

**TOWN OF SHERMAN, CONNECTICUT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2011**



**TOWN OF SHERMAN, CONNECTICUT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Sherman, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sherman, Connecticut (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011 on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 38 through 41 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Meyers & Company".

Danbury, Connecticut  
September 13, 2011

## TOWN OF SHERMAN, CONNECTICUT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**JUNE 30, 2011**

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As management of the Town of Sherman, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here along with additional information furnished in the Town's basic financial statements that follow this section.

The Town's discussion and analysis is designed to:

1. Provide an overview of the Town's financial activity.
2. Assist the reader in focusing on significant financial issues.
3. Identify any material deviations from the financial plan (approved budget).
4. Identify changes in the Town's financial position, as well as its ability to address challenges in future years.

#### **FINANCIAL HIGHLIGHTS**

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,524,799 (net assets). This is an increase of \$276,566 or 2.1% from the prior fiscal year.
- Government-wide revenues were \$13,526,442 (up 2.5%) and expenses were \$13,249,876 (up 4.3%). On a government-wide basis, revenues exceeded expenditures by \$276,566.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,027,732, an increase of \$4,548,317 from the prior fiscal year. This represents the combined balances in the General, Bonded Projects, Capital and Nonrecurring, Special Projects, Land Acquisition Fund, and other smaller funds.
- In the General Fund, expenditures and transfers exceeded revenues by (\$215,778). The total General Fund balance of \$1,481,579 as of June 30, 2011 compares to a balance of \$1,697,357 in the prior year.
- At the end of the current fiscal year, the unassigned General Fund balance was \$1,457,640. This represents 11.1% of total General Fund revenues in the current fiscal year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector businesses. All of the resources which the Town has at its disposal are shown, including major assets such as buildings and infrastructure. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. One can think of the Town's net assets – 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 net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation, and education.

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. The Town, like other state and local governments, uses fund accounting to help it maintain control and manage money that have been segregated for specific activities or objectives. All of the funds of the Town are divided into two categories: governmental and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Bonded Projects, and Capital and Nonrecurring funds. Data from other governmental funds are combined into a single aggregated presentation as Other funds.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the authorized budget in the General Fund schedule of revenues and General Fund schedule of expenditures.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. All of the Town’s fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. The Town excludes these activities from the Town’s other financial statements because the Town cannot use these funds to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time the change in net assets may be a useful indicator of the Town’s financial position. The Town’s combined assets exceeded its combined liabilities by \$13,524,799 at June 30, 2011. This was an increase of \$276,566 or 2.1% from the prior year.

	<u>Net Assets</u>		
	<u>2011</u>	<u>2010</u>	<u>Total % Change</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,435,881	\$ 2,519,347	(3.3)%
Investments	988,397	2,947,025	(66.5)%
Receivables	98,453	152,667	(35.5)%
Prepaid expenses	23,562	439	5267.2 %
Capital assets, not being depreciated	7,627,138	3,596,092	112.1%
Capital assets, net of accumulated depreciation	<u>15,254,751</u>	<u>15,384,326</u>	(0.8)%
Total assets	<u>26,428,182</u>	<u>24,599,896</u>	7.4%
<u>Liabilities</u>			
Accounts payable and other liabilities	291,946	396,133	(26.3)%
Accrued interest payable	146,218	129,484	12.9%
Bond anticipation note	-	6,387,018	(100.0)%
Non-current liabilities:			
Due within one year	905,756	686,166	32.0%
Due in more than one year	<u>11,559,463</u>	<u>3,752,862</u>	208.0%
Total liabilities	<u>12,903,383</u>	<u>11,351,663</u>	13.7%
<u>Net Assets</u>			
Investment in capital assets, net of related debt	10,438,021	8,470,418	23.2%
Restricted for enabling legislation	10,750	10,750	0.0%
Unrestricted	<u>3,076,028</u>	<u>4,767,065</u>	(35.5)%
Total net assets	<u>\$ 13,524,799</u>	<u>\$ 13,248,233</u>	2.1%

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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By far, the largest portion of the Town's net assets \$10,438,021 (77%) reflects its investment in capital assets (e.g. land, buildings, furniture, fixtures, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining unrestricted net assets of \$3,076,028 (23%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities increased the Town's net assets by \$276,566. Key elements of the increase are as follows:

<u>Changes in Net Assets</u>			
	<u>2011</u>	<u>2010</u>	<u>Total % Change</u>
<b>Revenues:</b>			
Property taxes	\$ 11,676,747	\$ 11,185,634	4.4%
Charges for services	331,342	380,422	(12.9)%
Operating grants and contributions	1,252,135	1,453,100	(13.8)%
Capital grants and contributions	100,000	92,838	7.7%
Unrestricted grants and contributions	110,888	53,671	106.6%
Investment earnings	<u>55,330</u>	<u>30,523</u>	81.3%
<b>Total revenues</b>	<u>13,526,442</u>	<u>13,196,188</u>	2.5%
<b>Expenses:</b>			
General, cultural and recreation	1,499,916	1,714,101	(12.5)%
Public safety	832,499	493,656	68.6%
Public works	966,796	1,012,976	(4.6)%
Health and welfare	160,682	127,429	26.1%
Education	9,285,090	9,032,956	2.8%
Other	55,119	92,806	(40.6)%
Interest on long-term debt	<u>449,774</u>	<u>232,484</u>	93.5%
<b>Total expenses</b>	<u>13,249,876</u>	<u>12,706,408</u>	4.3%
<b>Increase in net assets</b>	<u>\$ 276,566</u>	<u>\$ 489,780</u>	(43.5)%

Revenues increased by \$330,254 (2.5%). Approximately 86% of the Town's revenues came from property taxes, followed by 9% from operating grants and contributions, and 5% from all other revenue sources.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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Major revenue factors included:

- Property tax revenues increased \$491,113 (4.4%) over the prior year and resulted from an increase in the taxable grand list of \$8,054,902 (up 1.1%), an increase in the mil rate from 15.2 to 15.7 mils (up 3.3%), a tax collection rate of 99.4%, and supplemental taxes for motor vehicles and new construction.
- Operating grants and contributions for governmental activities decreased by \$200,965 (13.8%) due to grants and contributions received in the prior fiscal year for the Old Greenwoods Bridge project.
- Capital grants for governmental activities increased by \$7,162 (7.7%) in part due to a \$100,000 STEAP grant received for the Library Barn renovation offset by grants received in the prior fiscal year for construction of a pavilion at the Town Beach.
- Investment earnings increased by \$24,807 (81.3%) reflecting receipt of bond premiums associated with the Town's issuance of bonds.

Expenses increased \$543,468 (4.3%) from the prior fiscal year. Approximately 70% of the Town's expenses relate to education, followed by 11% for general, cultural and recreation, and 19% for other expenditures.

Major expense factors included:

- Increased spending on public safety of \$338,843 (up 68.6%), education of \$252,134 (up 2.8%), interest on long-term debt of \$217,290 (up 93.5%), as well as health and welfare of \$33,253 (up 26.1%).
- Decreases in general, cultural and recreation of \$214,185 (down 12.5%), public works of \$46,180 (down 4.6%), as well as other spending of \$37,687 (down 40.6%) from the prior year.

