	-	-	-	-
Christmas Families	1,399	-	-	-	500	1,899	(226)	-	1,673	-	1,673
Food Bank	11,411	-	-	-	610	12,021	(323)	-	11,698	-	11,698
Rental Property	7,725	-	-	-	16,928	24,653	(14,393)	(832)	9,428	-	9,428
Senior Center Art Class	-	-	-	-	100	100	-	-	100	-	100
Summer Concerts	9,125	-	-	-	-	9,125	(5,900)	-	3,225	-	3,225
Miscellaneous Expense	(3,243)	-	-	-	-	(3,243)	-	-	(3,243)	3,243	-
<i>Assigned</i>	(110,666)	-	-	-	(3)	(110,669)	-	-	(110,669)	110,669	-
<b>Total Assigned Fund Balance</b>	<b>(160,502)</b>	<b>-</b>	<b>-</b>	<b>3,440,000</b>	<b>18,135</b>	<b>3,297,633</b>	<b>(3,574,621)</b>	<b>(832)</b>	<b>(277,820)</b>	<b>305,510</b>	<b>27,690</b>
<b>Unassigned Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(822,383)</b>	<b>(822,383)</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ (451,523)</b>	<b>\$ -</b>	<b>\$ 8,000</b>	<b>\$ 3,440,000</b>	<b>\$ 554,640</b>	<b>\$ 3,551,117</b>	<b>\$ (4,186,306)</b>	<b>\$ -</b>	<b>\$ (635,189)</b>	<b>\$ -</b>	<b>\$ (635,189)</b>

See Independent Auditors' Report



Town of Sprague, Connecticut  
Schedule of Expenditures  
Budget and Actual (Budgetary Basis)  
General Fund - Board of Education Expenditures  
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>1000-Regular Instruction</b>					
1000.51110. Wages Paid to Teachers	\$ 992,900	\$ 65,863	\$ 1,058,763	\$ 1,058,763	\$ -
1000.51120. Wages Paid to Instructional Aides	43,149	(7,262)	35,887	35,887	-
1000.51130. Wages Paid to Substitute Teachers	-	-	-	-	-
1000.51930. Stipends Paid	-	-	-	-	-
1000.52100. Group Life Insurance- Regular	705	-	705	629	76
1000.52200. FICA/Medicare Employer	19,203	-	19,203	18,864	339
1000.52500. Tuition Reimbursement	10,000	(7,669)	2,331	2,331	-
1000.52800. Health Insurance- Regular	233,886	(7,334)	226,552	226,552	-
1000.53200. Substitutes- Regular Education	17,000	(14,776)	2,224	2,224	-
1000.53230. Purchased Pupil Services	1,250	(1,250)	-	-	-
1000.54300. Equipment Repairs & Maint	-	-	-	-	-
1000.54420. Equipment Leasing	24,549	(3,495)	21,054	21,054	-
1000.56100. General Supplies- Regular Education	7,000	(389)	6,611	5,883	728
1000.56110. Instructional Supplies - Regular Education	3,000	-	3,000	2,993	7
1000.56400. Workbooks/Disposables	10,000	(1,595)	8,405	8,405	-
1000.56410. Textbooks	3,000	2,983	5,983	5,982	1
1000.56501. Ink and Toner	8,000	1,482	9,482	9,482	-
1000.57300. Equipment- Non Instructional	-	-	-	-	-
1000.57330. Furniture & Fixtures	-	538	538	357	181
