

**TOWN OF SPRAGUE,
CONNECTICUT**

**BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2019**

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

TOWN OF SPRAGUE, CONNECTICUT
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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, 2019, 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, 2019, 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 4 - 15, 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 nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements and supplemental schedules, and the schedule of expenditures of state financial assistance, as required by the State Single Audit Act, respectively, are not a required part of the basic financial statements.

The combining nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements, supplemental schedules, and the schedule of state financial assistance, as required by the State of Connecticut Single Audit Act, 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 nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements, supplemental schedules, and the schedule of state financial assistance, as required by the State of Connecticut Single Audit Act, 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 March 5, 2020, 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

March 5, 2020

TOWN OF SPRAGUE, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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, 2019:

- Total net position *increased* \$864,310. This includes a governmental activities *increase* of \$963,769 and a business-type activities *decrease* of \$99,459.
- Total fund balance *decreased* by \$594,227. This includes a \$264,953 *increase* in the General Fund, a \$843,123 *decrease* in the Capital Nonrecurring Fund, no change in the Education Grants Fund, a \$1 *increase* in the Small Cities Fund, and a \$16,058 *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 (\$819,291), (\$451,523), and (\$1,412), respectively.
- Total revenues for fiscal year ended June 30, 2019 came in \$242,860 *ahead of* budget, and total expenditures came in at \$38,931 *under* budget. The combination of the *overage* in revenues and *shortfall* in expenditures turned the budgeted *deficiency* for the year into an *excess* of revenues over expenditures for the fiscal year.
- The majority of the reason why revenues came in *ahead of* budget is that the Town was able to sell scrap metal for approximately \$250,000. This revenue was not anticipated in the budget for the year.

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, 2019

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 18 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, 2019**

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, 2019**

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

The total net position of the Town's Governmental Activities *increased* by \$963,769 from a year ago—*increasing* from \$19,377,111 to \$20,340,880.

	Governmental Activities		Increase
	2019	2018	(Decrease)
Current and other assets	\$ 733,961	\$ 1,167,142	\$ (433,181)
Capital assets, net	30,691,886	29,706,876	985,010
Deferred outflows of resources	23,993	3,331	20,662
Total assets and deferred outflows of resources	<u>\$ 31,449,840</u>	<u>\$ 30,877,349</u>	<u>\$ 572,491</u>
Other liabilities	\$ 1,576,900	\$ 1,325,323	\$ 251,577
Long-term debt outstanding	9,496,697	10,158,307	(661,610)
Total liabilities	<u>11,073,597</u>	<u>11,483,630</u>	<u>(410,033)</u>
Deferred inflows of resources	35,363	16,608	18,755
Total liabilities and deferred inflows of resources	<u>11,108,960</u>	<u>11,500,238</u>	<u>(391,278)</u>
Net position			
Net investment in capital assets	21,763,057	20,223,556	1,539,501
Restricted	222,158	231,176	(9,018)
Unrestricted	<u>(1,644,335)</u>	<u>(1,077,621)</u>	<u>(566,714)</u>
Total net position	<u>20,340,880</u>	<u>19,377,111</u>	<u>963,769</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 31,449,840</u>	<u>\$ 30,877,349</u>	<u>\$ 572,491</u>

All of the \$963,769 *increase* was attributable to an *increase* in capital assets for the year. Significant grants received during the fiscal year were used to make long-term capital improvements to Town property. Such grants include the Baltic Mill Brownfield Grant (\$384,755), the Main Street Investment Fund (\$500,000), Small Cities Grant (\$211,567), and the Municipal Purposes and Projects Grant (\$386,528).

In contrast, the Town's liquid net position, or Unrestricted Net Position, *decreased* from the prior year as more cash was used than generated during the fiscal year. Long-term debt also *decreased* as principal maturities on the Town's bonds and notes were paid as scheduled.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

The net position of the Town's Business-Type Activities *decreased* by \$99,459 from a year ago—*decreasing* from \$4,041,084 to \$3,941,625.

	Business-Type Activities		Increase (Decrease)
	2019	2018	
Current and other assets	\$ 471,929	\$ 489,628	\$ (17,699)
Capital assets, net	3,496,910	3,604,531	(107,621)
Total assets	<u>\$ 3,968,839</u>	<u>\$ 4,094,159</u>	<u>\$ (125,320)</u>
Other liabilities	\$ 14,536	\$ 41,098	\$ (26,562)
Long-term debt outstanding	12,678	11,977	701
Total liabilities	<u>27,214</u>	<u>53,075</u>	<u>(25,861)</u>
Net position			
Net investment in capital assets	3,496,910	3,604,531	(107,621)
Restricted	-	-	-
Unrestricted	444,715	436,553	8,162
Total net position	<u>3,941,625</u>	<u>4,041,084</u>	<u>(99,459)</u>
Total liabilities and net position	<u>\$ 3,968,839</u>	<u>\$ 4,094,159</u>	<u>\$ (125,320)</u>

Both Business-Type Activities current assets and other liabilities *decreased* from the prior year as the income from previously deferred revenues was recognized during the fiscal year without providing additional cash. Capital assets *decreased* during the year as depreciation expense of \$134,246 exceeded capital additions of \$26,625.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The Town as a Whole – Combined Statement of Net Position

The Town's *combined* net position *increased* by \$864,310 from a year ago—*increasing* from \$23,418,195 to \$24,282,505 as presented below:

	Total Town		Increase (Decrease)
	2019	2018	
Current and other assets	\$ 1,205,890	\$ 1,656,770	\$ (450,880)
Capital assets, net	34,188,796	33,311,407	877,389
Deferred outflows of resources	23,993	3,331	20,662
Total assets and deferred outflows of resources	<u>\$ 35,418,679</u>	<u>\$ 34,971,508</u>	<u>\$ 447,171</u>
Other liabilities	\$ 1,591,436	\$ 1,366,421	\$ 225,015
Long-term debt outstanding	9,509,375	10,170,284	(660,909)
Total liabilities	<u>11,100,811</u>	<u>11,536,705</u>	<u>(435,894)</u>
Deferred inflows of resources	35,363	16,608	18,755
Total liabilities and deferred inflows of resources	<u>11,136,174</u>	<u>11,553,313</u>	<u>(417,139)</u>
Net position			
Net investment in capital assets	25,259,967	23,828,087	1,431,880
Restricted	222,158	231,176	(9,018)
Unrestricted	<u>(1,199,620)</u>	<u>(641,068)</u>	<u>(558,552)</u>
Total net position	<u>24,282,505</u>	<u>23,418,195</u>	<u>864,310</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 35,418,679</u>	<u>\$ 34,971,508</u>	<u>\$ 447,171</u>

As discussed earlier, the overall *increase* was from the utilization of various Federal and Connecticut grants to make long-term capital improvements to the Town's various property.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

	Governmental Activities		Increase
	2019	2018	(Decrease)
Revenues			
Program revenues			
Charges for services	\$ 183,588	\$ 282,183	\$ (98,595)
Operating grants and contributions	4,842,297	4,333,008	509,289
Capital grants and contributions	1,476,629	1,915,307	(438,678)
General revenues			
Property taxes, payments in lieu of taxes, interest and liens	5,619,961	5,433,138	186,823
Revenues not restricted to specific programs	277,331	-	277,331
Unrestricted interest and investment earnings	6,668	3,338	3,330
Gain on foreclosure	-	1,738,910	(1,738,910)
Total revenues	<u>12,406,474</u>	<u>13,705,884</u>	<u>(1,299,410)</u>
Program expenses			
General government	1,818,642	2,027,747	(209,105)
Public safety	469,781	943,208	(473,427)
Public works	646,536	633,503	13,033
Education	8,223,892	8,631,306	(407,414)
Interest on long-term debt	389,413	335,193	54,220
Water and Sewer Enterprise Fund	-	-	-
Total expenses	<u>11,548,264</u>	<u>12,570,957</u>	<u>(1,022,693)</u>
Excess (deficiency) before transfers	858,210	1,134,927	(276,717)
Transfers in (transfers out)	<u>105,559</u>	<u>120,713</u>	<u>(15,154)</u>
Change in net position	963,769	1,255,640	(291,871)
Net position - beginning of year, as originally reported	19,377,111	18,267,004	1,110,107
Adjustments	-	(145,533)	145,533
Net position - beginning of year, as adjusted	<u>19,377,111</u>	<u>18,121,471</u>	<u>1,255,640</u>
Net position - end of year	<u>\$ 20,340,880</u>	<u>\$ 19,377,111</u>	<u>\$ 963,769</u>

Operating grants and contributions *increased* over the prior year primarily as a result of an *increase* in the CT Education Cost Sharing grant of about \$344,000 and from an *increase* in on-behalf revenues recognized in connection with the State of Connecticut's Teachers Retirement Board pension and OPEB. In contrast, Capital Grants and Contributions *decreased* as a result of reduced spending in the Baltic Mill and Small Cities projects.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

	<u>Business-Type Activities</u>		Increase
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>
Revenues			
Program revenues			
Charges for services	\$ 574,877	\$ 582,800	\$ (7,923)
Unrestricted interest and investment earnings	<u>265</u>	<u>242</u>	<u>23</u>
Total revenues	<u>575,142</u>	<u>583,042</u>	<u>(7,900)</u>
Program expenses			
Water and Sewer Enterprise Fund	<u>569,042</u>	<u>517,707</u>	<u>51,335</u>
Total expenses	<u>569,042</u>	<u>517,707</u>	<u>51,335</u>
Excess (deficiency) before transfers	6,100	65,335	(59,235)
Transfers in (transfers out)	<u>(105,559)</u>	<u>(120,713)</u>	<u>15,154</u>
Change in net position	(99,459)	(55,378)	(44,081)
Net position - beginning of year	<u>4,041,084</u>	<u>4,096,462</u>	<u>(55,378)</u>
Net position - end of year	<u>\$ 3,941,625</u>	<u>\$ 4,041,084</u>	<u>\$ (99,459)</u>

There were no significant variations between years with respect to the revenues of the Town's business-type activities. Program expenses *increased* by approximately 10% primarily as a result of increased repairs and maintenance on equipment and facilities.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The Town as a Whole – Combined Statement of Activities

As mentioned earlier, the Town overall incurred an *increase* in Net Position of \$864,310. This was a *decrease* from the 2018-2019 fiscal year change by \$347,014.

	Total Town		Increase (Decrease)
	2019	2018	
Revenues			
Program revenues			
Charges for services	\$ 758,465	\$ 864,983	\$ (106,518)
Operating grants and contributions	4,842,297	4,333,008	509,289
Capital grants and contributions	1,476,629	1,915,307	(438,678)
General revenues			
Property taxes, payments in lieu of taxes, interest and liens	5,619,961	5,433,138	186,823
Revenues not restricted to specific programs	277,331	-	277,331
Unrestricted interest and investment earnings	6,933	3,580	3,353
Gain on foreclosure	-	1,738,910	(1,738,910)
Total revenues	<u>12,981,616</u>	<u>14,288,926</u>	<u>(1,307,310)</u>
Program expenses			
General government	1,818,642	2,027,747	(209,105)
Public safety	469,781	943,208	(473,427)
Public works	646,536	633,503	13,033
Education	8,223,892	8,631,306	(407,414)
Interest on long-term debt	389,413	335,193	54,220
Water and Sewer Enterprise Fund	569,042	517,707	51,335
Total expenses	<u>12,117,306</u>	<u>13,088,664</u>	<u>(971,358)</u>
Excess (deficiency) before transfers	864,310	1,200,262	(335,952)
Transfers in (transfers out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	864,310	1,200,262	(335,952)
Net position - beginning of year, as originally reported	23,418,195	22,363,466	1,054,729
Adjustments	-	(145,533)	145,533
Net position - beginning of year, as adjusted	<u>23,418,195</u>	<u>22,217,933</u>	<u>1,200,262</u>
Net position - end of year	<u>\$ 24,282,505</u>	<u>\$ 23,418,195</u>	<u>\$ 864,310</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, 2019**

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

	Total Cost of Services		Increase	Net Cost (Revenue) of Services		Increase
	2019	2018	(Decrease)	2019	2018	(Decrease)
General government	1,818,642	2,027,747	-10.30%	763,695	410,902	85.90%
Public safety	469,781	943,208	-50.20%	70,230	355,682	-80.30%
Public works	646,536	633,503	2.10%	10,479	148,581	-92.90%
Education	8,223,892	8,631,306	-4.70%	3,811,933	4,790,101	-20.40%
	<u>\$ 11,158,851</u>	<u>\$ 12,235,764</u>	<u>-8.80%</u>	<u>\$ 4,656,337</u>	<u>\$ 5,705,266</u>	<u>-18.40%</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 *decreased* by 92.90%. This is due to *increased* 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	Net Cost (Revenue) of Services		Increase
	2019	2018	(Decrease)	2019	2018	(Decrease)
Water and Sewer Enterprise Fund	<u>\$ 569,042</u>	<u>\$ 517,707</u>	<u>9.90%</u>	<u>\$ (5,835)</u>	<u>\$ (65,093)</u>	<u>-91.00%</u>

Both the total cost and net cost from services for 2019 *increased* due to additional repairs and maintenance, while revenues remained flat.