## **FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS**

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,027,732, an increase of \$4,548,317 from the prior year:

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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<u>Ending Balance as of:</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
General Fund	\$ 1,481,579	\$ 1,697,357	\$ (215,778)
Bonded Projects	687,655	(3,216,138)	3,903,793
Capital and Nonrecurring	786,591	290,629	495,962
Land Acquisition	11,030	(334,008)	345,038
Revaluation Fund	12,650	(870)	13,520
Other Funds	<u>48,227</u>	<u>42,445</u>	<u>5,782</u>
 Total	 <u>\$ 3,027,732</u>	 <u>\$ (1,520,585)</u>	 <u>\$ 4,548,317</u>

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the unassigned General Fund balance was \$1,457,640. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total fund revenues. Unassigned General Fund balance represents 11.1% of total General Fund revenues in the current fiscal year.

The Town's General Fund balance (including unspendable and restricted) decreased by \$215,778 or (12.7%) during the current fiscal year. The Town had planned for a balanced 2009-2010 budget, and these key factors contributed to the decrease in fund balance:

- The Town transferred \$440,000 from the General Fund balance to the Capital and Nonrecurring fund. This amount included funds in excess of the fund balance policy target as well as unexpended Board of Education budget and was approved by Town Meeting on December 10, 2010.
- Conveyance taxes were lower than budget by \$19,400 due to a weak real estate market.
- Anticipated local capital improvement grants from the State of Connecticut of \$27,953 were deferred to a future year.
- General Fund expenditures were better than budget by \$62,642 due to Town spending being better than budget by \$69,069 and the Board of Education budget being worse than budget by \$6,427. This was offset by Education Grants being better than budget by \$83,069.
- Property taxes, interest and lien fees were higher than budget by \$122,301 due to supplemental tax bills and collections of past due taxes, interest and liens better than budget.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the final amended budgets and actual results can be briefly summarized as follows:

Revenues exceeded appropriations by \$166,580:

- Additional tax receipts of \$122,301 including current year and back taxes, interest and fees
- Educational grants of \$83,069 including excess cost special ed, ARRA grants, and preschool tuition
- Budgeted local capital improvement grants of \$27,953 from the state were deferred to a future year
- Fees and service charges were worse than budget by \$12,945 due to lower conveyance taxes

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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Expenditures were lower than appropriations by \$62,642:

- General Government was \$20,906 over budget driven by Counsel and court costs of \$13,743 and Building department spending of \$6,912. While the majority of the building department overage was covered by additional unbudgeted revenues of \$4,725, the higher spending also reflects activity on the Emergency Services Facility expansion.
- Public Works was \$25,100 under budget
- Insurance was \$38,676 under budget due to benefits in life, medical, liability, auto and property insurance
- Debt Service was under budget by \$15,793 reflecting lower interest on the Bond Anticipation Notes as well as the Town's long-term debt
- Education spending in the General Fund was \$6,427 over budget. However, this amount was covered by additional education grants over budget.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

A comparative year-to-year analysis of the General Fund is shown below:

	<b>General Fund</b>			Total % Change
	2011	2010	Variance	
<b>Revenues:</b>				
Property taxes	\$ 11,700,271	\$ 11,167,984	\$ 532,287	4.8%
Licenses and permits	127,733	120,027	7,706	6.4%
Intergovernmental	1,050,057	1,121,395	(71,338)	(6.4)%
Charges for services	182,055	214,650	(32,595)	(15.2)%
Investment earnings	10,121	11,761	(1,640)	(13.9)%
Other	22,485	39,070	(16,585)	(42.4)%
Total revenues	<u>13,092,722</u>	<u>12,674,887</u>	<u>417,835</u>	3.3%
<b>Expenditures:</b>				
General, cultural and recreation	1,187,863	1,178,304	9,559	0.8%
Public safety	455,510	434,410	21,100	4.9%
Public works	897,149	853,165	43,984	5.2%
Health and welfare	108,362	75,109	33,253	44.3%
Education	8,774,192	8,649,866	124,326	1.4%
Capital outlay	-	59,520	(59,520)	(100.0)%
Other	50,709	86,050	(35,341)	(41.1)%
Debt service – principal	570,000	580,000	(10,000)	(1.7)%
Debt service – interest	329,895	199,895	130,000	65.0%
Total expenditures	<u>12,373,680</u>	<u>12,116,319</u>	<u>257,361</u>	2.1%
Excess of revenues over expenditures	<u>719,042</u>	<u>558,568</u>	<u>160,474</u>	28.7%
Net transfers in	-	1,058	(1,058)	(100.0)%
Net transfers out	(934,820)	(190,316)	(744,504)	391.2%
Net transfers	<u>(934,820)</u>	<u>(189,258)</u>	<u>(745,562)</u>	393.9%
Net change in fund balance	(215,778)	369,310	(585,088)	(158.4)%
Fund balance – beginning	<u>1,697,357</u>	<u>1,328,047</u>	<u>369,310</u>	27.8%
Fund balance – ending	<u>\$ 1,481,579</u>	<u>\$ 1,697,357</u>	<u>\$ (215,778)</u>	(12.7)%

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets as of June 30, 2011 amounted to \$22,881,889 (net of accumulated depreciation) compared to \$18,980,418 in the prior fiscal year. This investment in capital assets includes land, buildings and system improvements, machinery, equipment, park facilities, roads, and bridges and is up \$3,901,471 (up 20.6%) from the prior year and reflects improvements to the Town's infrastructure, construction in progress for an expanded Emergency Services Facility, and the purchase of Happy Acres Farm.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

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The Town made significant investments in capital spending during the year:

- Spending associated with capital projects funded by the Town's Capital and Nonrecurring fund was \$364,387 (down 19.1%) as the Town made significant investments in refurbishing Old Greenwoods Bridge, final payment towards a new fire truck, body replacement of a public works vehicle, improvements at the Town garage, and other smaller capital projects.
- Capital outlay of \$2,096,884 funded by the Town's Bonded Projects fund for an expanded Emergency Services Facility and infrastructure repairs of Old Greenwoods Bridge.

**Capital Assets at Year-End (Net of Accumulated Depreciation)**

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	2011	2010	Total % Change
Land	\$ 2,851,200	\$ 913,137	212.2%
Buildings and improvements	11,321,706	11,369,294	(0.4)%
Furniture, fixtures, vehicles and equipment	592,236	535,625	10.6%
Infrastructure	3,340,809	3,479,407	(4.0)%
Construction in progress	4,775,938	2,682,955	78.0%
 Total (net of accumulated depreciation)	 \$ 22,881,889	 \$ 18,980,418	 20.6%

Additional information on the Town's capital assets may be found in Note 7 – Capital Assets.

**Long-Term Liabilities**

At the end of the current fiscal year, the Town had \$10,340,000 in bonds outstanding versus \$4,160,000 last year – an increase of \$6,180,000 (148.6%). These are bonds with interest rates ranging from 2% to 5% and varying expiration dates to July 2029.

All debt is backed by the good faith and credit of the Town. The Town was recently rated "Aa2" by Moody's Investor Service for general obligation debt. Such ratings reflect only the views of such agencies and could be subject to change.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total tax collections. The current debt limitation for the Town is \$82.0 million, which is significantly higher than the Town's current outstanding general obligation debt.