1000.57345. Equipment- Instructional	-	-	-	-	-
1000.57350. Software- Instructional	-	-	-	-	-
1000.57351. Software - Non-Instructional	-	-	-	-	-
1000.58100. Dues & Fees	9,053	(846)	8,207	8,003	204
	<u>1,382,695</u>	<u>26,250</u>	<u>1,408,945</u>	<u>1,407,409</u>	<u>1,536</u>
<b>1200-Special Education</b>					
1200.51110. Wages Paid to Teachers	320,900	(40,762)	280,138	273,668	6,470
1200.51120. Wages Paid to Instructional Aides	219,976	16,507	236,483	200,900	35,583
1200.51900. Wages Paid - Other Certified Staff	-	-	-	-	-
1200.51901. Wages Paid - Other Non Certified Staff	80,600	-	80,600	78,546	2,054
1200.52100. Group Life Insurance- SPED	866	-	866	830	36
1200.52200. FICA/Medicare Employer	31,090	-	31,090	24,363	6,727
1200.52300. Pension Contributions	3,219	-	3,219	3,224	(5)
1200.52800. Health Insurance	189,109	(28,629)	160,480	159,437	1,043
1200.53020. Legal Services - SPED	-	-	-	-	-
1200.53200. Substitutes- SPED	10,000	-	10,000	873	9,127
1200.53210. Tutors	-	-	-	-	-
1200.53230. Purchased Pupil Services	39,000	(10,142)	28,858	3,839	25,019
1200.53300. Other Prof/Tech Services	2,500	-	2,500	1,060	1,440
1200.54420. Equipment Leasing	-	-	-	-	-
1200.55301. Postage	-	-	-	-	-
1200.55800. Travel Reimbursement	1,200	-	1,200	786	414
1200.56100. General Supplies- Special Education	1,000	-	1,000	474	526
1200.56110. Instructional Supplies	1,000	2,400	3,400	2,435	965
1200.56400. Workbooks/Disposables	500	-	500	-	500
1200.56410. Textbooks	-	-	-	-	-
1200.58100. Dues & Fees	760	-	760	550	210
	<u>901,720</u>	<u>(60,626)</u>	<u>841,094</u>	<u>750,985</u>	<u>90,109</u>
<b>1300-Adult Education- Cooperative</b>					
1300.55690. Tuition -Adult Cooperative	17,368	-	17,368	14,390	2,978
	<u>17,368</u>	<u>-</u>	<u>17,368</u>	<u>14,390</u>	<u>2,978</u>
<b>1500-Stipends- Extra Curricular</b>					
1500.51930. Extra Curricular Stipends Paid	10,152	756	10,908	10,908	-
1500.52200. FICA/Medicare Employer	-	-	-	-	-
	<u>10,152</u>	<u>756</u>	<u>10,908</u>	<u>10,908</u>	<u>-</u>
<b>1600-Summer School</b>					
1600.51110. Wages Paid to Teachers - Summer School	5,000	1,270	6,270	6,270	-
1600.51120. Wages Paid to Inst Aides - Summer School	2,250	(1,779)	471	471	-
1600.51901. Wages Paid - Other Non-Cert - Summer School	2,400	(1,186)	1,214	1,214	-
1600.52200. FICA/Medicare Employer - Summer School	309	(161)	148	148	-
CONTINUED	<u>9,959</u>	<u>(1,856)</u>	<u>8,103</u>	<u>8,103</u>	<u>-</u>