THE TOWN'S FUNDS

As the year showed a positive \$963,769 change in net position in governmental activities, it also showed a combined \$594,227 *decrease* in fund balances in the governmental funds as presented in governmental funds financial statements. 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.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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. 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:

	Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 5,678,272	\$ 5,662,784	\$ (15,488)
State grants-school	2,640,814	2,615,689	(25,125)
State grants-local	609,841	595,436	(14,405)
Local revenues	<u>218,265</u>	<u>516,143</u>	<u>297,878</u>
Total revenues	<u>9,147,192</u>	<u>9,390,052</u>	<u>242,860</u>
Expenditures			
General government operating budget	1,962,656	1,962,656	-
Board of Education expenditures	6,328,668	6,289,091	39,577
Debt service	863,633	864,279	(646)
Other financing sources	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Total expenditures	<u>9,163,957</u>	<u>9,125,026</u>	<u>38,931</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (16,765)</u>	<u>\$ 265,026</u>	<u>\$ 281,791</u>

The largest variance relates to the budget for local revenues. During the year ended June 30, 2019, the Town sold scap metal for approximately \$250,000 in an effort to restore a portion of its fund balance. This revenue source was not anticipated in the budget for that fiscal year.

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 net *increase* (including additions and deductions) of almost \$2 million from last year. This is due to capital asset additions exceeding related depreciation expense for the year. Significant capital additions included the acquisition of open space and improvements to Town real estate and infrastructure.

**TOWN OF SPRAGUE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION (*Continued*)

Capital Assets (*Continued*)

At the end of June 30, 2019, the Town had business-type activity capital assets of approximately \$6.3 million. There were sewer improvements made totaling \$26,625, but no disposals during the fiscal year. Depreciation expense totaled \$134,246 for the year.

Debt

At year end, the Town had \$8,786,208 in bonds and notes outstanding. This is a net *decrease* of \$697,112 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, 2019 the Town's General Fund had a net deficit fund balance of (\$819,291). The Town's budget for the 2019-2020 fiscal year includes \$9,442,179 of budgeted revenues and \$9,428,968 of budgeted expenditures, leaving a small surplus of \$13,211.

During June 30, 2019, the Town sought and received designation by the State of Connecticut as a Tier II municipality under Sections 349 to 376 of the State of Connecticut's Distressed Municipality Assistance and Accountability Provisions of Public Act 17-2. Subsequent to June 30, 2019, the Town received \$500,000 of assistance from the State of Connecticut to pay existing obligations and assist in restoring its fund balance. See *Note 20* for additional information.

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, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 145,491	\$ 364,727	\$ 510,218
Receivables, net	583,189	104,340	687,529
Prepaid expenses	1,027	1,000	2,027
Inventories	4,254	1,862	6,116
Capital assets			
Non-depreciable	9,538,618	-	9,538,618
Depreciable, net	21,153,268	3,496,910	24,650,178
Total assets	<u>31,425,847</u>	<u>3,968,839</u>	<u>35,394,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences between expected and actual experience - OPEB	3,067	-	3,067
Changes of assumptions - OPEB	20,926	-	20,926
Total deferred outflows of resources	<u>23,993</u>	<u>-</u>	<u>23,993</u>
Total assets and deferred outflows of resources	<u>\$ 31,449,840</u>	<u>\$ 3,968,839</u>	<u>\$ 35,418,679</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES			
Accounts payable	\$ 1,300,929	\$ 7,950	\$ 1,308,879
Accrued payroll and related	33,559	6,446	40,005
Accrued interest payable	142,621	-	142,621
Internal balances	(140)	140	-
Due to others	23,795	-	23,795
Unearned revenues	76,136	-	76,136
Noncurrent liabilities			
Due within one year	4,182,224	-	4,182,224
Due in more than one year	5,314,473	12,678	5,327,151
Total liabilities	<u>11,073,597</u>	<u>27,214</u>	<u>11,100,811</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience - OPEB	20,073	-	20,073
Changes in assumptions - OPEB	15,290	-	15,290
Total deferred inflows of resources	<u>35,363</u>	<u>-</u>	<u>35,363</u>
NET POSITION			
Invested in capital assets, net of related debt	21,763,057	3,496,910	25,259,967
Restricted			
Expendable	220,908	-	220,908
Nonexpendable	1,250	-	1,250
Unrestricted	<u>(1,644,335)</u>	<u>444,715</u>	<u>(1,199,620)</u>
Total net position	<u>20,340,880</u>	<u>3,941,625</u>	<u>24,282,505</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 31,449,840</u>	<u>\$ 3,968,839</u>	<u>\$ 35,418,679</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, 2019**

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	\$ (1,818,642)	\$ 171,391	\$ 427,739	\$ 455,817	\$ (763,695)	\$ -	\$ (763,695)
Public safety	(469,781)	-	14,796	384,755	(70,230)	-	(70,230)
Public works	(646,536)	-	-	636,057	(10,479)	-	(10,479)
Education	(8,223,892)	12,197	4,399,762	-	(3,811,933)	-	(3,811,933)
Interest on long-term debt	(389,413)	-	-	-	(389,413)	-	(389,413)
Total governmental activities	<u>(11,548,264)</u>	<u>183,588</u>	<u>4,842,297</u>	<u>1,476,629</u>	<u>(5,045,750)</u>		<u>(5,045,750)</u>
Business-type activities							
Water and sewer enterprise fund	<u>(569,042)</u>	<u>574,877</u>	<u>-</u>	<u>-</u>		<u>5,835</u>	<u>5,835</u>
Total government	<u>\$ (12,117,306)</u>	<u>\$ 758,465</u>	<u>\$ 4,842,297</u>	<u>\$ 1,476,629</u>	<u>(5,045,750)</u>	<u>5,835</u>	<u>(5,039,915)</u>
General revenues							
Property taxes, payments in lieu of taxes, interest and liens					5,619,961	-	5,619,961
Revenues not restricted to specific programs					277,331	-	277,331
Unrestricted interest and investment earnings					6,668	265	6,933
Total general revenues					<u>5,903,960</u>	<u>265</u>	<u>5,904,225</u>
Transfers in (out), net					105,559	(105,559)	-
Change in net position					963,769	(99,459)	864,310
NET POSITION, beginning of year					19,377,111	4,041,084	23,418,195
NET POSITION, end of year					<u>\$ 20,340,880</u>	<u>\$ 3,941,625</u>	<u>\$ 24,282,505</u>

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

**TOWN OF SPRAGUE, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

ASSETS

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total Governmental Funds
CURRENT ASSETS						
Cash and cash equivalents	\$ 50,682	\$ 628	\$ -	\$ 792	\$ 93,390	\$ 145,492
Receivables, net	219,563	151,846	-	211,780	-	583,189
Due from other funds	314,070	-	45,553	-	27,486	387,109
Prepaid expenditures	818	109	-	-	100	1,027
Inventories	2,457	-	-	-	1,797	4,254
Total current assets	<u>\$ 587,590</u>	<u>\$ 152,583</u>	<u>\$ 45,553</u>	<u>\$ 212,572</u>	<u>\$ 122,773</u>	<u>\$ 1,121,071</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES						
Accounts payable	\$ 1,136,488	\$ 164,441	\$ -	\$ -	\$ -	\$ 1,300,929
Accrued payroll and related	33,559	-	-	-	-	33,559
Due to other funds	60,809	326,160	-	-	-	386,969
Due to others	23,795	-	-	-	-	23,795
Unearned revenue	240	28,931	46,965	-	-	76,136
Total current liabilities	<u>1,254,891</u>	<u>519,532</u>	<u>46,965</u>	<u>-</u>	<u>-</u>	<u>1,821,388</u>
DEFERRED INFLOWS OF RESOURCES						
Revenue - unavailable	151,990	84,574	-	-	-	236,564
Total deferred inflows of resources	<u>151,990</u>	<u>84,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,564</u>
Total liabilities and deferred inflows of resources	<u>1,406,881</u>	<u>604,106</u>	<u>46,965</u>	<u>-</u>	<u>-</u>	<u>2,057,952</u>
FUND BALANCES						
Nonspendable	3,275	109	-	-	3,147	6,531
Restricted	-	6,473	-	211,780	2,655	220,908
Committed	-	151,183	-	-	-	151,183
Assigned	-	31,226	-	792	117,011	149,029
Unassigned	(822,566)	(640,514)	(1,412)	-	(40)	(1,464,532)
Total fund balances	<u>(819,291)</u>	<u>(451,523)</u>	<u>(1,412)</u>	<u>212,572</u>	<u>122,773</u>	<u>(936,881)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 587,590</u>	<u>\$ 152,583</u>	<u>\$ 45,553</u>	<u>\$ 212,572</u>	<u>\$ 122,773</u>	<u>\$ 1,121,071</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, 2019

Total fund balance for governmental funds		\$ (936,881)
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		30,691,886
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds		236,563
Deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds		23,993
Deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds		(35,363)
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	(142,621)	
Long-term debt:		
General obligation bonds	(8,185,000)	
Other long-term liabilities:		
Notes payable	(601,208)	
Compensated absences	(60,810)	
Post-closure landfill costs	(6,000)	
Net OPEB obligation	(643,679)	
		(9,639,318)
Net position of governmental activities		\$ 20,340,880

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, 2019

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total
REVENUES						
Property taxes, interest, lien fees	\$ 5,662,784	\$ -	\$ -	\$ -	\$ -	\$ 5,662,784
Intergovernmental revenues	4,504,378	1,040,894	377,653	209,130	113,607	6,245,662
Local revenues	443,920	100,882	-	1	22,718	567,521
Total revenues	<u>10,611,082</u>	<u>1,141,776</u>	<u>377,653</u>	<u>209,131</u>	<u>136,325</u>	<u>12,475,967</u>
EXPENDITURES						
Current:						
General government	1,054,464	71,290	-	-	5,821	1,131,575
Public safety	321,837	-	-	-	-	321,837
Public works	586,428	-	-	-	-	586,428
Education	7,582,344	-	377,653	-	146,562	8,106,559
Capital outlays	-	1,756,573	-	209,130	-	1,965,703
Debt service:						
Principal payments	697,112	7,160,000	-	-	-	7,857,112
Interest and fiscal charges	213,815	120,574	-	-	-	334,389
Bond issuance costs	-	32,150	-	-	-	32,150
Total expenditures	<u>10,456,000</u>	<u>9,140,587</u>	<u>377,653</u>	<u>209,130</u>	<u>152,383</u>	<u>20,335,753</u>
Excess (deficiency) of revenues over expenditures	<u>155,082</u>	<u>(7,998,811)</u>	<u>-</u>	<u>1</u>	<u>(16,058)</u>	<u>(7,859,786)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term bonds and notes	-	7,160,000	-	-	-	7,160,000
Transfers in	118,871	9,000	-	-	-	127,871
Transfers out	(9,000)	(13,312)	-	-	-	(22,312)
Total other financing sources (uses)	<u>109,871</u>	<u>7,155,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,265,559</u>
Net change in fund balances	264,953	(843,123)	-	1	(16,058)	(594,227)
FUND BALANCE, beginning of year	<u>(1,084,244)</u>	<u>391,600</u>	<u>(1,412)</u>	<u>212,571</u>	<u>138,831</u>	<u>(342,654)</u>
FUND BALANCE, end 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>