Other obligations of the Town include a promissory note payable associated with the purchase of Happy Acres Farm, liabilities for compensated absences and a net pension obligation. Additional information on the Town's long-term liabilities can be found in Note 8.

**Town of Sherman, Connecticut**  
**Management's Discussion and Analysis (Unaudited) (continued)**

**Outstanding Obligations at Year-End**

	<u>2011</u>	<u>2010</u>	<u>Total % Change</u>
General obligation bonds	\$ 10,340,000	\$ 4,160,000	148.6%
Promissory note payable	2,250,000	-	-
Discount on promissory note payable	(306,713)	-	-
Net pension obligation	35,242	30,832	14.3%
Employee compensated absences	<u>146,690</u>	<u>248,196</u>	(40.9)%
	<u>\$ 12,465,219</u>	<u>\$ 4,439,028</u>	180.7%

**Pension Plan**

The Town closed its Defined Benefit Pension Plan to new employees and froze participants' monthly pension calculations as of June 30, 2005 (i.e., no additional benefits will accrue under the plan for the subsequent periods). The Town established a Defined Contribution Pension Plan for its employees on July 1, 2005. Under this plan, employees could contribute a portion of their pay to the plan, and the Town matches 100% of the employees' contribution up to 3% of gross pay.

Additional information on the Town's employee retirement plans can be found in Note 11.

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

The Town's elected officials considered many factors when setting the fiscal year 2012 budget and property tax rates. One of those factors is the economy. As of June 2011, unemployment in the Town stood at 5.6% versus 6.6% a year ago. Better year-to-year, this rate also compares favorably with the State's unemployment rate of 9.1%.

With an overwhelming reliance on property taxes, the Town's income stream is relatively stable, even during a recession. However, this lack of diversity represents a long-term problem for Connecticut municipalities as those most vulnerable to a specific tax rebel against its increase.

The Town is facing increasing economic burdens from municipal expenditures associated with education, rising fuel and energy costs, and repairs to the Town's infrastructure.

All of these factors were considered while preparing the Town's General Fund budget for the 2012 fiscal year. With a modest increase in the grand list of 1.0% and an increase in the mil rate of 0.6%, property tax revenues are expected to increase 1.1% year-to-year. Including revenue from sources other than property taxes, the Town's budget is balanced and expenditures including education are projected to increase by 1.1% year-to-year.

If the 2011-2012 budget estimates are realized, the Town's budgetary General Fund balance as of June 30, 2012 is expected to be \$350,000 lower than as of June 30, 2011. This reflects a \$350,000 transfer of General Fund balance to the Capital and Nonrecurring fund for repairs to the Sherman School roof, which was approved by Town Meeting on July 8, 2011.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the First Selectman's Office, P.O. Box 39, Sherman, CT 06784.

**TOWN OF SHERMAN, CONNECTICUT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

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<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 2,435,881
Investments	988,397
Receivables, net of allowances:	
Property tax (including interest and fees)	85,264
Other receivables	13,189
Prepaid expenses	23,562
Noncurrent assets:	
Capital assets, not being depreciated	7,627,138
Capital assets, net of accumulated depreciation	<u>15,254,751</u>
<b>Total assets</b>	<b><u>26,428,182</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	290,178
Accrued interest	146,218
Deposits	1,768
Noncurrent liabilities:	
Due within one year	905,756
Due in more than one year	<u>11,559,463</u>
<b>Total liabilities</b>	<b><u>12,903,383</u></b>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	10,438,021
Restricted for enabling legislation	10,750
Unrestricted	<u>3,076,028</u>
<b>Total net assets</b>	<b><u>\$ 13,524,799</u></b>

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

**TOWN OF SHERMAN, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges For Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General government	\$ (1,066,790)	\$ 199,185	\$ 3,000	\$ (864,605)
Public safety	(832,499)			(832,499)
Public works	(966,796)		119,394	(847,402)
Health and welfare	(160,682)			(160,682)
Culture and recreation	(433,126)	110,604		(222,522)
Education	(9,285,090)	21,553	1,129,741	(8,133,796)
Other	(55,119)			(55,119)
Interest on long-term debt	(449,774)			(449,774)
<b>Total governmental activities</b>	<b>\$ (13,249,876)</b>	<b>\$ 331,342</b>	<b>\$ 1,252,135</b>	<b>\$ (11,566,399)</b>
			<b>\$ 100,000</b>	
<b>General Revenues:</b>				
Property taxes, interest, and lien fees				11,676,747
Grants and contributions not restricted to specific programs				55,368
Miscellaneous revenues				55,520
Unrestricted investment earnings				55,330
<b>Total general revenues</b>				<b>11,842,965</b>
<b>Change in net assets</b>				<b>276,566</b>
<b>Net assets, beginning of year</b>				<b>13,248,233</b>
<b>Net assets, end of year</b>				<b>\$ 13,524,799</b>

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

**TOWN OF SHERMAN, CONNECTICUT**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Bonded Projects</u>	<u>Capital and Nonrecurring</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 816,973	\$ 687,655	\$ 859,911	\$ 71,342	\$ 2,435,881
Investments	888,397			100,000	988,397
Receivables:					
Property tax	85,264				85,264
Intergovernmental	23,562				23,562
Prepaid expenses	13,189				13,189
Due from other funds	-			1,565	1,565
<b>Total assets</b>	<u>\$ 1,827,385</u>	<u>\$ 687,655</u>	<u>\$ 859,911</u>	<u>\$ 172,907</u>	<u>\$ 3,547,858</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 289,178	\$	\$	\$ 1,000	\$ 290,178
Due to other funds	1,565				1,565
Deferred revenue	53,295		73,320	100,000	226,615
Deposits	1,768				1,768
<b>Total liabilities</b>	<u>345,806</u>	<u>-</u>	<u>73,320</u>	<u>101,000</u>	<u>520,126</u>
<b>Fund Balances:</b>					
Unspendable	13,189				13,189
Restricted	10,750			1,565	12,315
Assigned		687,655	786,591	70,342	1,544,588
Unassigned	1,457,640				1,457,640
<b>Total fund balances</b>	<u>1,481,579</u>	<u>687,655</u>	<u>786,591</u>	<u>71,907</u>	<u>3,027,732</u>
<b>Total liabilities and     fund balances</b>	<u>\$ 1,827,385</u>	<u>\$ 687,655</u>	<u>\$ 859,911</u>	<u>\$ 172,907</u>	

**Amounts reported in the statement of net assets are different because:**

Capital assets used are not financial resources and, therefore, are not reported in the funds	22,881,889
Property taxes and other receivables, including interest and lien fees, that are not available to pay for current period expenditures are deferred, or not recognized in the funds	226,615
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(12,611,437)</u>
<b>Net assets</b>	<u>\$ 13,524,799</u>