**Town of Sprague, Connecticut**  
**Schedule of Expenditures**  
**Budget and Actual (Budgetary Basis)**  
**General Fund - Board of Education Expenditures**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>1700-Tutoring</b>					
1700.000100.51110. Wages Paid to Teachers- Reg Ed	4,000	-	4,000	-	4,000
1700.000100.51120. Wages Paid to Instructional Aides- Reg Ed	-	-	-	-	-
1700.000100.52200. FICA/Medicare Employer - Reg Ed	700	-	700	-	700
1700.000100.53230. Purchased Pupil Services- Reg Ed	-	-	-	-	-
1700.000200.51110. Wages Paid to Teachers - Spec Ed	-	-	-	-	-
1700.000200.51120. Wages Paid to Instructional Aides- Spec Ed	8,000	(5,212)	2,788	465	2,323
1700.000200.52200. FICA/Medicare Employer - Spec Ed	-	-	-	36	(36)
1700.000200.53230. Purchased Pupil Services- Spec Ed	6,000	-	6,000	3,364	2,636
	<u>18,700</u>	<u>(5,212)</u>	<u>13,488</u>	<u>3,865</u>	<u>9,623</u>
<b>1800-Stipends - Sports Teams</b>					
1800.51930. Sports Teams Stipends Paid	-	-	-	-	-
1800.52200. FICA/Medicare Employer	-	-	-	-	-
1800.53540. Sports Officials	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2110-Social Work Services</b>					
2110.51900. Wages Paid - Social Worker	62,428	-	62,428	62,428	-
2110.52100. Group Life Insurance- Social Worker	37	-	37	24	13
2110.52200. FICA/Medicare Employer	905	-	905	925	(20)
2110.52800. Health Insurance - Social Worker	1,410	-	1,410	1,410	-
2110.56110. Instructional Supplies	200	-	200	-	200
	<u>64,980</u>	<u>-</u>	<u>64,980</u>	<u>64,787</u>	<u>193</u>
<b>2130-Health Office</b>					
2130.51901. Wages Paid - School Nurse	72,391	4,300	76,691	76,691	-
2130.51910. Wages Paid- Nurse Substitutes	4,000	(2,512)	1,488	1,488	-
2130.51930. Nursing Stipends Paid	2,000	-	2,000	2,000	-
2130.52100. Group Life Insurance- Health Office	75	-	75	75	-
2130.52200. FICA/Medicare Employer	7,798	-	7,798	7,812	(14)
2130.52800. Health Insurance- Health Office	10,238	-	10,238	10,238	-
2130.53230. Purchased Pupil Services	-	584	584	585	(1)
2130.53300. Other Prof/Tech Services	-	-	-	-	-
2130.54300. Repairs & Maint Equipment	200	(200)	-	-	-
2130.55800. Conference/Travel- Health Office	700	(700)	-	-	-
2130.56100. Supplies	2,400	4,009	6,409	6,409	-
2130.56430. Professional Periodicals	100	-	100	69	31
2130.58100. Dues & Fees	600	(269)	331	331	-
	<u>100,502</u>	<u>5,212</u>	<u>105,714</u>	<u>105,698</u>	<u>16</u>
<b>2140-Psychological Services</b>					
2140.51900. Wages Paid- School Psychologist	49,155	-	49,155	49,155	-
2140.52100. Group Life Insurance- Psychologist	38	-	38	32	6
2140.52200. FICA/Medicare Employer	713	-	713	674	39
2140.52800. Health Insurance	9,096	-	9,096	8,879	217
2140.53230. Purchased Pupil Services	2,000	(1,300)	700	-	700
2140.56100. Assessment Supplies	2,000	(800)	1,200	710	490
2140.56110. Instructional Supplies	200	-	200	51	149
	<u>63,202</u>	<u>(2,100)</u>	<u>61,102</u>	<u>59,501</u>	<u>1,601</u>
<b>2150-Speech &amp; Audiology Services</b>					
2150.53230. Purchased Pupil Services	63,389	1,217	64,606	63,896	710
2150.54300. Equipment Repairs/Maintenance	-	-	-	-	-
2150.56100. Supplies	775	800	1,575	431	1,144
	<u>64,164</u>	<u>2,017</u>	<u>66,181</u>	<u>64,327</u>	<u>1,854</u>
<b>2160-PT/OT Services</b>					
2160.53230. Purchased Pupil Services	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2210-Improvement of Instruction</b>					
2210.53220. In Service	4,000	11,234	15,234	15,234	-
2210.55800. Conference/Travel- Professional Development	8,000	(5,487)	2,513	2,513	-
2210.56100. Supplies	2,000	(2,000)	-	-	-
	<u>14,000</u>	<u>3,747</u>	<u>17,747</u>	<u>17,747</u>	<u>-</u>