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, 2019**

Net change in fund balances - total governmental funds \$ (594,227)

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	1,871,285	
Depreciation expense	(886,275)	
Net adjustment	985,010	985,010

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	(42,314)	
Revenues in the Capital Nonrecurring Fund	(25,342)	
Net adjustment	(67,656)	(67,656)

Deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds 20,662

Deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds (18,756)

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	(7,160,000)	
Principal repayments:		
General obligation bonds	7,822,860	
Notes payable	34,252	
Net adjustment	697,112	697,112

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	(22,874)	
Compensated absences	2,074	
Post-closure landfill costs	1,200	
Net OPEB obligation	(38,776)	
Net adjustment	(58,376)	(58,376)

Change in net position of governmental activities \$ 963,769

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

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019**

ASSETS

	Water and Sewer Fund
CURRENT ASSETS	
Cash and cash equivalents	\$ 364,727
Receivables, net	104,340
Prepaid expenses	1,000
Inventories	1,862
Total current assets	471,929
CAPITAL ASSETS, net	3,496,910
Total assets	\$ 3,968,839

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	7,950
Accrued payroll and related	6,446
Unearned revenues	-
Due to other funds	140
Total current liabilities	14,536
COMPENSATED ABSENCES	12,678
NET POSITION	
Invested in capital assets	3,496,910
Unrestricted	444,715
Total net position	3,941,625
Total liabilities and net position	\$ 3,968,839

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, 2019**

	Water and Sewer Fund
OPERATING REVENUE	
Charges for services	\$ 571,282
Total operating revenue	574,877
OPERATING EXPENSES	
Salaries and related	196,842
Contractual services	22,059
Utilities	91,287
Repairs and maintenance	77,775
Other supplies and expenses	46,833
Depreciation	134,246
Total operating expenses	569,042
Operating income	5,835
NON-OPERATING REVENUE	
Interest income	265
Total non-operating revenue	265
TRANSFERS	
Transfers out	(118,871)
Transfers in	13,312
Net transfers	(105,559)
Change in net position	(99,459)
NET POSITION, beginning of year	4,041,084
NET POSITION, end of year	\$ 3,941,625

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, 2019**

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 547,448
Cash payments to employees	(196,085)
Cash payments to suppliers	(236,456)
Net cash provided by operating activities	114,907
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest income	265
Net cash provided by investing activities	265
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in for capital acquisitions	13,312
Acquisition and construction of capital assets	(26,625)
Net cash used in capital and related financing activities	(13,313)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out	(118,871)
Net cash used in non-capital financing activities	(118,871)
Net decrease in cash and cash equivalents	(17,012)
CASH AND CASH EQUIVALENTS, beginning of year	381,739
CASH AND CASH EQUIVALENTS, end of year	\$ 364,727
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 5,835
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	134,246
Changes in assets and liabilities:	
Accounts receivable	918
Prepaid expenses	186
Inventories	(417)
Accounts payable	1,621
Accrued payroll and related	56
Unearned revenues	(28,347)
Due to other funds	108
Compensated absences	701
Net cash provided by operating activities	\$ 114,907

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, 2019**

ASSETS

	Agency Funds
Cash and cash equivalents	\$ 25,726

LIABILITIES

Due to students	\$ 25,726
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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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th 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 1st and February 12st), 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, 2019.

OTHER RECEIVABLES

Other receivables include amounts due from other governments and individuals for services provided by the Town. 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, 2019**

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, 2019, 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, 2019**

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.

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, 2019**

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, 2019**

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, 2019**

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 March 5, 2020. Subsequent events are discussed in *Note 20*.

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, 2019**

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.

For the year ended June 30, 2019, several line item transfers were made to the Town's budget, but no additional appropriations.

EXPENDITURES IN EXCESS OF BUDGET

The Debt Service – Principal Payments budget line was over expended by \$646 for the year ended June 30, 2019, but total expenditures did not exceed total appropriations for the year.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

APPLICATION OF ACCOUNTING STANDARDS

For the year ended June 30, 2019, the following accounting pronouncements became effective. The Town implemented such pronouncements, where applicable:

GASB Statement 83 – *Certain Asset Retirement Obligations* – This statement addresses accounting and financial reporting for certain asset retirement obligations (“ARO”). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

GASB Statement 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – This statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

NET POSITION / FUND DEFICITS

At June 30, 2019, the Town reported a deficit balance of (\$1,644,335) in its unrestricted net position for governmental activities in the government-wide financial statements

In the fund financial statements, the General Fund reported a net deficit fund balance of (\$822,566) at June 30, 2019, the Education Grants Fund reported an unassigned fund balance deficit of (\$1,412), and the Capital Nonrecurring and Lovett Cemetery Funds reported an unassigned fund balance deficit of (\$640,514) and (\$40), respectively.

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 20*).

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Town consist of the following at June 30, 2019:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 510,218
Statement of fiduciary net position:	
Cash and cash equivalents	<u>25,726</u>
	<u>\$ 535,944</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Cash and Cash Equivalents - As of June 30, 2019, 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	\$ 529,353
Plus external investment pools	6,591
	\$ 535,944

The bank balance of the deposits with financial institutions was \$556,092 and exposed to custodial credit risk as follows:

Covered by Federal Depository insurance	\$ 250,000
Collateralized	30,609
Uninsured and uncollateralized	275,483
	\$ 556,092

NOTE 4 - RECEIVABLES, DEFERRED INFLOWS AND UNEARNED REVENUES

Receivables consisted of the following at June 30, 2019:

	Fund Financials				Government-Wide Financials	
	General Fund	Capital Non- Recurring Fund	Small Cities Fund	Water & Sewer Fund	Governmental Activities	Business-type Activities
Receivables						
Property taxes and interest	\$ 208,453	\$ -	\$ -	\$ -	\$ 208,453	\$ -
Accounts	41,110	-	-	-	41,110	-
Intergovernmental	-	151,846	-	-	151,846	-
Loans	-	-	211,780	-	211,780	-
Usage	-	-	-	104,340	-	104,340
Receivables, gross	249,563	151,846	211,780	104,340	613,189	104,340
Allowance for doubtful accounts	(30,000)	-	-	-	(30,000)	-
Receivables, net	\$ 219,563	\$ 151,846	\$ 211,780	\$ 104,340	\$ 583,189	\$ 104,340

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, 2019. 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, 2019**

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

At June 30, 2019, 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	Water & Sewer Fund	Governmental Activities	Business-type Activities
Current liabilities						
Unearned revenues	\$ 240	\$ 28,931	\$ 46,965	\$ -	\$ 76,136	\$ -
Deferred inflows of resources						
Revenue - unavailable	\$ 151,990	\$ 84,574	\$ -	\$ -	\$ -	\$ -

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, 2019, these were summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 140
General Fund	Capital Nonrecurring Fund	313,930
Education Grants Fund	General Fund	45,553
Nonmajor Governmental Funds	Capital Nonrecurring Fund	12,230
Nonmajor Governmental Funds	General Fund	15,256
		\$ 387,109

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2019 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewer Fund	\$ 118,871
Capital Nonrecurring Fund	General Fund	9,000
Water and Sewer Fund	Capital Nonrecurring Fund	13,312
		\$ 141,183

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 9,171,397	\$ 361,221	\$ -	\$ 9,532,618
Construction in progress	1,103,029	6,000	(1,103,029)	6,000
Total capital assets, not being depreciated	<u>10,274,426</u>	<u>367,221</u>	<u>(1,103,029)</u>	<u>9,538,618</u>
Capital assets, being depreciated:				
Buildings and systems	10,290,574	702,342	-	10,992,916
Machinery and equipment	4,475,352	118,257	-	4,593,609
Infrastructure	16,943,478	1,786,494	-	18,729,972
Total capital assets, being depreciated	<u>31,709,404</u>	<u>2,607,093</u>	<u>-</u>	<u>34,316,497</u>
Less accumulated depreciation for:				
Buildings and systems	(5,565,769)	(130,570)	-	(5,696,339)
Machinery and equipment	(2,647,992)	(167,966)	-	(2,815,958)
Infrastructure	(4,063,193)	(587,739)	-	(4,650,932)
Total accumulated depreciation	<u>(12,276,954)</u>	<u>(886,275)</u>	<u>-</u>	<u>(13,163,229)</u>
Total capital assets, being depreciated, net	<u>19,432,450</u>	<u>1,720,818</u>	<u>-</u>	<u>21,153,268</u>
Governmental activities capital assets, net	<u>\$ 29,706,876</u>	<u>\$ 2,088,039</u>	<u>\$ (1,103,029)</u>	<u>\$ 30,691,886</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

	Depreciation Expense
General Government	\$ 675,901
Education	81,255
Public Safety	69,011
Public Works	60,108
	<u>\$ 886,275</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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	\$ 5,598,552	\$ 26,625	\$ -	\$ 5,625,177
Machinery and equipment	731,181	-	-	731,181
Total capital assets, being depreciated	<u>6,329,733</u>	<u>26,625</u>	<u>-</u>	<u>6,356,358</u>
Less accumulated depreciation for:				
Buildings and systems	\$ (2,312,080)	\$ (113,106)	\$ -	\$ (2,425,186)
Machinery and equipment	(413,122)	(21,140)	-	(434,262)
Total accumulated depreciation	<u>(2,725,202)</u>	<u>(134,246)</u>	<u>-</u>	<u>(2,859,448)</u>
Total capital assets, being depreciated, net	<u>\$ 3,604,531</u>	<u>\$ (107,621)</u>	<u>\$ -</u>	<u>\$ 3,496,910</u>

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

	Depreciation Expense
Water and sewer	<u>\$ (134,246)</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, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 8,847,860	\$ 7,160,000	\$ (7,822,860)	\$ 8,185,000	\$ 4,140,000
Direct borrowings and direct placements:					
Notes payable	635,460	-	(34,252)	601,208	34,943
Other liabilities:					
Compensated absences	62,884	5,928	(8,002)	60,810	6,081
Post closure landfill costs	7,200	-	(1,200)	6,000	1,200
Net OPEB obligation	604,903	38,776	-	643,679	-
	<u>\$ 10,158,307</u>	<u>\$ 7,204,704</u>	<u>\$ (7,866,314)</u>	<u>\$ 9,496,697</u>	<u>\$ 4,182,224</u>

Each governmental funds 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, 2019**

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, 2019 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
General	2006	\$ 1,600,000	4/1/2025	3.75-5.00%	\$ 495,000
General	2009	1,810,000	12/1/2024	2.50-4.00%	660,000
General	2013	5,290,000	6/30/2034	3.50-4.375%	3,450,000
General	2017	3,682,860	9/12/2018	2.00%	-
General	2018	3,580,000	1/31/2019	3.25%	-
General	2019	3,580,000	9/13/2019	3.75%	3,580,000
					\$ 8,185,000

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

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2020	\$ 4,140,000	\$ 312,574	\$ 4,452,574
2021	545,000	159,624	704,624
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
	\$ 8,185,000	\$ 1,207,867	\$ 9,392,867

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2019 totaled \$377,021, which includes \$32,150 of expensed bond issuance costs.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, approximately \$161,077 of bonds outstanding are considered defeased.

NOTE 9 - LOANS AND NOTES PAYABLE

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. Annual debt service requirements to maturity for the loans and notes payable are as follows:

Year ending June 30:	Governmental Activities		
	Notes and Loans		
	Principal	Interest	Total
2020	\$ 34,943	\$ 11,705	\$ 46,648
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	42,673	3,975	46,648
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>\$ 601,208</u>	<u>\$ 94,628</u>	<u>\$ 695,836</u>

Interest incurred and expensed on loans and notes payable for the year ended June 30, 2019 totaled \$12,392.

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 6 years totals \$7,200.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – POST CLOSURE LANDFILL COSTS (Continued)

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 \$730.