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

**TOWN OF SHERMAN, CONNECTICUT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Bonded Projects</u>	<u>Capital and Nonrecurring</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 11,700,271	\$	\$	\$	\$ 11,700,271
Licenses and permits	127,733				127,733
Intergovernmental	1,050,057		173,160	290,128	1,513,345
Charges for services	182,055				182,055
Investment earnings	10,121	42,958	2,043	208	55,330
Miscellaneous	22,485		13,826	4,821	41,132
<b>Total revenues</b>	<u>13,092,722</u>	<u>42,958</u>	<u>189,029</u>	<u>295,157</u>	<u>13,619,866</u>
<b>Expenditures:</b>					
Current:					
General government	822,092			6,623	828,715
Public safety	455,510				455,510
Public works	897,149				897,149
Health and welfare	108,362				108,362
Culture and recreation	365,771				365,771
Education	8,774,192			282,694	9,056,886
Other	50,709				50,709
Debt service	899,895	79,154			979,049
Capital outlay		2,096,884	364,387	655,000	3,116,271
<b>Total expenditures</b>	<u>12,373,680</u>	<u>2,176,038</u>	<u>364,387</u>	<u>944,317</u>	<u>15,858,422</u>
<b>Excess of revenues over (under) expenditures</b>	719,042	(2,133,080)	(175,358)	(649,160)	(2,238,556)
<b>Other Financing Sources (Uses):</b>					
Proceeds from bond issuance		6,786,873			6,786,873
Transfers in		250,000	671,320	1,013,500	1,934,820
Transfers out	(934,820)	(1,000,000)			(1,934,820)
<b>Net change in fund balances</b>	(215,778)	3,903,793	495,962	364,340	4,548,317
<b>Fund balances, beginning of year</b>	<u>1,697,357</u>	<u>(3,216,138)</u>	<u>290,629</u>	<u>(292,433)</u>	<u>(1,520,585)</u>
<b>Fund balances, end of year</b>	<u>\$ 1,481,579</u>	<u>\$ 687,655</u>	<u>\$ 786,591</u>	<u>\$ 71,907</u>	<u>\$ 3,027,732</u>

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

**TOWN OF SHERMAN, 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, 2011**

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Amounts reported in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	\$ 4,548,317
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,982,175
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(130,297)
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	(6,203,991)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>80,362</u>
<b>Change in net assets</b>	<u><u>\$ 276,566</u></u>

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

**TOWN OF SHERMAN, CONNECTICUT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Property taxes	\$ 11,577,970	\$ 11,577,970	\$ 11,700,271	\$ 122,301
Licenses and permits	125,290	125,290	127,733	2,443
Intergovernmental	476,042	476,042	538,347	62,305
Charges for services	195,000	195,000	182,055	(12,945)
Investment earnings	12,000	12,000	10,121	(1,879)
Miscellaneous	28,130	28,130	22,485	(5,645)
<b>Total revenues</b>	<u>12,414,432</u>	<u>12,414,432</u>	<u>12,581,012</u>	<u>166,580</u>
<b>Expenditures:</b>				
Current:				
General government	607,478	607,478	628,384	(20,906)
Buildings and grounds	141,521	141,521	134,613	6,908
Public safety	382,564	382,564	380,893	1,671
Public works	737,149	737,149	712,049	25,100
Health and welfare	87,794	87,794	84,992	2,802
Insurance	506,069	506,069	467,393	38,676
Other	530,114	975,114	976,089	(975)
Education	8,256,055	8,256,055	8,262,482	(6,427)
Debt service	1,165,688	1,165,688	1,149,895	15,793
<b>Total expenditures</b>	<u>12,414,432</u>	<u>12,859,432</u>	<u>12,796,790</u>	<u>62,642</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (445,000)</u>	(215,778)	<u>\$ 229,222</u>
<b>Fund balance, beginning of year</b>			<u>1,697,357</u>	
<b>Fund balance, end of year</b>			<u>\$ 1,481,579</u>	

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

**TOWN OF SHERMAN, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

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	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
	<hr/>	<hr/>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 10,774	\$ 68,829
Investments at fair value	702,811	
	<hr/>	<hr/>
<b>Total assets</b>	<b>713,585</b>	<b>68,829</b>
	<hr/>	<hr/>
<b><u>Liabilities</u></b>		
Due to school groups		68,829
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>68,829</b>
	<hr/>	<hr/>
<b>Net assets held in trust for pension benefits</b>	<b>\$ 713,585</b>	<b>\$ -</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**TOWN OF SHERMAN, CONNECTICUT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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	<b>Pension Trust Fund</b>
<b>Additions:</b>	
Employer contributions	\$ 27,500
Investment income (loss):	
Interest and dividends	18,320
Net increase in fair value of investments	106,876
Investment fees and expenses	(7,170)
	118,026
<b>Total additions</b>	<b>145,526</b>
<b>Deductions:</b>	
Benefits and other deductions	28,922
<b>Total deductions</b>	<b>28,922</b>
<b>Change in net assets</b>	<b>116,604</b>
<b>Net assets, beginning of year</b>	<b>596,981</b>
<b>Net assets, end of year</b>	<b>\$ 713,585</b>

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

**TOWN OF SHERMAN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies**

**Reporting Entity**

The Town of Sherman, Connecticut (the “Town”) was established in 1802 under the provisions of the Home Rule Law of the State of Connecticut. It operates under a Board of Selectmen form of government.

The Town provides a full range of services including public safety, roads, sanitation, social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

**Governmental Funds**

*General Fund* - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

*Special Revenue Funds* - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

*Capital Project Funds* - account for all financial resources used for the acquisition or construction of major capital facilities.

**Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

*Private - Purpose Trust Funds* are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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*Agency Funds* are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

The Town reports the following major governmental funds:

The **General Fund** is the general operating fund of the Town government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the Town, which were not paid through a special fund.

The **Bonded Projects Fund** is used to account for proceeds of bond anticipation notes and general obligation bonds used for authorized bonded projects such as acquisition and construction of capital facilities.

The **Capital and Nonrecurring Fund** accounts for smaller, short term capital projects that are funded through capital grants or General Fund transfers.

Additionally, the Town reports the following funds:

The **Pension Trust Fund** accounts for activities of the Town's defined benefit plan, which accumulates resources for pension benefit payments to qualified employees.

The **Agency Funds** account for monies held as a custodian for outside groups and agencies.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Cash and cash equivalents**

The Town considers cash on hand, deposits and short-term investments with an original maturity of three months or less to be cash and cash equivalents.

**Receivables and payables**

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (current portion of interfund loans) or “advances to/from other funds” (noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade account allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts. No allowance for uncollectible accounts was considered necessary at June 30, 2011.

**Capital assets**

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	50
Building improvements	20
Infrastructure	15 - 50
Machinery and equipment	5 - 20
Licensed vehicles	5 - 8
Computer equipment	5

**Compensated Absences**

Under the terms of employment, Town and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation and sick days to subsequent years based on the terms of an employment or union contract. In the event of termination, employees are reimbursed for accumulated sick days. The Town recognizes a liability for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental funds financial statements in the current year to the extent they have matured (i.e., due to retirement).

### **Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

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

### **Fund Equity and Net Assets**

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents the net assets of the Town which are not restricted for any project or other purpose.

Effective July 1, 2010, the Town adopted the provisions of Governmental Accounting Standards Board Statement #54 (GASB 54), which defines the different types of fund balances that the Town must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable – fund balance amounts associated with inventories, prepaids, and long-term receivables and payables.