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*See Independent Auditors' Report*

**Town of Sprague, Connecticut**  
**Schedule of Expenditures**  
**Budget and Actual (Budgetary Basis)**  
**General Fund - Board of Education Expenditures**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>2220-Library/Media Services</b>					
2220.51120. Wages Paid to Instructional Aides	-	-	-	-	-
2220.52100. Group Life Insurance- Library	-	-	-	-	-
2220.52200. FICA/Medicare Employer	-	-	-	-	-
2220.56100. Library Supplies	-	-	-	-	-
2220.56420. Library Books	-	5,179	5,179	5,179	-
2220.56430. Periodicals	-	-	-	-	-
	-	5,179	5,179	5,179	-
<b>2230-Technology</b>					
2230.51901. Wages Paid -Technology Staff	11,739	118	11,857	11,857	-
2230.52100. Group Life Insurance- Technology	8	-	8	8	-
2230.52200. FICA/Medicare Employer	898	(10)	888	888	-
2230.52300. Pension Contributions -Technology	470	-	470	470	-
2230.52800. Health Insurance -Technology	2,048	-	2,048	2,048	-
2230.53520. Other Technical Services	72,000	(11,385)	60,615	60,615	-
2230.56100. Supplies	500	(487)	13	13	-
2230.56500. Technology Supplies	2,000	(685)	1,315	1,315	-
2230.57300. Equipment- Non Instructional	-	-	-	-	-
2230.57340. Technology Hardware - Instructional	1,000	46,778	47,778	47,778	-
2230.57341. Technology Hardware - Non-Instructional	3,000	36,374	39,374	39,374	-
2230.57345. Equipment - Instructional	-	-	-	-	-
2230.57350. Software - Instructional	11,689	10,135	21,824	21,822	2
2230.57351. Software - Non-Instructional	29,877	14,659	44,536	44,536	-
	135,229	95,497	230,726	230,724	2
<b>2310-Board of Education</b>					
2310.51900. Wages Paid- Other Certified Staff	-	-	-	-	-
2310.51901. Wages Paid- Non-Certified Staff	11,440	84	11,524	11,524	-
2310.52100. Group Life Insurance- BOE Office	8	-	8	8	-
2310.52200. FICA/Medicare Employer- BOE Office	875	(35)	840	840	-
2310.52300. Pension Contributions- BOE Office	458	-	458	458	-
2310.52600. Unemployment Compensation- BOE Office	3,000	2,053	5,053	5,143	(90)
2310.52700. Workers' Compensation- BOE Office	23,572	(1,376)	22,196	22,196	-
2310.52800. Health Insurance- BOE Office	4,378	-	4,378	4,378	-
2310.53020. Legal Services- BOE Office	35,000	-	35,000	35,000	-
2310.53300. Other Prof/Tech Services- BOE Office	-	-	-	-	-
2310.54420. Equipment Leasing- BOE Office	-	-	-	-	-
2310.55200. Property/Liability Insurance- BOE Office	19,414	3,518	22,932	22,932	-
2310.55301. Postage - BOE Office	-	-	-	-	-
2310.55400. Advertising- BOE Office	500	4,264	4,764	4,764	-
2310.55800. Conference/Travel- BOE Office	300	696	996	996	-
2310.56100. Supplies- BOE Office	1,400	(403)	997	996	1
2310.58100. Dues & Fees- BOE Office	2,700	5,899	8,599	8,599	-
2310.58900. Graduation Costs- BOE Office	500	(375)	125	125	-
	103,545	14,325	117,870	117,959	(89)
<b>2320-Superintendents Office</b>					
2320.51900. Wages Paid - Superintendent	64,000	3,090	67,090	67,090	-
2320.51901. Wages Paid - Non-Certified Staff	11,440	84	11,524	11,524	-
2320.52100. Group Life Insurance- Superintendent Office	133	-	133	81	52
2320.52200. FICA/Medicare Employer	1,803	10	1,813	1,813	-
2320.52300. Pension Contributions- Superintendent's Office	458	-	458	458	-
2320.52800. Health Insurance - Superintendent's Office	4,378	-	4,378	4,378	-
2320.55800. Conference/Travel - Superintendent's Office	1,000	-	1,000	125	875
2320.56100. Supplies - Superintendent's Office	300	19	319	319	-
2320.58100. Dues & Fees- Superintendent's Office	4,000	2,588	6,588	6,588	-
	87,512	5,791	93,303	92,376	927