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, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
Compensated absences	\$ 11,977	701	-	\$ 12,678

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	\$ 5,446,528				
Debt limitation base	\$ 5,446,528				
	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 12,254,688	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	24,509,376	-	-	-
3-3/4 times base	-	-	20,424,480	-	-
3-1/4 times base	-	-	-	17,701,216	-
3 times base	-	-	-	-	16,339,584
Total debt limitation	\$ 12,254,688	\$ 24,509,376	\$ 20,424,480	\$ 17,701,216	\$ 16,339,584
Indebtedness:					
Bonds and notes payable	\$ 7,159,258	\$ 352,205	\$ 1,274,744	\$ -	\$ -
Debt limitation in excess of outstanding and authorized debt	\$ 5,095,430	\$ 24,157,171	\$ 19,149,736	\$ 17,701,216	\$ 16,339,584
In no case shall total indebtedness exceed seven times the annual receipts from taxation					\$ 38,125,696

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.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 - NET POSITION (Continued)

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	\$	211,780
Education		2,655
Capital Projects		6,473
		\$ 220,908

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.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets". At June 30, 2019, the Town of Sprague had a deficit unrestricted net position of (\$1,644,335) in its governmental activities, while it reported a positive unrestricted net position of \$444,715 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
Nonspendable					
Not in spendable form					
Prepaid expenditures	\$ 818	\$ 109	\$ -	\$ -	\$ 100
Inventories	2,457	-	-	-	1,797
Required to be maintained					
Trust principal	-	-	-	-	1,250
	\$ 3,275	\$ 109	\$ -	\$ -	\$ 3,147

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 - FUND BALANCES (Continued)

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds
Restricted					
General Government	\$ -	\$ -	\$ -	\$ 211,780	\$ -
Education	-	-	-	-	2,655
Capital Projects	-	6,473	-	-	-
	<u>\$ -</u>	<u>\$ 6,473</u>	<u>\$ -</u>	<u>\$ 211,780</u>	<u>\$ 2,655</u>
Committed					
Capital Projects	<u>\$ -</u>	<u>\$ 151,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned					
General Government	\$ -	\$ -	\$ -	\$ 792	\$ 15,556
Education	-	-	-	-	51,966
Public Safety	-	-	-	-	49,489
Capital Projects	-	31,226	-	-	-
To balance next year's budget	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 31,226</u>	<u>\$ -</u>	<u>\$ 792</u>	<u>\$ 117,011</u>
Unassigned	<u>\$ (822,566)</u>	<u>\$ (640,514)</u>	<u>\$ (1,412)</u>	<u>\$ -</u>	<u>\$ (40)</u>

NOTE 15 - PENSION AND OTHER POST RETIREMENT PLANS

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 (TRS), a cost-sharing multiemployer defined benefit pension plan administered by the Teachers' Retirement Board (TRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. The TRS issues a publically available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability, and death 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.

Normal Retirement – Retirement benefits for the employees are calculated as two percent of the average annual salary times the number of years of credited service (maximum benefit is seventy-five percent of the average annual salary during the three years of highest salary).

In addition, amounts derived from the accumulation of the six percent contributions made prior to July 1, 1989 and voluntary contributions are payable.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

TEACHERS' RETIREMENT SYSTEM *(Continued)*

Benefit Provisions *(Continued)*

Early Retirement – Employees are eligible after twenty-five years of credited service with a minimum of twenty years of Connecticut service, or at age fifty-five with twenty years of credited service with a minimum of fifteen years of Connecticut service. Benefit amounts are reduced by six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding retirement age. Effective July 1, 1999, the reduction for individuals with thirty or more years of service is three percent per year by which retirement precedes normal retirement date.

Minimum Benefit – Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut Service at retirement.

Disability Benefit – Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as two percent per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than fifteen percent, nor more than fifty percent. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed seventy-five percent of average annual salary.

A plan member who leaves service and has attained ten years of service will be entitled to one hundred percent of the accrued benefit as of the date of termination of covered employment. 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.

Pre-Retirement Death Benefit – The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

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 are amended and certified by the TRB and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

TEACHERS' RETIREMENT SYSTEM (Continued)

Contributions (Continued)

Employer (School Districts)

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

Employees

Effective July 1, 1992, each teacher is required to contribute six percent of their annual pensionable salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to seven percent of annual pensionable salary.

Administrative Expenses

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

Town's Proportionate Share of the Collective Net Pension Liability

At June 30, 2019, 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		6,244,614
Net Pension Liability	\$	6,244,614

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	\$	700,848
Proportion Basis		Employee contributions
Change in proportion since prior measurement date		None

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

TEACHERS' RETIREMENT SYSTEM (Continued)

Actuarial Methods and Significant 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	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation
Administrative Expenses	\$0 assumption as expenses are paid for by the General Assembly

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, and further adjusted to grade increases (five percent for females and eight percent for males) over age eighty. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2017 with the BB improvement scale is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

TEACHERS' RETIREMENT SYSTEM (Continued)

Long-Term Rate of Return (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Core Fixed Income	7.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	5.00%	3.70%
Inflation Linked Bond Fund	3.00%	1.00%
Cash	6.00%	0.40%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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 the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 8.00%	1% Increase
State's Net Pension Liability	\$ 7,892,056	\$ 6,244,614	\$ 4,851,421

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

TEACHERS' RETIREMENT SYSTEM (*Continued*)

Other Information

Additional information is included in the required supplementary information section of the financial statements.

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 \$16,025.

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.

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.

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.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Benefit Provisions (*Continued*)

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.

Administrative Expenses

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

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	5.95% decreasing to 4.75% by 2025 (Pre-Medicare) 5.00% decreasing to 4.75% by 2028 (Medicare)
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	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.

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 0.27%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. 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.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Discount Rate (*Continued*)

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 .047438% or \$1,248,358. The Town recognized on-behalf revenues and expenditures of \$414,704 in connection with this plan.

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.

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, 2017, plan membership consisted of 34 participants, of which 31 were active employees and 3 were retirees.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

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.

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:

Latest Actuarial Date	July 1, 2017
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Investment Rate of Return	3.51% (June 30, 2019) (Prior: 3.87%)
Payroll Growth Rate	2.60% (Prior 3.0%)
Inflation	2.60% (Prior 3.0%)
Healthcare Cost Trend Rates	7.50% for 2017, decreasing 0.5% per year, to an ultimate rate of 4.60% for 2023 and beyond
Asset Valuation Method	N/A

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Actuarial Methods and Significant Assumptions (Continued)

Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.
Retirement	As used in the Connecticut State Teachers' Retirement System 2016 Pension Valuation
Future Retiree Coverage	100% of all actives eligible at retirement are assumed to elect coverage. 20% of non-Medicare eligible teachers continue coverage after age 65.
Future Dependent Coverage	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 3.51% and was based on the published Bond Buyer General Obligation 20-Bond Municipal Index effective as of June 30, 2019.

Total OPEB expense recognized for this Plan for the year ended June 30, 2019 was \$36,869.

Changes in the OPEB Liability

Changes in the OPEB liability for the year ended June 30, 2019 are as follows:

Balance as of June 30, 2018	\$ 604,903
Changes for the year:	
Service cost	20,633
Interest	24,077
Differences between expected and actual experience	(21,666)
Changes of assumptions	22,587
Benefit payments	<u>(6,855)</u>
Net changes	<u>38,776</u>
Balance as of June 30, 2019	<u>\$ 643,679</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 3.51% as well as what the Town’s net OPEB liability if it were calculated using a discount rate that is 1 percentage lower (2.51%) or 1 percentage higher (4.51%)

	1% Decrease 2.51 %	Current Discount Rate 3.51%	1% Increase 4.51%
Total OPEB liability as of June 30, 2019	<u>\$ 713,267</u>	<u>\$ 643,679</u>	<u>\$ 583,797</u>

The following presents the total OPEB liability of the Town, calculated using the current health care cost trend rate of 7.50% 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 (6.50% decreasing to 3.60%) or 1 percentage higher (8.50% decreasing to 5.60%).

	6.50% decreasing to 3.60%	7.50% decreasing to 4.60%	8.50% decreasing to 5.60%
Total OPEB liability as of June 30, 2019	<u>\$ 565,695</u>	<u>\$ 643,679</u>	<u>\$ 737,449</u>

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

As of June 30, 2019, 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	\$ 3,067	\$ (20,073)
Changes of assumptions	20,926	(15,290)
Total	<u>\$ 23,993</u>	<u>\$ (35,363)</u>

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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,	
2020	\$ (986)
2021	(986)
2022	(986)
2023	(986)
2024	(986)
2025 and thereafter	<u>(6,440)</u>
	<u><u>\$ (11,370)</u></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, 2019**

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, 2019, the Town received its scheduled payment of \$200,000, while the abated taxes were estimated at \$435,000.

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 – SUBSEQUENT EVENTS

Bond Anticipation Note

On September 13, 2019, the Town issued \$3,440,000 of Bond Anticipation Notes, with interest at 2.50% to finance certain capital and nonrecurring projects and to pay down current Bond Anticipation Notes. The Notes mature on September 10, 2020.

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

TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 – SUBSEQUENT EVENTS (Continued)

Connecticut Office of Policy and Management – Restructuring Funds (Continued)

Management (“OPM”) to receive \$500,000 in Municipal Restructuring Funds, with the option to receive an additional \$400,000 at the Secretary of the OPM’s sole discretion. The Town received \$500,000 in September 2019. The purpose of these funds is to pay down outstanding obligations of the Town and to eliminate its General Fund balance deficit.

Repayment of the Municipal 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.

Land Lease

Subsequent to year end, 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 begins 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.

NOTE 21 – 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, 2018. Management is currently assessing the impact of this standard on the Town.
- 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 December 15, 2019. Earlier application is encouraged. Management is currently assessing the impact of this standard on the Town.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 21 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE (*Continued*)

- GASB Statement 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period* – This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 90 – *Majority Equity Interests, an 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Management does not expect this statement to have a significant impact on the Town.
- 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, 2020 (the Town’s year ending June 30, 2022). Management does not expect this statement to have a significant impact on the Town.

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, 2019

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
PROPERTY TAXES					
Current year taxes	\$ 5,226,272	\$ -	\$ 5,226,272	\$ 5,289,842	\$ 63,570
PILOT Solar Farm	200,000	-	200,000	200,000	-
Prior year taxes	145,000	-	145,000	63,212	(81,788)
Interest and lien fees	55,000	-	55,000	35,669	(19,331)
Motor vehicle supplement	52,000	-	52,000	74,061	22,061
	<u>5,678,272</u>	<u>-</u>	<u>5,678,272</u>	<u>5,662,784</u>	<u>(15,488)</u>
STATE GRANTS - SCHOOL					
Education cost sharing (ECS)	2,640,814	-	2,640,814	2,615,689	(25,125)
	<u>2,640,814</u>	<u>-</u>	<u>2,640,814</u>	<u>2,615,689</u>	<u>(25,125)</u>
STATE GRANTS - LOCAL					
MRSA municipal projects	386,528	-	386,528	386,528	-
Town aid roads (TAR)	151,219	-	151,219	151,064	(155)
MRSA property tax relief	-	-	-	-	-
Mashantucket Pequot grant	17,479	-	17,479	17,479	-
Adult Education	-	-	-	-	-
State police overtime reimbursement	15,000	-	15,000	14,796	(204)
Elderly tax relief - homeowners	9,900	-	9,900	-	(9,900)
Elderly and disabled transportation grant	8,800	-	8,800	8,543	(257)
Telecommunication property grant	8,700	-	8,700	5,416	(3,284)
PILOT state property	6,156	-	6,156	6,156	-
Veterans tax relief	2,394	-	2,394	2,518	124
Emergency management agency	2,800	-	2,800	-	(2,800)
Disability exemption reimbursement	665	-	665	491	(174)
Judicial 10th circuit	200	-	200	2,445	2,245
	<u>609,841</u>	<u>-</u>	<u>609,841</u>	<u>595,436</u>	<u>(14,405)</u>
LOCAL REVENUES					
Waste management	52,000	-	52,000	56,651	4,651
Principal subsidy for Resv. Dam project	45,000	-	45,000	45,000	-
Interest subsidy for Resv. Dam project	29,065	-	29,065	27,223	(1,842)
Landfill receipts	25,000	-	25,000	22,011	(2,989)
Building permit fees	20,000	-	20,000	31,999	11,999
Conveyance tax	17,000	-	17,000	18,316	1,316
Land records, maps, etc.	10,000	-	10,000	12,187	2,187
Copies and fax machine	5,000	-	5,000	5,697	697
Permit fees, planning and zoning, inlands and wetlands	4,000	-	4,000	2,822	(1,178)
Newsletter	3,000	-	3,000	2,321	(679)
Dog license fees	2,750	-	2,750	1,145	(1,605)
Transportation subsidy (SCRRRA)	2,000	-	2,000	3,977	1,977
License and permit fees	1,000	-	1,000	985	(15)
Interest income	1,000	-	1,000	6,668	5,668
Farmland preservation	950	-	950	1,104	154
Sundry receipts	200	-	200	400	200
Marriage licenses	150	-	150	192	42
Sportsman licenses	150	-	150	114	(36)
Miscellaneous local revenues	-	-	-	277,331	277,331
	<u>218,265</u>	<u>-</u>	<u>218,265</u>	<u>516,143</u>	<u>297,878</u>
Total revenues	<u>9,147,192</u>	<u>-</u>	<u>9,147,192</u>	<u>9,390,052</u>	<u>242,860</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, 2019