Restricted – fund balance amounts that can be spent only for the specific purposes stipulated by external source providers or enabling legislation.

Committed – fund balance amounts that can be used only for specific purposes determined by a formal action of the Town’s highest level of decision-making authority.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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Assigned – fund balance amounts intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed fund balances.

Unassigned – fund balance amounts remaining for the General Fund that are spendable.

The Town's committed fund balance reporting is required when funds have been committed at a Town Meeting. The Town's assigned fund balance reporting is required when funds have been assigned by the Town's Board of Selectmen. The Town's policy is to apply expenditures against the applicable fund balances in the following order: nonspendable, restricted, committed, assigned, and unassigned.

**Note 2 – Budgets and Budgetary Accounting**

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

- a. In January, all departments are asked to submit their budget requests to the First Selectman.
- b. During January and February, the First Selectman compiles these budget requests into a draft budget.
- c. In March, the Board of Selectmen, acting as the Board of Finance, holds hearings at which entities formally present their budget requests and rationale for same. Following the hearings, the Board of Selectmen meet in a workshop to finalize the budget.
- d. At the March Board of Selectmen's meeting, the Board of Selectmen, acting as the Board of Finance, approves the budget and schedules a Town Meeting at which the budget will be presented (usually in early May). The Town Meeting is held then adjourned to a referendum vote on the budgets (Town and Education budgets are voted on separately).
- e. By recommendation from the First Selectman, and certification of the Treasurer, the Board of Selectmen may transfer appropriations from one department to another. Within any one department, appropriation may be transferred without the Board of Selectmen's approval. Other than capital and nonrecurring items, unencumbered appropriations lapse at year end.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund. Only the General Fund is required to be budgeted.
- g. The legal level of control is at the department level.
- h. Encumbrances are recognized as a valid and proper charge against a budget issued appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures of the current year. Other than those that are not capital or nonrecurring, if an appropriation is not encumbered, it lapses at year-end and may not be used by the department.
- i. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**General Fund**

A reconciliation of General Fund amounts presented on a budgetary basis to amounts presented in accordance with accounting principles generally accepted in the United States of America is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis	\$ 12,581,012	\$ 12,796,790
Recorded as other financial uses through interfund transfers	-	(934,820)
State Teachers' Retirement on- behalf payments, not recognized for budgetary purposes	<u>511,710</u>	<u>511,710</u>
GAAP Basis	<u>\$ 13,092,722</u>	<u>\$ 12,373,680</u>

**Special Revenue Funds**

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various Special Revenue Funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants.

**Capital Project Funds**

Legal authorization for expenditures of the Capital Project Funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

**Note 3 - Reconciliation of Government - Wide and Fund Financial Statements**

**Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets**

The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Accrued interest	\$ 146,218
General obligation bonds payable	10,340,000
Promissory note payable	2,250,000
Discount on promissory note payable	(306,713)
Net pension obligation	35,242
Compensated absences	<u>146,690</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets	<u>\$ 12,611,437</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities**

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 2,950,200
Depreciation expense	(792,815)
Disposals	<u>(175,210)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets	<u>\$ 1,982,175</u>

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

Issuance of general obligation bonds	\$ 6,750,000
Principal repayments of general obligation bonds	(570,000)
Net change in other long-term liabilities	<u>23,991</u>
Net adjustment to decrease net assets in fund balances - total governmental funds to arrive at changes in net assets	<u>\$ 6,203,991</u>

**Note 4 - Deposits and Investments**

The Town’s deposits and investments are presented in the accompanying balance sheets as follows:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental funds	\$ 2,435,881	\$ -	\$ 2,435,881
Fiduciary	79,603	-	79,603
Investments:			
Governmental funds	492,011	496,386	988,397
Fiduciary	<u>-</u>	<u>702,811</u>	<u>702,811</u>
Total deposits and investments	<u>\$ 3,007,495</u>	<u>\$ 1,199,197</u>	<u>\$ 4,206,692</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Custodial Credit Risk**

As of June 30, 2011, the Town's deposits had bank balances of approximately \$3,536,445, of which \$742,011 was covered under federal depository insurance. Provisions of the Connecticut General statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2011, the Town maintained approximately \$271,483 of uninsured and collateralized deposits under the provision.

As of June 30, 2011, the Town held the following investments:

<u>Investment Type</u>	<u>Investment Fair Value</u>	<u>Less Than 1 Year</u>
State investment fund	\$ 496,386	\$ 496,386
Mutual funds	<u>702,811</u>	<u>702,811</u>
Total	<u>\$ 1,199,197</u>	<u>\$ 1,199,197</u>

**Interest Rate Risk**

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

**Credit Risk**

State law limits investments to the obligations of the United States of America, including the joint and several obligations of the Federal Home Mortgage Corporation, Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all federal land banks, all the federal intermediate credit banks, the Central Bank of Cooperatives, the Tennessee Valley Authority, or any other Agency of the United States Government.

**Note 5 – Deferred Revenue and Bond Anticipation Notes**

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, the components of deferred revenue and unearned revenues reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes	\$ 53,295	\$ -	\$ 53,295
Intergovernmental grants	<u>-</u>	<u>173,320</u>	<u>173,320</u>
Total deferred revenue	<u>\$ 53,295</u>	<u>\$ 173,320</u>	<u>\$ 226,615</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Bond Anticipation Notes Payable**

In August 2010 in connection with the issuance of general obligation bonds, the Town paid \$250,000 of the Bond Anticipation Notes outstanding. The balance of the Bond Anticipation Notes of \$6,100,000 was paid through the issuance of the general obligation bonds (see Note 8).

**Note 6 – Interfund Receivables, Payables and Transfers**

Interfund receivables and payables at June 30, 2011 consisted of the following:

<u>Payable Fund</u>	<u>Receivable Fund</u>	
	<u>Education Grants</u>	<u>Total</u>
General Fund	\$ 1,565	\$ 1,565
Total interfund balances	\$ 1,565	\$ 1,565

These balances represent advances from Education Grants to the General Fund that will be reimbursed through State and Federal grants and are intended to be repaid subsequent to year end.