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**Town of Sprague, Connecticut**  
**Schedule of Expenditures**  
**Budget and Actual (Budgetary Basis)**  
**General Fund - Board of Education Expenditures**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>2400-School Administration Office</b>					
2400.51900. Wages Paid- Principal	110,000	9,260	119,260	119,260	-
2400.51901. Wages Paid- Non-Certified Staff	43,680	(2,189)	41,491	41,491	-
2400.52100. Group Life Insurance- School Administration Office	164	-	164	161	3
2400.52200. FICA/Medicare Employer	4,937	-	4,937	4,712	225
2400.52300. Pension Contributions - School Admin Office	1,747	-	1,747	1,726	21
2400.52800. Health Insurance - School Administration Office	13,238	15,211	28,449	28,449	-
2400.53300. Other Professional Services	2,000	(2,000)	-	-	-
2400.55301. Postage	3,500	2,054	5,554	5,554	-
2400.55800. Conference/Travel - School Administration Office	750	-	750	-	750
2400.56100. Supplies	2,500	(1,788)	712	70	642
2400.56430. Professional Periodicals	-	-	-	-	-
2400.58100. Dues & Fees	1,100	-	1,100	995	105
	<u>183,616</u>	<u>20,548</u>	<u>204,164</u>	<u>202,418</u>	<u>1,746</u>
<b>2510-Business Office</b>					
2510.51901. Wages Paid- Non Certified Staff	104,676	(11,687)	92,989	89,224	3,765
2510.52100. Group Life Insurance- Business Office	68	-	68	62	6
2510.52200. FICA/Medicare Employer	8,008	-	8,008	7,143	865
2510.52300. Pension Contributions- Business Office	1,878	-	1,878	1,878	-
2510.52800. Health Insurance- Business Office	11,190	-	11,190	8,190	3,000
2510.53300. Other Professional Services - Business Office	2,000	11,224	13,224	13,224	-
2510.53410. Audit/Accounting Services- Business Office	25,750	-	25,750	25,379	371
2510.55800. Conference/Travel- Business Office	300	-	300	-	300
2510.56100. Supplies - Business Office	1,000	463	1,463	1,463	-
	<u>154,870</u>	<u>-</u>	<u>154,870</u>	<u>146,563</u>	<u>8,307</u>
<b>2600-Building &amp; Grounds</b>					
2600.51901. Wages Paid- Custodial Staff	96,533	(2,313)	94,220	94,220	-
2600.52100. Group Life Insurance- Maintenance Department	76	(13)	63	63	-
2600.52200. FICA/Medicare Employer	7,385	(318)	7,067	7,066	1
2600.52300. Pension Contributions - Maintenance Office	2,882	(887)	1,995	1,995	-
2600.52800. Health Insurance - Maintenance	20,475	(4,237)	16,238	16,238	-
2600.54010. Purchased Property Services	23,695	13,517	37,212	37,209	3
2600.54101. Rubbish Removal	5,768	1,520	7,288	7,288	-
2600.54300. Equipment Repairs & Maint	4,000	918	4,918	4,918	-
2600.54301. Building Repairs & Maint	4,000	66,521	70,521	70,521	-
2600.54411. Water	2,781	(822)	1,959	1,959	-
2600.54412. Sewer	1,957	(740)	1,217	1,217	-
2600.55300. Communications - Telephone & Internet	11,224	6,874	18,098	18,098	-
2600.55800. Conference/Travel - Building Maintenance	100	(100)	-	-	-
2600.56100. General Supplies- Maintenance Department	15,800	3,659	19,459	19,459	-
2600.56220. Electricity	56,922	(3,468)	53,454	53,454	-
2600.56230. Liquid Propane	12,360	(4,033)	8,327	8,326	1
2600.56240. Heating Oil	24,720	5,000	29,720	29,720	-
2600.56260. Gasoline	400	(92)	308	308	-
2600.57300. Equipment- Non Instructional	-	6,272	6,272	6,272	-
2600.57330. Furniture & Fixtures	-	-	-	-	-
	<u>291,078</u>	<u>87,258</u>	<u>378,336</u>	<u>378,331</u>	<u>5</u>
<b>2700-Student Transportation</b>					
2700.55100. Contracted Pupil Transp Reg	400,000	(85,499)	314,501	314,501	-
2700.55108. Contracted Pupil Transp Spec Ed HS	117,250	(45,580)	71,670	71,670	-
2700.55109. Contracted Pupil Transp Spec Ed Elem	70,000	(27,000)	43,000	43,000	-
2700.55150. Contracted Pupil Transp Athletics/Ext Curr	3,000	(3,000)	-	-	-
2700.55151. Contracted Pupil Transp Field Trips	-	-	-	-	-
2700.56260. Gasoline	40,000	(19,200)	20,800	20,800	-
	<u>630,250</u>	<u>(180,279)</u>	<u>449,971</u>	<u>449,971</u>	<u>-</u>