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
GENERAL GOVERNMENT					
Board of Selectmen	92,838	24	92,862	92,862	-
Elections	15,000	2,045	17,045	17,045	-
Board of Finance	250	(17)	233	233	-
Auditing	23,650	(4,750)	18,900	18,900	-
Bookkeeper	28,650	(437)	28,213	28,213	-
Tax Assessor	25,180	(2,266)	22,914	22,914	-
Tax Collector	29,838	-	29,838	29,838	-
Town Treasurer	2,400	-	2,400	2,400	-
Town Council	25,000	(6,236)	18,764	18,764	-
Town Clerk	52,675	604	53,279	53,279	-
Telephone services and website	11,500	155	11,655	11,655	-
Pool secretaries	57,764	(424)	57,340	57,340	-
Town office building	38,822	(1,273)	37,549	37,549	-
Grants/contracts manager	33,422	(1,577)	31,845	31,845	-
Planning and zoning commission	25,171	(6,104)	19,067	19,067	-
Land use	800	(70)	730	730	-
Economic development	900	(300)	600	600	-
Conservation commission	1,100	(1,018)	82	82	-
Conservation/Wetlands enforcement officer	8,500	(2,007)	6,493	6,493	-
Highways	398,048	7,210	405,258	405,258	-
Tree maintenance	13,000	(1,364)	11,636	11,636	-
Street lighting	20,000	(5,953)	14,047	14,047	-
Social security	62,361	(1,424)	60,937	60,937	-
Deferred compensation	16,025	-	16,025	16,025	-
Regional planning agencies	39,253	(1,259)	37,994	37,994	-
Insurance	190,265	(5,034)	185,231	185,231	-
Police department	185,931	3,052	188,983	188,983	-
Fire department	107,329	(369)	106,960	106,960	-
Emergency management	4,030	(8)	4,022	4,022	-
Fire marshal	11,376	(529)	10,847	10,847	-
Building official	20,996	(299)	20,697	20,697	-
Blight enforcement officer	3,829	(26)	3,803	3,803	-
Sanitation and waste removal	57,300	17,297	74,597	74,597	-
Waste management	50,642	12,094	62,736	62,736	-
Commission on aging	91,121	121	91,242	91,242	-
Capital projects	11,000	13	11,013	11,013	-
Parks and playground	2,000	6	2,006	2,006	-
Recreation commission	15,770	-	15,770	15,770	-
Recreation facilities	2,200	(315)	1,885	1,885	-
Recreation events	7,833	(205)	7,628	7,628	-
Other recreation programs	1,250	-	1,250	1,250	-
Grist mill	17,122	1,029	18,151	18,151	-
Historical museum	7,226	(1,782)	5,444	5,444	-
Library	74,908	(3,063)	71,845	71,845	-
Miscellaneous	22,233	1,531	23,764	23,764	-
Water and sewer authority	7,500	701	8,201	8,201	-
Computer service and supplies	50,769	106	50,875	50,875	-
Total general government	1,964,777	(2,121)	1,962,656	1,962,656	-

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, 2019

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
BOARD OF EDUCATION	6,328,668	-	6,328,668	6,289,091	39,577
DEBT SERVICE					
Principal payments	660,093	2,121	662,214	662,860	(646)
Interest and fiscal charges	201,419	-	201,419	201,419	-
Total debt service	<u>861,512</u>	<u>2,121</u>	<u>863,633</u>	<u>864,279</u>	<u>(646)</u>
OTHER FINANCING USES					
Transfer out - Capital Nonrecurring Fund	<u>9,000</u>	-	<u>9,000</u>	<u>9,000</u>	-
Total expenses and other financing uses	<u>9,163,957</u>	-	<u>9,163,957</u>	<u>9,125,026</u>	<u>38,931</u>
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (16,765)</u>	<u>\$ -</u>	<u>\$ (16,765)</u>	265,026	<u>\$ 281,791</u>
Adjustments to Generally Accepted Accounting Principals (GAAP):					
On behalf revenues from teacher's retirement and OPEB netted in budget				1,115,552	
On behalf expenditures from teacher's retirement and OPEB netted in budget				(1,115,552)	
Revenues from education grants netted in budget				177,701	
Expenditures from education grants netted in budget				(177,701)	
Transfers in from Water and Sewer Funds				46,648	
Payment of Water and Sewer debt				(46,648)	
Change in accrued payroll - Town				<u>(73)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) - GAAP Basis				<u>\$ 264,953</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**

	2019	2018
Balance, beginning of year	\$ 604,903	\$ 601,477
Changes for the year:		
Service cost	20,633	20,930
Interest	24,077	21,838
Differences between expected and actual experience	(21,666)	3,595
Changes of assumptions	22,587	(17,926)
Benefit payments	(6,855)	(25,011)
Net changes	38,776	3,426
Balance, end of year	\$ 643,679	\$ 604,903
 Town's covered payroll	 \$ 1,977,969	 \$ 1,927,845
 Total OPEB liability as a percentage of its covered payroll	 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 3.51% as of June 30, 2019 (Prior was 3.87%).

Rate of Compensation Increase 2.60% (Prior was 3.0%).

Inflation 2.60% (Prior was 3.0%).

Mortality RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

(Prior was RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015).

Mortality Improvement Projected to date of decrement using Scale MP-2017.

(Prior was projected to date of decrement using Scale MP-2015).

**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**

	2019	2018
Town's proportion of the net OPEB liability	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	\$ 1,248,358	\$ 1,780,523
Total proportionate share of the collective net pension liability	\$ 1,248,358	\$ 1,780,523
Town's covered payroll	\$ 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%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

NOTES TO THE SCHEDULE:

Benefit changes: None

Changes in assumptions: The discount rate was increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index rate. The assumed long-term investment rate of return was increased from 2.75%, net of OPEB plan expenses, including inflation, to 3.00% (also net of OPEB plan expenses, including inflation).

Valuation Date:	June 30, 2018
Inflation	2.75%
Wage Inflation	3.25%
Salary increases	3.25-6.5%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, 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
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
CONNECTICUT TEACHERS' RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS**

	<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%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	<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>\$ 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	\$ 1,977,969	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	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 2019 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	2.75%
Salary increase	3.25-6.5%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, 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, 2019**

	Nonmajor Special Revenue Funds	Permanent Fund - Lovett Cemetery Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 92,180	\$ 1,210	\$ 93,390
Due from other funds	27,486	-	27,486
Inventories	1,797	-	1,797
Prepaid expenditures	100	-	100
Total assets	<u>\$ 121,563</u>	<u>\$ 1,210</u>	<u>\$ 122,773</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	1,897	1,250	3,147
Restricted	2,655	-	2,655
Assigned	117,011	-	117,011
Unassigned	-	(40)	(40)
Total fund balances	<u>121,563</u>	<u>1,210</u>	<u>122,773</u>
Total liabilities and fund balances	<u>\$ 121,563</u>	<u>\$ 1,210</u>	<u>\$ 122,773</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, 2019**

	<u>Nonmajor Special Revenue Funds</u>	<u>Permanent Fund - Lovett Cemetery Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental revenues	\$ 113,607	\$ -	\$ 113,607
Local revenues	22,717	1	22,718
Total revenues	<u>136,324</u>	<u>1</u>	<u>136,325</u>
EXPENDITURES			
Current:			
General government	5,821	-	5,821
Public safety	-	-	-
Education	146,562	-	146,562
Total expenditures	<u>152,383</u>	<u>-</u>	<u>152,383</u>
Excess (deficiency) of revenues over expenditures	(16,059)	1	(16,058)
Fund balances, beginning of year	<u>137,622</u>	<u>1,209</u>	<u>138,831</u>
Fund balances, end of year	<u>\$ 121,563</u>	<u>\$ 1,210</u>	<u>\$ 122,773</u>

**TOWN OF SPRAGUE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019**

	Library Fund	Dog Fund	Child Nutrition Fund	Recreation Fund	School Fund	Senior Smile Fund	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 2,831	\$ 49,489	\$ 36,710	\$ -	\$ 2,655	\$ 495	\$ 92,180
Due from other funds	-	-	15,256	12,230	-	-	27,486
Inventories	-	-	1,797	-	-	-	1,797
Prepaid Expenses	-	-	-	-	-	100	100
Total assets	<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>
LIABILITIES							
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>
FUND BALANCES							
Nonspendable	-	-	1,797	-	-	100	1,897
Restricted	-	-	-	-	2,655	-	2,655
Assigned	2,831	49,489	51,966	12,230	-	495	117,011
Total fund balances	<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>
Total liabilities and fund balances	<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>

See Independent Auditors' Report

TOWN OF SPRAGUE, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Library Fund	Dog Fund	Child Nutrition Fund	Recreation Fund	School Fund	Senior Smile Fund	Total Nonmajor Special Revenue Funds
REVENUES							
Intergovernmental revenues	\$ 440	\$ -	\$ 113,167	\$ -	\$ -	\$ -	\$ 113,607
Local revenues	771	-	12,195	5,415	2	4,334	22,717
Total revenues	<u>1,211</u>	<u>-</u>	<u>125,362</u>	<u>5,415</u>	<u>2</u>	<u>4,334</u>	<u>136,324</u>
EXPENDITURES							
Current:							
General government	642	-	-	662	-	4,517	5,821
Education	-	-	146,365	-	197	-	146,562
Total expenditures	<u>642</u>	<u>-</u>	<u>146,365</u>	<u>662</u>	<u>197</u>	<u>4,517</u>	<u>152,383</u>
Excess (deficiency) of revenues over expenditures	569	-	(21,003)	4,753	(195)	(183)	(16,059)
Fund balances, beginning of year	<u>2,262</u>	<u>49,489</u>	<u>74,766</u>	<u>7,477</u>	<u>2,850</u>	<u>778</u>	<u>137,622</u>
Fund balances, end 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>

See Independent Auditors' Report

TOWN OF SPRAGUE, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

	Student Activity Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 22,343	\$ 26,655	\$ (32,435)	\$ 16,563
LIABILITIES				
Due to Students	\$ 22,343	\$ 26,655	\$ (32,435)	\$ 16,563

	Parent - Teacher Organization Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 4,853	\$ 25,977	\$ (21,667)	\$ 9,163
LIABILITIES				
Due to Students	\$ 4,853	\$ 25,977	\$ (21,667)	\$ 9,163

	Total Agency Funds			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 27,196	\$ 52,632	\$ (54,102)	\$ 25,726
LIABILITIES				
Due to Students	\$ 27,196	\$ 52,632	\$ (54,102)	\$ 25,726