A summary of interfund transfers is presented below:

	<u>Transfers from</u>		
	<u>General Fund</u>	<u>Bonded Projects</u>	<u>Total</u>
Transferred to:			
Bonded projects	\$ 250,000	\$ -	\$ 250,000
Capital and nonrecurring	671,320	-	671,320
Land acquisition	-	1,000,000	1,000,000
Revaluation	13,500	-	13,500
Total interfund transfers	\$ 934,820	\$ 1,000,000	\$ 1,934,820

The transfers from the General Fund were to fund the above capital projects.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

**Note 7 - Capital Assets**

	Balance at July 1, 2010	Increases	Decreases	Balance at June 30, 2011
Capital assets not being depreciated:				
Land	\$ 913,137	\$ 1,938,063	\$	\$ 2,851,200
Construction in progress	<u>2,682,955</u>	<u>2,268,193</u>	<u>(175,210)</u>	<u>4,775,938</u>
Total capital assets not being depreciated	<u>3,596,092</u>	<u>4,206,256</u>	<u>(175,210)</u>	<u>7,627,138</u>
Capital assets being depreciated:				
Buildings and improvements	16,775,109	456,233		17,231,342
Furniture, fixtures, vehicles and equipment	2,347,807	202,008		2,549,815
Infrastructure	<u>7,834,130</u>			<u>7,834,130</u>
Total capital assets being depreciated	<u>26,957,046</u>	<u>658,241</u>		<u>27,615,287</u>
Less accumulated depreciation:				
Buildings and improvements	5,405,815	503,821		5,909,636
Furniture, fixtures, vehicles and equipment	1,812,182	145,397		1,957,579
Infrastructure	<u>4,354,723</u>	<u>138,598</u>		<u>4,493,321</u>
Total accumulated depreciation	<u>11,572,720</u>	<u>787,816</u>		<u>12,360,536</u>
Capital assets being depreciated, net of depreciation	<u>15,384,326</u>	<u>(129,575)</u>		<u>15,254,751</u>
Total governmental activities	<u>\$ 18,980,418</u>	<u>\$ 4,076,681</u>	<u>\$ (175,210)</u>	<u>\$ 22,881,889</u>

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

General governmental	\$ 232,524
Education	220,855
Public safety	52,247
Public works	162,515
Health and welfare	52,320
Culture and recreation	<u>67,355</u>
Total depreciation expense	<u>\$ 787,816</u>

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Note 8 - Long-Term Obligations**

Long-term obligation activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt:					
General obligation bonds	\$ 4,160,000	\$ 6,750,000	\$ 570,000	\$ 10,340,000	\$ 685,000
Promissory note payable	-	2,250,000	-	2,250,000	225,000
Discount on promissory note	-	(330,704)	(23,991)	(306,713)	(55,486)
Other long-term obligations:					
Net pension obligation	30,832	31,910	27,500	35,242	35,242
Compensated absences	<u>248,196</u>	<u>-</u>	<u>101,506</u>	<u>146,690</u>	<u>16,000</u>
Total long-term obligations	<u>\$ 4,439,028</u>	<u>\$ 8,701,206</u>	<u>\$ 675,015</u>	<u>\$ 12,465,219</u>	<u>\$ 905,756</u>

**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 and pledge the good faith and credit of the government. These bonds generally are issued as 15 year or 20 year serial bonds with equal amounts of principal maturing each year.

As of June 30, 2011, the outstanding general obligation bonded indebtedness of the Town was as follows:

Refunding serial school bonds with interest rates Ranging from 3% to 5% and varying expiration Dates range from March 2004 to July 2020.	\$ 3,590,000
Refunding of Bond Anticipation Note with an interest rate ranging from 2.0% to 3.5% due serially from August 2011 through 2029	<u>6,750,000</u>
	<u>\$ 10,340,000</u>

**Promissory Note Payable**

The Town purchased land and buildings known as Happy Acres Farm for \$2,900,000. The purchase was paid with \$650,000 of cash and a promissory note payable in the amount of \$2,250,000. The promissory note is payable in ten equal annual installments of \$225,000 beginning February 2012 at a zero interest rate. Therefore, a discount on the promissory note of \$330,704 was recorded to reflect the estimated market interest rate of 3.0%.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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Annual debt service requirements to maturity for the general obligation bonds and promissory note payable are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>General Obligation Bonds</u>		<u>Promissory</u> <u>Note Payable</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 685,000	\$ 329,695	\$ 225,000
2013	705,000	307,645	225,000
2014	705,000	285,445	225,000
2015	725,000	263,095	225,000
2016	720,000	238,720	225,000
2017-2029	<u>6,800,000</u>	<u>1,334,073</u>	<u>1,125,000</u>
Total	<u>\$ 10,340,000</u>	<u>\$ 2,758,673</u>	<u>\$ 2,250,000</u>

**Unissued bond Authorization**

Authorizations of general obligation bonds that remained un-issued as of June 30, 2011 are summarized below:

	<u>Date</u> <u>Authorized</u>	<u>Authorized</u> <u>and Un-issued</u> <u>July 1, 2011</u>
Open space acquisition	06/09/07	\$ 1,250,000
Expansion and remodeling of the Sherman Library, including barn	06/09/07	<u>1,000,000</u>
Total bonds authorizations, un-issued		<u>\$ 2,250,000</u>

**Note 9 – Restricted Fund Balance**

**Enabling Legislation**

The Board of Selectmen reserved \$10,750 of the general fund surplus to be used for payments on the long-term compensated absences.

**Note 10 – Commitments and Contingencies**

**Litigation Liabilities**

Based upon consultation with counsel, the Town’s management estimates that any potential claim against the Town will be covered by insurance.

**Note 11 – Employee Retirement Plans**

**Town Employees Defined Benefit Plan**

Actuarial reports for the Town’s Pension Plan (the “Plan”) is required to be prepared annually. The latest actuarial report for the Plan was prepared as of July 1, 2011. The following information is based on the latest available report, which is as of July 1, 2011.

**Plan Description**

The Town contributes the Plan. The Plan is considered to be part of the Town’s financial reporting entity and is included in the financial report as a Pension Trust Fund and does not issue a stand-alone financial statement. Plan benefit and contribution requirements are established by the Plan, which may be amended by the Town.

Effective June 30, 2005, the Plan was closed to new employees and participant’s monthly pensions were frozen (i.e. no additional benefits will accrue under the Plan for the subsequent periods).

Based on the actuarial valuation report dated July 1, 2011, membership consisted of:

Active participants	15
Terminated vested participants	10
Retired	<u>7</u>
Total	<u><u>32</u></u>

**Benefit Provisions**

The Plan is contributory and covers substantially all regular employed permanent employees of the Town employed as of June 30, 2005. Prior to June 30, 2005, employees contributed 3% of earnings. Beginning July 1, 2005, employees are not required to contribute to the Plan. The only elected or appointed officials covered are those paid a salary by the Town, working more than five months a year and twenty hours per week. In order to be eligible for the Plan, the employee must complete one full year of service and attain a minimum age of twenty-two. Employees covered by the State Teacher’s Retirement System are excluded from this Plan.

Normal retirement date is sixty-two with twenty years of credited service or sixty-five. The annual benefit is 1.6% of 1986-87 earnings for years of service through June 30, 1987 plus 1.6% of earnings for each year of participation since July 1, 1987, for a maximum of forty years. The Plan contains a provision for early retirement at age fifty-five and after ten years of credited service at reduced benefits. The Plan also contains provisions for disability retirement and spouse’s benefits. There is no provision for increases in benefits after retirement.

**Basis of Accounting**

The Plan’s financial statements are prepared on the accrual basis of accounting. Contributions are recorded as paid by the employer, and the benefits are recorded as payments are due.

**Valuation of Investments**

Investments are valued at fair market value using quoted market prices.

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Contributions**

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate the assets needed to pay benefits when due. Certain costs for administering the Plan are paid by the earnings in the Pension Trust Fund. The actual contribution was \$27,500 for the year ended June 30, 2011.