CONTINUED

**Town of Sprague, Connecticut**  
**Schedule of Expenditures**  
**Budget and Actual (Budgetary Basis)**  
**General Fund - Board of Education Expenditures**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>6000-HS Tuition</b>					
6000.000100.55610. Tuition- HS Regular Ed- public schools	1,456,090	(51,061)	1,405,029	1,401,395	3,634
6000.000200.55610. Tuition- HS Special Ed- public schools	356,728	22,304	379,032	379,032	-
6000.000200.55620. Grants to Be Determined	-	-	-	-	-
6000.000200.55630. Tuition- HS Special Ed- private schools	200,256	12,250	212,506	212,506	-
	<u>2,013,074</u>	<u>(16,507)</u>	<u>1,996,567</u>	<u>1,992,933</u>	<u>3,634</u>
<b>6100-Elementary Tuition</b>					
6100.55631. Tuition - Elem Special Ed - private schools	150,991	-	150,991	133,129	17,862
6100.55660. Tuition- Elem Magnet Schools	128,159	-	128,159	93,984	34,175
	<u>279,150</u>	<u>-</u>	<u>279,150</u>	<u>227,113</u>	<u>52,037</u>
<b>Total Expenditures</b>	<u>\$ 6,525,766</u>	<u>\$ -</u>	<u>\$ 6,525,766</u>	<u>\$ 6,351,287</u>	<u>\$ 174,479</u>

*See Independent Auditors' Report*

# **STATE SINGLE AUDIT REPORTS**

**STATE INTERNAL CONTROL AND  
COMPLIANCE REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Finance of  
Town of Sprague, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sprague, Connecticut (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 20, 2021.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of state of findings and questioned costs that we consider to be material weaknesses as items MW-2018-001, MW-2017-002 and MW-2015-003.

**TOWN'S RESPONSE TO FINDINGS**

The Town's response to the findings identified in our audit is described in the accompanying schedule of state findings and questioned costs. We did not audit the Town's response, and, accordingly, we express no opinion on it.



## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of state findings and questioned costs as item NC-2019-001.

## PURPOSE OF THIS REPORT

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

*Hoyt, Filippetti & Malashan, LLC*

Groton, Connecticut

February 20, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE STATE SINGLE AUDIT ACT**

To the Board of Finance of  
Town of Sprague, Connecticut

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM**

We have audited Town of Sprague, Connecticut's (the Town) compliance with the types of compliance requirements described in the *Office of Policy and Management's Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2020. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

**MANAGEMENT'S RESPONSIBILITY**

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

**AUDITORS' RESPONSIBILITY**

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

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

**OPINION ON EACH MAJOR STATE PROGRAM**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut

February 20, 2021

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
ASSISTANCE**

**TOWN OF SPRAGUE, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2020**

State Grantor; Pass-through Grantor; Program Title	State Grant Program Core-CT Number	Expenditures
<b>NONEXEMPT PROGRAMS</b>		
<b>CONNECTICUT STATE LIBRARY</b>		
Connecticard Payments	11000-CSL66051-17010	\$ 33
Education Network	12052-CSL66011-43649	21,941
Historic Documents Preservation Grant	12060-CSL66094-35150	5,500
Total Connecticut State Library		<u>27,474</u>
<b>DEPARTMENT OF TRANSPORTATION</b>		
Bus Operations	12001-DOT57931-12175	5,695
Town Aid Road Grants Transportation Program	12052-DOT57131-43455	75,869
Town Aid Road Grants Transportation Program	13033-DOT57131-43459	75,869
Community Connectivity Grant Program	13033-DOT57551-43667	169,417
Total Department of Transportation		<u>326,850</u>
<b>DEPARTMENT OF HOUSING</b>		
Community Investment Account	12052-DOH46920-35328	16,684
Total Department of Housing		<u>16,684</u>
<b>DEPARTMENT OF JUSTICE</b>		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	3,375
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	6,156
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	581
Property Tax Relief for Veterans	11000-OPM20600-17024	2,576
Local Capital Improvement	12050-OPM20600-40254	25,854
Municipal Purposes and Projects	12052-OPM20600-43587	386,528
Total Office of Policy and Management		<u>421,695</u>
<b>OFFICE OF EARLY CHILDHOOD</b>		
School Readiness	11000-OEC64845-16274	141,300
School Readiness - carryover	11000-OEC64845-16274	325
School Readiness Quality Enhancement	11000-OEC64845-16158	1,086
School Readiness Quality Enhancement - carryover	11000-OEC64845-16158	2,400
Total Office of Early Childhood		<u>145,111</u>
<b>DEPARTMENT OF EDUCATION</b>		
Child Nutrition State Match	11000-SDE64370-16211	1,442
Health Foods Initiative	11000-SDE64370-16212	2,746
Adult Education	11000-SDE64370-17030	17,343
Health and Welfare - Private School Pupil	11000-SDE64370-17034	23,206
School Breakfast Program	11000-SDE64370-17046	2,867
Magnet Schools	11000-SDE64370-17057	5,200
After School Programs	11000-SDE64370-17084	48,034
Total Department of Education		<u>100,838</u>
<b>Total State Financial Assistance before Exempt Programs</b>		<u>1,042,027</u>
<b>EXEMPT PROGRAMS</b>		
<b>DEPARTMENT OF EDUCATION</b>		
Education Cost Sharing	11000-SDE64370-17041	2,666,736
Special Education - Excess Cost	11000-SDE64270-10020	24,876
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	53,918
Total Department of Education		<u>2,745,530</u>
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	17,479
Municipal Restructuring Fund	11000-OPM20900-17105	500,000
		<u>517,479</u>
<b>Total Exempt Programs</b>		<u>3,263,009</u>
<b>Total State Financial Assistance</b>		<u>\$ 4,305,036</u>