See Independent Auditors' Report

**TOWN OF SPRAGUE, CONNECTICUT
REPORT OF THE PROPERTY TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2019**

Grand List	Taxes Receivable July 01, 2018	Current Year Levy	Lawful Corrections		Transfer to Suspense	Net Taxes Collectable	Collections during the Year				Taxes Receivable June 30, 2019
			Additions	Deductions			Taxes	Susp. Tax/ Overpmts	Interest & Liens	Total	
2017	\$ -	\$ 5,448,083	\$ 4,564	\$ (19,883)	\$ -	\$ 5,432,764	\$ 5,313,669	\$ (4,934)	\$ 23,479	\$ 5,332,214	\$ 119,095
2016	117,787	-	556	(3,186)	-	115,157	69,186	(149)	15,315	84,352	45,971
2015	46,853	-	-	(2,246)	(22,510)	22,097	16,019	-	6,775	22,794	6,078
2014	5,542	-	-	-	-	5,542	3,769	-	1,148	4,917	1,773
2013	29,925	-	-	-	(28,451)	1,474	1,493	-	758	2,251	(19)
2012	6	-	-	-	-	6	-	-	-	-	6
2011	95	-	-	-	-	95	-	-	-	-	95
2010	(103)	-	-	-	-	(103)	-	-	-	-	(103)
2009	(32)	-	-	-	-	(32)	-	-	-	-	(32)
2008	108	-	-	-	-	108	-	-	-	-	108
2007	108	-	-	-	-	108	-	-	-	-	108
Prior	147	-	155	-	-	302	-	-	-	-	302
	<u>\$ 200,436</u>	<u>\$ 5,448,083</u>	<u>\$ 5,275</u>	<u>\$ (25,315)</u>	<u>\$ (50,961)</u>	<u>\$ 5,577,518</u>	<u>\$ 5,404,136</u>	<u>\$ (5,083)</u>	<u>\$ 47,475</u>	<u>\$ 5,446,528</u>	<u>\$ 173,382</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, 2015

	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
Restricted Fund Balance											
<i>General Government</i>											
Historic Document Preservation Func	\$ 3,569	\$ -	\$ -	\$ -	\$ 5,604	\$ 9,173	\$ (4,500)	\$ -	\$ 4,673	\$ -	\$ 4,673
Town Clerk - Mers Grantee	1,470	-	-	-	330	1,800	-	-	1,800	-	1,800
Agricultural Viability Grant	1,090	-	-	-	1,837	2,927	(1,837)	(1,090)	-	-	-
LOCIP	(1,763)	-	-	-	-	(1,763)	-	-	(1,763)	1,763	-
Baltic Mills Brownfield	(23,619)	-	-	-	364,835	341,216	(384,755)	-	(43,539)	43,539	-
41 West Main Street Renovations	-	-	-	-	94,316	94,316	(94,316)	-	-	-	-
SC 2018 Housing Rehabilitation Program	-	-	-	-	2,100	2,100	(2,100)	-	-	-	-
<i>Public Works</i>											
CT Main Street/LOTICIP/Tap Set Aside	9,167	-	-	-	473,971	483,138	(532,494)	-	(49,356)	49,356	-
Town Garage Refurbishing	(53,701)	-	-	-	30,145	(23,556)	-	-	(23,556)	23,556	-
Cold Storage Building FY17	(102,483)	-	-	-	71,290	(31,193)	(80,323)	-	(111,516)	111,516	-
<i>Public Safety</i>											
Hanover Reservoir Dam	(17,996)	-	-	-	-	(17,996)	-	-	(17,996)	17,996	-
Shetucket River Walkway Grant	-	-	-	-	-	-	(312)	-	(312)	312	-
<i>Elimination Deficit Balances</i>											
Total Restricted Fund Balance	(184,266)	-	-	-	1,044,428	860,162	(1,100,637)	(1,090)	(241,565)	248,038	6,473
Committed Fund Balance											
<i>General Government</i>											
Open Space	303,279	-	-	-	21,787	325,066	(343,073)	371	(17,636)	17,636	-
Foley Property Survey	-	-	-	-	-	-	(7,120)	-	(7,120)	7,120	-
Library Technology	3,639	-	3,000	-	-	6,639	(3,012)	-	3,627	-	3,627
Elections Technology	338	-	-	-	-	338	-	(338)	-	-	-
Senior Center Technology (FY18)	(5,000)	-	-	-	-	(5,000)	-	-	(5,000)	5,000	-
Plan of Conserv. & Dev.	21,222	-	-	-	-	21,222	(2,470)	-	18,752	-	18,752
Salary 27th Pay Period	14,000	-	3,000	-	-	17,000	-	-	17,000	-	17,000
Town Facilities Technology	1,082	-	3,000	-	-	4,082	-	338	4,420	-	4,420
BFD Technology	560	-	-	-	-	560	-	(560)	-	-	-
Misc Technical Items	567	-	-	-	-	567	-	(567)	-	-	-
Robinson Property Survey	(27,200)	-	-	-	-	(27,200)	-	-	(27,200)	27,200	-
Revaluation	17,625	-	-	-	-	17,625	(14,806)	-	2,819	-	2,819
Town Hall File Cabinets FY13	-	-	-	-	-	-	-	-	-	-	-
<i>Public Works</i>											
Miscellaneous Tools & Equipment FY18	214	-	-	-	-	214	-	(214)	-	-	-
Sidewalk Phase VIII (River St Phase II)	20,563	-	-	-	-	20,563	(21,147)	-	(584)	584	-
<i>Public Works Dept Equipment Acquisitions</i>											
PW Mower FY 17	1,195	-	-	-	-	1,195	(1,195)	-	-	-	-
PW Dump Truck FY 17	1,420	-	-	-	-	1,420	(1,421)	20	19	-	19
PW Mason Dump Body Replacement FY18	55,847	-	-	-	-	55,847	(55,816)	-	31	-	31
River Park Dry Hydrants FY 17	1,264	-	-	-	-	1,264	-	-	1,264	-	1,264
Water Supply Plan	23,500	-	-	-	-	23,500	(23,245)	-	255	-	255
Water & Sewer Capital Upgrades FY18	25,000	-	-	-	-	25,000	(13,313)	-	11,687	-	11,687
Security Equipment Acquisition & Installation FY 17	419	-	-	-	-	419	(419)	-	-	-	-
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, 2015

	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	(11,169)	-	-	-	30,290	19,121	(87,393)	-	(68,272)	68,272	-
Roads 2019-2020	-	-	-	-	-	-	(3,870)	-	(3,870)	3,870	-
School Hill Road Emergency Culvert Repair	-	-	-	-	-	-	(69,284)	-	(69,284)	69,284	-
Snow Blower Replacement	20	-	-	-	-	20	-	(20)	-	-	-
<i>Public Safety</i>											
Security Equipment - Cameras at Town Sites FY18	2,243	-	-	-	-	2,243	(5,257)	1,341	(1,673)	1,673	-
BFD Building Impr. FY18	30,642	-	-	-	-	30,642	(10,042)	-	20,600	-	20,600
FY10 1986 Seagrave 100' Ladder Truck Repair	727	-	-	-	-	727	(727)	-	-	-	-
FY10 Four Defibrillators	115	-	-	-	-	115	(115)	-	-	-	-
FY09 1988 Ford E-One Pumper ET-324	5,474	-	-	-	-	5,474	(5,474)	-	-	-	-
<i>Education</i>											
Sayles School Improvements FY17	14,791	-	-	-	-	14,791	(14,791)	-	-	-	-
Sayles School Improvements FY18	86,700	-	-	-	-	86,700	(15,991)	-	70,709	-	70,709
<i>Committed</i>											
Total Committed Fund Balance	589,077	-	9,000	-	52,077	650,154	(699,981)	371	(49,456)	200,639	151,183
Assigned Fund Balance											
Bond Proceeds	74,905	-	-	7,160,000	-	7,234,905	(7,312,724)	-	(77,819)	77,819	-
Skateboard Park & Upgrades	1,566	-	-	-	-	1,566	-	-	1,566	-	1,566
Sprague Land Preserve	371	-	-	-	-	371	-	(371)	-	-	-
Christmas Families	-	-	-	-	3,313	3,313	(1,914)	-	1,399	-	1,399
Food Bank	11,701	-	-	-	856	12,557	(1,146)	-	11,411	-	11,411
Rental Property	4,270	(600)	-	-	34,102	37,772	(30,047)	-	7,725	-	7,725
Summer Concerts	9,575	-	-	-	7,000	16,575	(7,450)	-	9,125	-	9,125
Miscellaneous Expense	(3,243)	-	-	-	-	(3,243)	-	-	(3,243)	3,243	-
<i>Assigned</i>	(112,356)	397	-	-	-	(111,959)	-	1,090	(110,869)	110,869	-
Total Assigned Fund Balance	(13,211)	(203)	-	7,160,000	45,271	7,191,857	(7,353,281)	719	(160,705)	191,931	31,226
Unassigned Fund Balance	-	-	-	-	-	-	-	-	-	(640,608)	(640,608)
TOTAL FUND BALANCE	\$ 391,600	\$ (203)	\$ 9,000	\$ 7,160,000	\$ 1,141,776	\$ 8,702,173	\$ (9,153,899)	\$ -	\$ (451,726)	\$ -	\$ (451,726)

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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
1000-Regular Instruction					
1000.51110. Wages Paid to Teachers	\$ 1,099,340	\$ (1,960)	\$ 1,097,380	\$ 1,074,075	\$ 23,305
1000.51120. Wages Paid to Instructional Aides	37,480	-	37,480	20,212	17,268
1000.51130. Wages Paid to Substitute Teachers	-	-	-	-	-
1000.51930. Stipends Paid	-	-	-	-	-
1000.52100. Group Life Insurance- Regular	780	-	780	771	9
1000.52200. FICA/Medicare Employer	20,588	-	20,588	16,218	4,370
1000.52500. Tuition Reimbursement	10,000	(1,000)	9,000	4,322	4,678
1000.52800. Health Insurance- Regular	234,042	(3,000)	231,042	226,113	4,929
1000.53200. Substitutes- Regular Education	24,000	(12,000)	12,000	10,975	1,025
1000.53230. Purchased Pupil Services	1,000	175	1,175	1,894	(719)
1000.54300. Equipment Repairs & Maint	-	-	-	-	-
1000.54420. Equipment Leasing	25,508	-	25,508	24,342	1,166
1000.56100. General Supplies- Regular Education	7,976	(2,065)	5,911	10,316	(4,405)
1000.56110. Instructional Supplies - Regular Education	2,971	-	2,971	746	2,225
1000.56400. Workbooks/Disposables	15,770	(7,590)	8,180	8,180	-
1000.56410. Textbooks	3,000	(824)	2,176	2,176	-
1000.56501. Ink and Toner	8,500	-	8,500	10,360	(1,860)
1000.57300. Equipment- Non Instructional	-	-	-	-	-
1000.57330. Furniture & Fixtures	-	-	-	-	-
1000.57345. Equipment- Instructional	-	-	-	-	-
1000.57350. Software- Instructional	-	-	-	-	-
1000.57351. Software - Non-Instructional	-	-	-	-	-
1000.58100. Dues & Fees	7,634	330	7,964	7,964	-
	<u>1,498,589</u>	<u>(27,934)</u>	<u>1,470,655</u>	<u>1,418,664</u>	<u>51,991</u>
1200-Special Education					
1200.51110. Wages Paid to Teachers	229,562	47,202	276,764	311,050	(34,286)
1200.51120. Wages Paid to Instructional Aides	203,080	-	203,080	213,839	(10,759)
1200.51900. Wages Paid - Other Certified Staff	-	-	-	-	-
1200.51901. Wages Paid - Other Non Certified Staff	77,488	-	77,488	74,421	3,067
1200.52100. Group Life Insurance- SPED	609	200	809	836	(27)
1200.52200. FICA/Medicare Employer	26,973	-	26,973	24,485	2,488
1200.52300. Pension Contributions	1,782	-	1,782	1,301	481
1200.52800. Health Insurance	155,062	-	155,062	166,890	(11,828)
1200.53020. Legal Services - SPED	-	-	-	-	-
1200.53200. Substitutes- SPED	11,300	-	11,300	7,681	3,619
1200.53210. Tutors	-	-	-	-	-
1200.53230. Purchased Pupil Services	25,278	8,070	33,348	31,676	1,672
1200.53300. Other Prof/Tech Services	1,760	240	2,000	1,805	195
1200.54420. Equipment Leasing	-	-	-	-	-
1200.55301. Postage	-	-	-	-	-
1200.55800. Travel Reimbursement	900	-	900	1,003	(103)
1200.56100. General Supplies- Special Education	400	-	400	242	158
1200.56110. Instructional Supplies	-	-	-	-	-
1200.56400. Workbooks/Disposables	1,000	-	1,000	32	968
1200.56410. Textbooks	500	-	500	-	500
1200.58100. Dues & Fees	760	-	760	1,076	(316)
	<u>736,454</u>	<u>55,712</u>	<u>792,166</u>	<u>836,337</u>	<u>(44,171)</u>
1300-Adult Education- Cooperative					
1300.55690. Tuition -Adult Cooperative	16,733	-	16,733	14,950	1,783
	<u>16,733</u>	<u>-</u>	<u>16,733</u>	<u>14,950</u>	<u>1,783</u>
1500-Stipends- Extra Curricular					
1500.51930. Extra Curricular Stipends Paid	10,152	-	10,152	10,152	-
1500.52200. FICA/Medicare Employer	-	-	-	-	-
	<u>10,152</u>	<u>-</u>	<u>10,152</u>	<u>10,152</u>	<u>-</u>
1600-Summer School					
1600.51110. Wages Paid to Teachers - Summer School	2,400	-	2,400	2,400	-
1600.51120. Wages Paid to Inst Aides - Summer School	2,000	(903)	1,097	1,097	-
1600.51901. Wages Paid - Other Non-Cert - Summer School	1,200	(1,200)	-	-	-
1600.52200. FICA/Medicare Employer - Summer School	300	(181)	119	119	-
CONTINUED	<u>5,900</u>	<u>(2,284)</u>	<u>3,616</u>	<u>3,616</u>	<u>-</u>