Schedule of Funding Progress

<u>Actuarial Valuation Date July 1,</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a÷b)</u>
2005	\$ 628,666	\$ 579,821	\$ (48,289)	108%
2006	645,746	723,198	(15,227)	102%
2007	743,423	762,005	18,582	98%
2008	708,206	819,655	111,449	86%
2009	521,448	761,029	239,581	69%
2010	574,481	790,857	216,376	73%
2011	713,585	917,198	203,613	78%

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 55,311	\$ 41,800	75.6%
2006	19,872	-	00.0%
2007	29,256	-	00.0%
2008	29,256	20,000	68.4%
2009	18,613	25,000	134.3%
2010	42,548	22,500	52.8%
2011	43,249	27,500	63.5%

**Town of Sherman, Connecticut**  
**Notes to Financial Statements (continued)**

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**Notes to Schedule of Funding Progress and Schedule of Employer Contributions**

The data presented in the schedule of funding progress and schedule of employer contributions were determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation is as follows:

Valuation Date	July 1, 2011
Actuarial Cost Method	Unit Credit
Amortization Period	Not Required
Remaining Amortization Period	Not Applicable
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.67%
Projected Salary Increases	0.00%

**Annual Pension Cost and Net Pension Obligation**

The Town's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	\$ 43,249
Adjustment for prior years	(11,339)
Contribution made current year	<u>27,500</u>
Increase in net pension obligation	4,410
Net pension obligation, beginning of year	<u>30,832</u>
Net pension obligation, end of year	<u>\$ 35,242</u>

**Three-Year Trend Information**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligations (Asset)</u>
6/30/09	\$ 18,613	134%	\$ 24,076
6/30/10	42,548	53%	30,832
6/30/11	43,249	64%	35,242

**Town Employees Defined Contribution Plan**

Beginning July 1, 2005, the Town offered a defined compensation plan to the employees with over 1,000 of employment hours. Under the plan, employees may contribute a portion of their pay to the plan and the Town has agreed to match 100%, up to 3% of the gross pay, of the employee's contribution. In the fiscal year ended June 30, 2011, the Town paid \$20,550 into the plan.

**Teachers' Retirement System**

Teachers within the Town's school system participate in a retirement plan administered by the Connecticut State Teacher's Retirement Board.

**Covered Employees**

The Teachers' Retirement System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the plan is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the plan is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement Plan (TIAA-CREF).

**Vesting Requirements**

A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60.

**Pension Contribution Requirements/Amounts by State**

The pension contributions made by the State to the plan are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z. For the fiscal year ended June 30, 2011, approximately \$511,710 was expended by the State on behalf of the Town to meet the State's funding requirements. The results of the State's actuarial valuation did not contain information, which would show the development of the State's actuarial cost by local districts. The State's appropriation represented 15.90% of the total estimated payroll.

Participants are required to contribute 7.25% of their annual salary rate to the system as required by CGS Section 10-183b (7). For the 2010/2011 school year, \$233,327 mandatory contributions were deducted from the salaries of teachers who were participants of the plan during that school year. The estimated covered payroll for the Town is \$3,218,306.

**Note 12 – Risk Management**

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town obtains commercial insurance for these risks and claims have not exceeded commercial coverage.

**Note 13 –Subsequent Event**

On July 8, 2011, a \$350,000 transfer of General Fund balance to the Capital and Nonrecurring fund for repairs to the Sherman School roof was approved by Town Meeting. Therefore, the Town's budgetary General Fund balance as of June 30, 2012 is expected to be \$350,000 lower than as of June 30, 2011.

**SUPPLEMENTAL  
STATEMENTS AND SCHEDULES**

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF REVENUES  
(BUDGET AND ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes - current year	\$ 11,501,970	\$ 11,501,970	\$ 11,554,818	\$ 52,848
Property taxes - prior years	52,000	52,000	91,941	39,941
Interest and lien fees	24,000	24,000	53,512	29,512
	<u>11,577,970</u>	<u>11,577,970</u>	<u>11,700,271</u>	<u>122,301</u>
Investment income:				
Interest and dividends	12,000	12,000	10,121	(1,879)
Licenses and permits:				
Building fees	83,470	83,470	88,195	4,725
Planning and zoning	21,420	21,420	15,900	(5,520)
Health department permits	8,250	8,250	12,988	4,738
Inland wetlands	10,450	10,450	9,020	(1,430)
Other	1,700	1,700	1,630	(70)
	<u>125,290</u>	<u>125,290</u>	<u>127,733</u>	<u>2,443</u>
Fees and service charges:				
Conveyance taxes	60,000	60,000	40,600	(19,400)
Town clerk recording fees	22,000	22,000	22,315	315
Copy machine, regulations, and dog fund	6,350	6,350	6,175	(175)
Town clerk LoCIP	2,100	2,100	2,361	261
Beach, parks and recreation	79,550	79,550	87,359	7,809
Parks & recreation - SPARK	25,000	25,000	23,245	(1,755)
	<u>195,000</u>	<u>195,000</u>	<u>182,055</u>	<u>(12,945)</u>
Education grants:				
Education assistance	244,615	244,615	326,090	81,475
Education transportation	6,772	6,772	4,813	(1,959)
School bond grant	33,614	33,614	33,614	-
Tuition (preschool only)	18,000	18,000	21,553	3,553
	<u>303,001</u>	<u>303,001</u>	<u>386,070</u>	<u>83,069</u>
Intergovernmental:				
State PILOT program	14	14	-	(14)
Elderly and vet tax relief	17,350	17,350	18,219	869
Town aid roads	104,577	104,577	104,702	125
Local capital improvement	27,953	27,953	-	(27,953)
Federal land	250	250	723	473
Mashantucket Pequot	7,955	7,955	8,636	681
ConnDOT grant	14,692	14,692	14,692	-
Other	250	250	5,305	5,055
	<u>173,041</u>	<u>173,041</u>	<u>152,277</u>	<u>(20,764)</u>
Miscellaneous:				
CL&P, telephone, and other	28,130	28,130	22,485	(5,645)
<b>Total revenues</b>	<u>\$ 12,414,432</u>	<u>\$ 12,414,432</u>	<u>\$ 12,581,012</u>	<u>\$ 166,580</u>