*The accompanying notes are an integral part of this schedule*

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**GENERAL**

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Sprague, Connecticut (the Town) under programs of the State of Connecticut for the fiscal year ended June 30, 2020. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**BASIS OF ACCOUNTING**

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full accrual basis of accounting.

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**TOWN OF SPRAGUE, CONNECTICUT  
NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
JUNE 30, 2020**

**NOTE 2 – LOAN PROGRAMS**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of loan program activity for the year ended June 30, 2020:

**Department of Energy and Environmental Protection:** Clean Water Funds (21015-DEP43720-42318)

<u>Project</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2019</u>	<u>Loan Proceeds</u>	<u>Loan Repayments</u>	<u>Balance June 30, 2020</u>
564-CSL	7/31/2014	2%	\$ 775,645	\$ 601,208	\$ -	\$ (34,943)	\$ 566,265

**TOWN OF SPRAGUE, CONNECTICUT  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   ✓   Yes        No
- Significant deficiency(ies) identified?        Yes   ✓   None Reported

Noncompliance material to financial statements noted?   ✓   Yes        No

**State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified?        Yes   ✓   No
- Significant deficiency(ies) identified?        Yes   ✓   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?        Yes   ✓   No

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

<u>State Grantor/Program</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
<b>Department of Transportation</b>		
Community Connectivity Grant Program	13033-DOT57551-43667	\$ 169,417
<b>Office of Policy and Management</b>		
Municipal Purposes and Projects	12052-OPM20600-43587	386,528

Dollar threshold used to distinguish between Type A and Type B programs: \$200,000



**TOWN OF SPRAGUE, CONNECTICUT  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS  
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING  
STANDARDS***

- We issued a report dated February 20, 2021 on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance disclosed the following instance of noncompliance:

**NC-2020-01 – BUDGETARY CONTROLS OVER CAPITAL NONRECURRING FUND**

Authorization and funding of projects paid through the Town’s Capital Nonrecurring Fund (“CNR”) come from a) approved debt financing, b) approved transfers from the General Fund, or c) approved special grants awarded to the Town. During our audit testing, we noted several instances where expenditures were incurred and paid through the CNR for which there was no approved funding noted. During the year ended June 30, 2020, we noted approximately \$158,000 of roads-related expenditures paid through the CNR for which there was little or no funding available. The expenditure of CNR funds without approved funding results in a deficit fund balance in the CNR, a growing interfund liability to the Town’s General Fund, and ultimately requires management to seek repayment through issuing more debt, making additional appropriations from the General Fund, or obtaining grants, or some combination of the above.

*Recommendation:* The Town should implement controls over CNR spending to ensure all funds expended have an approved funding source.

*Managements’ Response:* The Town agrees with this finding. The Town has already begun the process of researching and developing appropriate policies and procedures specific to the CNR fund to ensure all authorized projects have appropriate funding secured before expenditures are incurred.

- Our report on internal control over financial reporting disclosed the following material weaknesses:

**MW-2018-001 – INTERNAL CONTROL WEAKNESS – CHILD NUTRITION FUND (*Repeat Finding*)**

There is currently a lack of segregation of duties with regard to the Child Nutrition Fund; One individual has been tasked with both the custody of assets and recordkeeping functions with regard to the funds finances.

*Recommendation:* Management should reallocate duties to more than one individual, so that no individual has both custody and recordkeeping responsibilities with regard to the fund.