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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
1700-Tutoring					
1700.000100.51110. Wages Paid to Teachers- Reg Ed	6,986	(2,000)	4,986	975	4,011
1700.000100.51120. Wages Paid to Instructional Aides- Reg Ed	-	-	-	-	-
1700.000100.52200. FICA/Medicare Employer - Reg Ed	330	-	330	-	330
1700.000100.53230. Purchased Pupil Services- Reg Ed	-	-	-	-	-
1700.000200.51110. Wages Paid to Teachers - Spec Ed	548	2,000	2,548	548	2,000
1700.000200.51120. Wages Paid to Instructional Aides- Spec Ed	8,100	-	8,100	6,608	1,492
1700.000200.52200. FICA/Medicare Employer - Spec Ed	686	-	686	513	173
1700.000200.53230. Purchased Pupil Services- Spec Ed	10,140	(2,000)	8,140	6,015	2,125
	<u>26,790</u>	<u>(2,000)</u>	<u>24,790</u>	<u>14,659</u>	<u>10,131</u>
1800-Stipends - Sports Teams					
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>
2110-Social Work Services					
2110.51900. Wages Paid - Social Worker	61,862	-	61,862	59,594	2,268
2110.52100. Group Life Insurance- Social Worker	38	-	38	38	-
2110.52200. FICA/Medicare Employer	897	-	897	916	(19)
2110.52800. Health Insurance - Social Worker	1,410	-	1,410	1,410	-
2110.56110. Instructional Supplies	100	(100)	-	-	-
	<u>64,307</u>	<u>(100)</u>	<u>64,207</u>	<u>61,958</u>	<u>2,249</u>
2130-Health Office					
2130.51901. Wages Paid - School Nurse	90,367	-	90,367	90,195	172
2130.51910. Wages Paid- Nurse Substitutes	4,000	-	4,000	2,003	1,997
2130.51930. Nursing Stipends Paid	1,834	-	1,834	1,834	-
2130.52100. Group Life Insurance- Health Office	66	-	66	69	(3)
2130.52200. FICA/Medicare Employer	6,913	-	6,913	7,104	(191)
2130.52800. Health Insurance- Health Office	9,549	1,486	11,035	11,825	(790)
2130.53230. Purchased Pupil Services	700	(700)	-	-	-
2130.53300. Other Prof/Tech Services	-	-	-	-	-
2130.54300. Repairs & Maint Equipment	200	(200)	-	-	-
2130.55800. Conference/Travel- Health Office	-	-	-	-	-
2130.56100. Supplies	1,600	-	1,600	950	650
2130.56430. Professional Periodicals	100	(31)	69	69	-
2130.58100. Dues & Fees	400	(300)	100	100	-
	<u>115,729</u>	<u>255</u>	<u>115,984</u>	<u>114,149</u>	<u>1,835</u>
2140-Psychological Services					
2140.51900. Wages Paid- School Psychologist	50,712	(5,000)	45,712	45,231	481
2140.52100. Group Life Insurance- Psychologist	38	-	38	22	16
2140.52200. FICA/Medicare Employer	735	-	735	655	80
2140.52800. Health Insurance	-	3,000	3,000	2,753	247
2140.53230. Purchased Pupil Services	1,000	(1,000)	-	-	-
2140.56100. Assessment Supplies	4,000	(3,847)	153	153	-
2140.56110. Instructional Supplies	100	(100)	-	-	-
	<u>56,585</u>	<u>(6,947)</u>	<u>49,638</u>	<u>48,814</u>	<u>824</u>
2150-Speech & Audiology Services					
2150.53230. Purchased Pupil Services	10,292	15,860	26,152	17,724	8,428
2150.54300. Equipment Repairs/Maintenance	-	-	-	-	-
2150.56100. Supplies	775	(229)	546	546	-
	<u>11,067</u>	<u>15,631</u>	<u>26,698</u>	<u>18,270</u>	<u>8,428</u>
2160-PT/OT Services					
2160.53230. Purchased Pupil Services	2,245	14,415	16,660	14,025	2,635
	<u>2,245</u>	<u>14,415</u>	<u>16,660</u>	<u>14,025</u>	<u>2,635</u>
2210-Improvement of Instruction					
2210.53220. In Service	5,000	(3,195)	1,805	1,805	-
2210.55800. Conference/Travel- Professional Development	1,500	(12)	1,488	1,488	-
2210.56100. Supplies	700	(376)	324	324	-
	<u>7,200</u>	<u>(3,583)</u>	<u>3,617</u>	<u>3,617</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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
2220-Library/Media Services					
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	-	-	-	-	-
2220.56430. Periodicals	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2230-Technology					
2230.51901. Wages Paid -Technology Staff	11,188	-	11,188	11,462	(274)
2230.52100. Group Life Insurance- Technology	8	-	8	8	-
2230.52200. FICA/Medicare Employer	856	-	856	859	(3)
2230.52300. Pension Contributions -Technology	-	-	-	-	-
2230.52800. Health Insurance -Technology	1,897	-	1,897	1,897	-
2230.53520. Other Technical Services	68,659	-	68,659	68,655	4
2230.56100. Supplies	1,500	-	1,500	702	798
2230.56500. Technology Supplies	1,000	-	1,000	473	527
2230.57300. Equipment- Non Instructional	-	-	-	-	-
2230.57340. Technology Hardware - Instructional	3,000	(3,000)	-	4,944	(4,944)
2230.57341. Technology Hardware - Non-Instructional	3,000	(2,505)	495	495	-
2230.57345. Equipment - Instructional	-	-	-	-	-
2230.57350. Software - Instructional	17,025	(6,676)	10,349	10,348	1
2230.57351. Software - Non-Instructional	23,324	(498)	22,826	22,826	-
	<u>131,457</u>	<u>(12,679)</u>	<u>118,778</u>	<u>122,669</u>	<u>(3,891)</u>
2310-Board of Education					
2310.51900. Wages Paid- Other Certified Staff	-	-	-	-	-
2310.51901. Wages Paid- Non-Certified Staff	10,894	-	10,894	10,795	99
2310.52100. Group Life Insurance- BOE Office	8	-	8	8	-
2310.52200. FICA/Medicare Employer- BOE Office	833	-	833	788	45
2310.52300. Pension Contributions- BOE Office	2,196	-	2,196	434	1,762
2310.52600. Unemployment Compensation- BOE Office	3,000	(2,481)	519	11	508
2310.52700. Workers' Compensation- BOE Office	22,886	-	22,886	22,884	2
2310.52800. Health Insurance- BOE Office	4,047	-	4,047	4,047	-
2310.53020. Legal Services- BOE Office	35,000	-	35,000	32,774	2,226
2310.53300. Other Prof/Tech Services- BOE Office	-	-	-	-	-
2310.54420. Equipment Leasing- BOE Office	-	-	-	-	-
2310.55200. Property/Liability Insurance- BOE Office	18,848	-	18,848	18,848	-
2310.55301. Postage - BOE Office	-	-	-	-	-
2310.55400. Advertising- BOE Office	500	200	700	700	-
2310.55800. Conference/Travel- BOE Office	300	(300)	-	-	-
2310.56100. Supplies- BOE Office	1,400	(750)	650	568	82
2310.58100. Dues & Fees- BOE Office	2,451	(50)	2,401	2,401	-
2310.58900. Graduation Costs- BOE Office	500	-	500	456	44
	<u>102,863</u>	<u>(3,381)</u>	<u>99,482</u>	<u>94,714</u>	<u>4,768</u>
2320-Superintendents Office					
2320.51900. Wages Paid - Superintendent	61,842	(5,000)	56,842	57,827	(985)
2320.51901. Wages Paid - Non-Certified Staff	10,894	-	10,894	10,795	99
2320.52100. Group Life Insurance- Superintendent Office	308	-	308	356	(48)
2320.52200. FICA/Medicare Employer	1,747	-	1,747	1,626	121
2320.52300. Pension Contributions- Superintendent's Office	2,196	-	2,196	434	1,762
2320.52800. Health Insurance - Superintendent's Office	4,047	-	4,047	4,047	-
2320.55800. Conference/Travel - Superintendent's Office	1,200	(770)	430	430	-
2320.56100. Supplies - Superintendent's Office	300	(197)	103	328	(225)
2320.58100. Dues & Fees- Superintendent's Office	4,326	-	4,326	4,326	-
	<u>86,860</u>	<u>(5,967)</u>	<u>80,893</u>	<u>80,169</u>	<u>724</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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
2400-School Administration Office					
2400.51900. Wages Paid- Principal	106,159	-	106,159	98,203	7,956
2400.51901. Wages Paid- Non-Certified Staff	46,007	-	46,007	46,184	(177)
2400.52100. Group Life Insurance- School Administration Office	223	41	264	278	(14)
2400.52200. FICA/Medicare Employer	3,507	754	4,261	5,001	(740)
2400.52300. Pension Contributions - School Admin Office	1,855	-	1,855	1,923	(68)
2400.52800. Health Insurance - School Administration Office	3,000	-	3,000	3,000	-
2400.53300. Other Professional Services	2,974	(2,974)	-	-	-
2400.55301. Postage	3,500	-	3,500	2,367	1,133
2400.55800. Conference/Travel - School Administration Office	750	-	750	299	451
2400.56100. Supplies	2,500	(1,000)	1,500	1,711	(211)
2400.56430. Professional Periodicals	300	-	300	-	300
2400.58100. Dues & Fees	1,014	-	1,014	1,014	-
	<u>171,789</u>	<u>(3,179)</u>	<u>168,610</u>	<u>159,980</u>	<u>8,630</u>
2510-Business Office					
2510.51901. Wages Paid- Non Certified Staff	110,354	(5,000)	105,354	102,171	3,183
2510.52100. Group Life Insurance- Business Office	189	-	189	129	60
2510.52200. FICA/Medicare Employer	8,442	-	8,442	7,859	583
2510.52300. Pension Contributions- Business Office	5,285	-	5,285	2,367	2,918
2510.52800. Health Insurance- Business Office	27,820	(17,000)	10,820	9,086	1,734
2510.53300. Other Professional Services - Business Office	7,500	(6,000)	1,500	12,377	(10,877)
2510.53410. Audit/Accounting Services- Business Office	25,000	-	25,000	23,954	1,046
2510.55800. Conference/Travel- Business Office	300	(300)	-	-	-
2510.56100. Supplies - Business Office	500	-	500	509	(9)
	<u>185,390</u>	<u>(28,300)</u>	<u>157,090</u>	<u>158,452</u>	<u>(1,362)</u>
2600-Building & Grounds					
2600.51901. Wages Paid- Custodial Staff	106,095	-	106,095	99,422	6,673
2600.52100. Group Life Insurance- Maintenance Department	100	-	100	82	18
2600.52200. FICA/Medicare Employer	8,116	-	8,116	7,426	690
2600.52300. Pension Contributions - Maintenance Office	2,774	-	2,774	1,632	1,142
2600.52800. Health Insurance - Maintenance	18,965	-	18,965	19,899	(934)
2600.54010. Purchased Property Services	23,005	-	23,005	22,958	47
2600.54101. Rubbish Removal	5,600	-	5,600	5,552	48
2600.54300. Equipment Repairs & Maint	15,000	(11,000)	4,000	2,953	1,047
2600.54301. Building Repairs & Maint	7,000	(3,000)	4,000	2,737	1,263
2600.54411. Water	2,700	-	2,700	2,417	283
2600.54412. Sewer	1,900	-	1,900	1,617	283
2600.55300. Communications - Telephone & Internet	15,750	-	15,750	12,444	3,306
2600.55800. Conference/Travel - Building Maintenance	-	-	-	-	-
2600.56100. General Supplies- Maintenance Department	20,000	(3,000)	17,000	28,825	(11,825)
2600.56220. Electricity	60,552	-	60,552	54,820	5,732
2600.56230. Liquid Propane	12,000	-	12,000	9,945	2,055
2600.56240. Heating Oil	24,000	-	24,000	21,068	2,932
2600.56260. Gasoline	400	-	400	352	48
2600.57300. Equipment- Non Instructional	-	-	-	-	-
2600.57330. Furniture & Fixtures	-	-	-	-	-
	<u>323,957</u>	<u>(17,000)</u>	<u>306,957</u>	<u>294,149</u>	<u>12,808</u>
2700-Student Transportation					
2700.55100. Contracted Pupil Transp Reg	392,746	5,041	397,787	388,379	9,408
2700.55108. Contracted Pupil Transp Spec Ed HS	113,753	22,475	136,228	119,555	16,673
2700.55109. Contracted Pupil Transp Spec Ed Elem	46,789	7,000	53,789	43,350	10,439
2700.55150. Contracted Pupil Transp Athletics/Ext Curr	5,500	(5,175)	325	-	325
2700.55151. Contracted Pupil Transp Field Trips	-	-	-	620	(620)
2700.56260. Gasoline	48,000	(7,000)	41,000	36,361	4,639
	<u>606,788</u>	<u>22,341</u>	<u>629,129</u>	<u>588,265</u>	<u>40,864</u>