*Management’s Response:* The Child Nutrition Fund is now managed under the same general ledger accounting system as the general fund. All invoices are confirmed and coded by the Director of School Nutrition before they are paid following the same process and procedure as the general fund AP. Payroll also follows the same process and procedure as all other Board of Education employees. The School Nutrition Director collects all timesheets, confirms hours, and signs off before submitting to the business office. Additionally, the Director of School Nutrition receives bi-weekly budget vs actual reports so that she can reconcile with her records and to the bank statements.

**TOWN OF SPRAGUE, CONNECTICUT  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS  
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING  
STANDARDS (Continued)***

**MW-2017-002 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS (*Repeat Finding*)**

For the year ended June 30, 2020, the following funds of the Town of Sprague were not being maintained in a general ledger system, as such, there were no readily available integrated reports available to report the financial activities of the funds during the fiscal year or the ending balances at fiscal year-end:

- 1) Child Nutrition Fund (Special Revenue Fund)
- 2) School Fund (Special Revenue Fund)
- 3) Student Activity Fund (Agency Fund)
- 4) Parent Teachers Organization Fund (Agency Fund)

*Recommendation:* All funds within the Town of Sprague should be managed in general ledger system for ease of timely reporting and account reconciliation.

*Management response:*

1. Child Nutrition Fund (Special Revenue Fund)
  - a. The Child Nutrition Fund is now managed under the same general ledger accounting system as the General Fund.
2. School Fund (Special Revenue Fund)
  - a. The Special Revenue Fund has not yet moved to the General Ledger system, but the plan is to continue to set up a separate fund so that all accounts are in one GL system. Due to COVID, the activity in the accounts was limited last year.
3. Student Activity Fund
  - a. The Student Activity Fund has not moved to the GL; however, the process has been revisited and updated. We have had some changes in the front office staff which allowed us the opportunity to revisit the process. They are now set up to have online access to the bank account and bank statements. They have also created forms for check payment requests, deposit requests, and for balance updates. Now that we have cleaned the process we plan to move the record keeping for the Student Activity fund to the general ledger to improve oversight and for ease of auditing procedures.
4. Parent Teachers Organization Fund (Agency Fund)
  - b. The PTO obtained a separate Tax Identification Number (TIN) and opened their own bank account in January. All activity is being transacted in the new bank account. The old account was closed and the balance was transferred to the new account . This is no longer an agency fund of the Town of Sprague.

**TOWN OF SPRAGUE, CONNECTICUT  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS  
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING  
STANDARDS (Continued)***

**MW-2015-003 – INFORMATION AND COMMUNICATION – POLICY AND  
PROCEDURE MANUAL (*Repeat Finding*)**

Complete, written policies and procedures manuals have not been documented of all the internal control processes in the Town.

*Recommendation:* All individuals involved in Town management and governance should understand their fiduciary responsibilities for Information and Communication under the integrated framework. A joint effort to meet these responsibilities should be commenced. Once risk is assessed and control activities are established, relevant and quality information should be documented to support the other components of internal control. A policies and procedures manual would facilitate this as an accessible resource. This manual would address and serve as a source of documentation for all policies and procedures including those internal control weaknesses previously mentioned.

*Management response:* The Town and Board of Education are in the process of implementing a two-year plan to develop a comprehensive policies and procedures manual. The Board of Education is updating and expanding upon a manual originally developed in 2015. The Town is developing content for its portion of the manual with completion scheduled for September 2022. The Board of Education is still working with the current manual and updating it. The estimated September 2020 date is now changed to the end of this fiscal year, 2021. The Board of Education operates by clear processes and procedures already outlined in the previous manual, however, we are updating the manual to be more specific.

**SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

There were no findings or questioned costs reported.

**TOWN OF SPRAGUE, CONNECTICUT  
SUMMARY SCHEDULE OF THE STATUS OF PRIOR  
YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**The following prior year audit findings have been repeated this year:**

MW-2018-001 – INTERNAL CONTROL WEAKNESS – CHILD NUTRITION FUND

MW-2017-002 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS

MW-2015-003 – INFORMATION AND COMMUNICATION – POLICY AND  
PROCEDURE MANUAL

**The following prior year audit findings have been resolved:**

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY

NC-2019-001 – DEPARTMENT OF HOUSING – REPORTING

NC-2019-002 – DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION – SIGN PROCUREMENT