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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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
6000-HS Tuition					
6000.000100.55610. Tuition- HS Regular Ed- public schools	1,460,486	(20,000)	1,440,486	1,432,084	8,402
6000.000200.55610. Tuition- HS Special Ed- public schools	410,499	25,000	435,499	404,621	30,878
6000.000200.55620. Grants to Be Determined	(205,615)	-	(205,615)	(59,203)	(146,412)
6000.000200.55630. Tuition- HS Special Ed- private schools	256,642	(25,000)	231,642	197,294	34,348
	<u>1,922,012</u>	<u>(20,000)</u>	<u>1,902,012</u>	<u>1,974,796</u>	<u>(72,784)</u>
6100-Elementary Tuition					
6100.55631. Tuition - Elem Special Ed - private schools	131,754	30,780	162,534	148,419	14,115
6100.55660. Tuition- Elem Magnet Schools	114,047	(5,780)	108,267	108,267	-
	<u>245,801</u>	<u>25,000</u>	<u>270,801</u>	<u>256,686</u>	<u>14,115</u>
Total Expenditures	<u>\$ 6,328,668</u>	<u>\$ -</u>	<u>\$ 6,328,668</u>	<u>\$ 6,289,091</u>	<u>\$ 39,577</u>

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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 5, 2020.

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) to determine the 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, MW-2015-003, and MW-2013-001.

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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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 & Malaghan, LLC

Groton, Connecticut

March 5, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

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, 2019. 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, 2019.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as items NC-2019-001 and NC-2019-002. Our opinion on each major state program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 & Malashan, LLC

Groton, Connecticut
March 5, 2020

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE**

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

State Grantor; Pass-through Grantor; Program Title	State Grant Program Core-CT Number	Expenditures
NONEXEMPT PROGRAMS		
CONNECTICUT STATE LIBRARY		
Connecticard Payments	11000-CSL66051-17010	\$ 28
Historic Documents Preservation Grant	12060-CSL66094-35150	4,500
		<u>4,528</u>
DEPARTMENT OF AGRICULTURE		
Agricultural Viability	12060-DAG42710-90456	<u>1,837</u>
DEPARTMENT OF TRANSPORTATION		
Bus Operations	12001-DOT57931-12175	8,543
Town Aid Road Grants Transportation Program	12052-DOT57131-43455	151,064
Fees and Permits	12062-DOT57124-22108	37
Total Department of Transportation		<u>159,644</u>
DEPARTMENT OF HOUSING		
Main Street Investment Fund	12052-DOH46930-43524	500,000
Community Investment Account	12052-DOH46920-35328	94,316
Total Department of Housing		<u>594,316</u>
DEPARTMENT OF JUSTICE		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>1,825</u>
OFFICE OF POLICY AND MANAGEMENT		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	6,156
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	491
Property Tax Relief for Veterans	11000-OPM20600-17024	2,518
Local Capital Improvement	12050-OPM20600-40254	30,145
Municipal Purposes and Projects	12052-OPM20600-43587	386,528
Total Office of Policy and Management		<u>425,838</u>
DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION		
School Security Infrastructure	12052-DPS32161-43546	<u>16,552</u>
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION		
Protected Open Space and Watershed Land Acquisition	12052-DEP43153-43144	<u>123,524</u>
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
Baltic Mill Remediation Grant	20171330021090001A	384,755
		<u>384,755</u>
OFFICE OF EARLY CHILDHOOD		
School Readiness	11000-OEC64845-16274	141,425
School Readiness Quality Enhancement	11000-OEC64845-16158	1,481
Total Office of Early Childhood		<u>142,906</u>
DEPARTMENT OF EDUCATION		
Child Nutrition State Match	11000-SDE64370-16211	1,632
Health Foods Initiative	11000-SDE64370-16212	3,110
Adult Education	11000-SDE64370-17030	16,783
Health and Welfare - Private School Pupil	11000-SDE64370-17034	29,549
School Breakfast Program	11000-SDE64370-17046	2,898
Magnet Schools	11000-SDE64370-17057	6,500
Total Department of Education		<u>60,472</u>
Total State Financial Assistance before Exempt Programs		<u>1,916,197</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Education Cost Sharing	11000-SDE64370-17041	2,615,689
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	108,317
Total Department of Education		<u>2,724,006</u>
OFFICE OF POLICY AND MANAGEMENT		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	<u>17,479</u>
Total Exempt Programs		<u>2,741,485</u>
Total State Financial Assistance		<u>\$ 4,657,682</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, 2019**

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, 2019. 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, 2019**

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, 2019:

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, 2018</u>	<u>Loan Proceeds</u>	<u>Loan Repayments</u>	<u>Balance June 30, 2019</u>
564-CSL	7/31/2014	2%	\$ 775,645	\$ 635,460	\$ -	\$ (34,252)	\$ 601,208

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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>
Department of Housing		
Main Street Investment Fund	12052-DOH46930-43524	\$ 500,000
Community Investment Account	12052-DOH46920-35328	94,316
Department of Energy and Environmental Protection		
Protected Open Space and Watershed Land Acquisition Grant Program	12052-DEP43153-43144	123,524
Office of Policy and Management		
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, 2019**

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

- We issued a report dated February 27, 2020 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 indicated no reportable instances of noncompliance.
- 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: A monthly review of payroll, invoices and balance sheet has been added to the cash handling process. In the next fiscal year, the Business Office will manage the payment of invoices and payroll, allowing for greater oversight of the program. The Business Manager will confirm cash deposits weekly with the Food Service Manager responsible for making bank deposits.

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

For the year ended June 30, 2019, 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:
 - a. The Child Nutrition Fund will be managed under the general ledger accounting system as of July 1st, 2020. All invoices will be paid with the same process and procedure as other funds. Payroll will also be processed with all other Board of Ed employees through the current vendor Paychex.

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**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*)

Management response (Continued):

2. School Fund (Special Revenue Fund)
 - a. Most of the Special Revenue Fund grants are close to the end of their term. Accounts with a balance will be moved to General Ledger accounts by September 1st, 2020. The remaining accounts will be closed by September 1st, 2020.
3. Student Activity Fund
 - b. The Student Activity Fund will be moved to the general accounting system starting July 1st, 2020. The front office will continue to manage cash on hand. The Business Office will reconcile cash and book journal entries in the general ledger on a monthly basis.
4. Parent Teachers Organization Fund (Agency Fund)
 - c. 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 will be closed and any balances transferred to the new account once the account is reconciled in March.

**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 Board of Education sections of the manual will be completed by September 2020. The Town is developing content for its portion of the manual with completion scheduled for September 2021.

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY (*Repeat Finding*)

The administrative operations of the water and sewer authority lack an appropriate segregation of duties. The Administrative Assistant prepares and sends all customer billings; handles all collection efforts; receives funds and prepares and makes all deposits; posts all transactions in the accounting system; prepares payroll transactions, and is also a check signer on the account.

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY (*Repeat Finding*) (Continued)

Recommendation: Duties within the water and sewer authority should be segregated such that no one individual has both custody and record keeping responsibilities.

Management response: At its January 15, 2020 meeting, the Water & Sewer Authority board approved the hiring of a separate individual to perform billing functions of the Water and Sewer Fund. The Authority filled the position to perform all of the billing functions and the individual hired began employment on February 1, 2020.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the State Single Audit Act which are described as follows:

NC-2019-001

Grantor: Department of Housing

State Grant Program

Core-CT Number: 12052-DOH46920-35328

Criteria: Department of Housing Forms “DOH 305” and “DOH 304” were to be completed and filed by October 31, 2019 to report expenditures by category for upgrades and renovations.

Condition: Forms “DOH 305” and “DOH 304” were not completed and filed by October 31, 2019.

Questioned Cost: None

Context: This was a reporting requirement of the grant contract

Effect: The reports are late.

Cause: The Town’s grants manager left his position around this time for another job and did not communicate this requirement with management.

Recommendation: The Town should complete and submit the forms as soon as possible.

Management’s Response: The Town has made multiple attempts to contact the Department of Housing regarding an extension, but has not been able to get into contact with a representative to

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS
(Continued)**

Other Matters (Continued)

NC-2019-001 (Continued)

Management's Response (Continued)

obtain said extension. The Town intends to review the reports due and file them by June 30, 2020.

NC-2019-002

Grantor: Department of Energy and Environmental Protection

State Grant Program

Core-CT Number: 12052-DEP43153-43144

Criteria: Within six months after the recording of a permanent conservation easement in the land records, the Town is required to erect a permanent plaque or sign identifying the project area, funding source, and that the project is a preserved open space accessible to the public for passive recreation.

Condition: No such permanent plaque or sign has been erected at the project site.

Questioned Cost: None.

Context: This was a requirement of the grant.

Effect: The plaque/sign installation is late.

Cause: The Town's grants manager left his position and did not communicate this requirement with management. The grants manager position has not been filled.

Recommendation: The Town should obtain and install the required sign as soon as possible.

Management's Response: The Town ordered the sign on March 18, 2020 and will install upon receipt.

**TOWN OF SPRAGUE, CONNECTICUT
SUMMARY SCHEDULE OF THE STATUS OF PRIOR
YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

The following prior year audit findings have been resolved:

MW-2015-004 – MONITORING ACTIVITIES