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES  
(BUDGET AND ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>General Government:</b>				
Board of Selectmen	\$ 113,577	\$ 113,577	\$ 115,021	\$ (1,444)
Treasurer	13,291	13,291	13,263	28
Tax collector	48,468	48,468	46,992	1,476
Town clerk	91,223	91,223	92,168	(945)
Assessors	77,967	77,967	78,825	(858)
Assessment appeals	425	425	232	193
Building department	82,892	82,892	89,804	(6,912)
Planning and zoning	85,259	85,259	82,345	2,914
Zoning Board of Appeals	1,500	1,500	1,488	12
Inland wetlands commission	12,429	12,429	12,647	(218)
Counsel and court costs	30,000	35,000	48,743	(13,743)
Registrars	30,792	25,792	24,408	1,384
H.V.C.E.O.	5,105	5,105	5,116	(11)
Consultants	6,400	6,400	7,053	(653)
Other general government	8,150	8,150	10,279	(2,129)
	<u>607,478</u>	<u>607,478</u>	<u>628,384</u>	<u>(20,906)</u>
<b>Building &amp; Grounds:</b>				
Mallory town hall	49,557	49,557	50,855	(1,298)
Playhouse	91,964	91,964	83,758	8,206
	<u>141,521</u>	<u>141,521</u>	<u>134,613</u>	<u>6,908</u>
<b>Public Safety:</b>				
Police protection	185,273	185,273	186,176	(903)
Fire protection	95,888	95,888	94,252	1,636
Candlewood Lake Authority	60,359	60,359	60,514	(155)
Animal control	15,091	15,091	15,387	(296)
Collections and recycling	25,953	25,953	24,564	1,389
	<u>382,564</u>	<u>382,564</u>	<u>380,893</u>	<u>1,671</u>
<b>Public Works:</b>	<u>737,149</u>	<u>737,149</u>	<u>712,049</u>	<u>25,100</u>
<b>Health and Welfare:</b>				
Health department	49,464	49,464	47,879	1,585
Health and welfare	38,330	38,330	37,113	1,217
	<u>87,794</u>	<u>87,794</u>	<u>84,992</u>	<u>2,802</u>
<b>Insurance:</b>				
Post-employment defined benefit	31,756	31,756	29,900	1,856
Workers' compensation	71,940	71,940	60,413	11,527
Payroll taxes	68,118	68,118	75,631	(7,513)
Post-employment defined contribution	22,733	22,733	20,550	2,183
Life and medical	232,432	232,432	212,335	20,097
Liability, auto, and property	79,090	79,090	68,564	10,526
	<u>506,069</u>	<u>506,069</u>	<u>467,393</u>	<u>38,676</u>

**TOWN OF SHERMAN, CONNECTICUT**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
(BUDGET AND ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Other:</b>				
Capital reserve	\$ 175,000	\$ 615,000	\$ 615,000	\$ -
LoCIP	27,953	27,953	56,320	(28,367)
Land trust	675	675	364	311
Library	120,000	120,000	120,000	-
Parks and recreation	132,785	132,785	113,748	19,037
Parade committee	1,000	1,000	1,754	(754)
Probate court	2,000	2,000	2,000	-
Senior center	51,211	51,211	50,388	823
Historic district	5,400	5,400	274	5,126
Tree warden	8,740	8,740	6,800	1,940
Conservation commission	1,500	1,500	900	600
Housing commission	750	750	5,762	(5,012)
Miscellaneous	3,100	8,100	2,779	5,321
	<u>530,114</u>	<u>975,114</u>	<u>976,089</u>	<u>(975)</u>
<b>Education:</b>				
Regular education	51,279	54,105	71,212	(17,107)
Primary	1,096,195	1,058,695	974,678	84,017
Art	100,019	102,094	105,919	(3,825)
Music	95,300	95,300	96,246	(946)
Physical education	84,400	84,400	84,390	10
Science	117,766	118,711	119,573	(862)
Math	205,274	259,737	212,448	47,289
Social studies	96,043	98,088	101,182	(3,094)
Language arts	276,387	275,490	275,079	411
Other regular programs	357,298	302,692	320,505	(17,813)
Exceptional/special education	1,233,251	1,292,538	1,164,617	127,921
Adult education	3,500	3,561	3,561	-
Medical services	42,111	41,961	43,742	(1,781)
Improvements of instructions	27,000	31,311	44,378	(13,067)
Educational media services	215,624	198,888	198,452	436
Board of Education	27,666	28,165	43,133	(14,968)
Administrative services	102,931	112,988	69,838	43,150
Office of the Principal	274,636	286,964	282,241	4,723
Fiscal services	1,006,298	946,352	974,997	(28,645)
Operations and maintenance	488,807	518,143	538,653	(20,510)
Pupil transportation	344,985	301,211	301,585	(374)
Nonreimbursable travel	1,000	1,000	3,009	(2,009)
Student activities	32,992	32,992	32,191	801
Tuition out of district	188,094	176,373	159,320	17,053
High school tuition	2,006,583	2,053,680	2,041,533	12,147
Education grants	(219,384)	(219,384)	-	(219,384)
	<u>8,256,055</u>	<u>8,256,055</u>	<u>8,262,482</u>	<u>(6,427)</u>

TOWN OF SHERMAN, CONNECTICUT

GENERAL FUND  
 SCHEDULE OF EXPENDITURES (CONTINUED)  
 (BUDGET AND ACTUAL)  
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Debt Service:</b>				
Principal	\$ 820,000	\$ 820,000	\$ 820,000	\$ -
Interest	340,188	340,188	259,395	80,793
Continuing disclosure	500	500	500	-
Issuance costs	70,000	70,000	70,000	-
Debt service	(65,000)	(65,000)	-	(65,000)
	<u>1,165,688</u>	<u>1,165,688</u>	<u>1,149,895</u>	<u>15,793</u>
<b>Total expenditures</b>	<u>\$ 12,414,432</u>	<u>\$ 12,859,432</u>	<u>\$ 12,796,790</u>	<u>\$ 62,642</u>

**TOWN OF SHERMAN, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>			<u>Total Other Funds</u>
	<u>Dog Fund</u>	<u>Education Grants</u>	<u>Document Preservation</u>	<u>Library Renovation</u>	<u>Revaluation Reserve Fund</u>	<u>Land Acquisition</u>	
<u>Assets</u>							
Cash and cash equivalents	\$ 44,234	\$ -	\$ 2,428	\$ -	\$ 13,650	\$ 11,030	\$ 71,342
Investments				100,000			100,000
Due from other funds		1,565					1,565
<b>Total assets</b>	<b>\$ 44,234</b>	<b>\$ 1,565</b>	<b>\$ 2,428</b>	<b>\$ 100,000</b>	<b>\$ 13,650</b>	<b>\$ 11,030</b>	<b>\$ 172,907</b>
<u>Liabilities and Fund Balances</u>							
<u>Liabilities:</u>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Deferred revenue				100,000			100,000
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 101,000</b>
<u>Fund Balances:</u>							
Restricted	44,234	1,565	2,428		12,650	11,030	1,565
Assigned							70,342
<b>Total fund balances</b>	<b>\$ 44,234</b>	<b>\$ 1,565</b>	<b>\$ 2,428</b>	<b>\$ -</b>	<b>\$ 12,650</b>	<b>\$ 11,030</b>	<b>\$ 71,907</b>
<b>Total liabilities and fund balances</b>	<b>\$ 44,234</b>	<b>\$ 1,565</b>	<b>\$ 2,428</b>	<b>\$ 100,000</b>	<b>\$ 13,650</b>	<b>\$ 11,030</b>	<b>\$ 172,907</b>

**TOWN OF SHERMAN, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds				Capital Project Funds				Total Other Funds
	Dog Fund	Education Grants	Document Preservation	Library Renovation	Revaluation Reserve Fund	Land Acquisition			
<b>Revenues:</b>									
Intergovernmental	\$	\$ 287,128	\$ 3,000	\$	\$	\$		\$	290,128
Investment earnings	146		4		20	38			208
Donations and other	3,965		856						4,821
<b>Total revenues</b>	<b>4,111</b>	<b>287,128</b>	<b>3,860</b>	<b>-</b>	<b>20</b>	<b>38</b>			<b>295,157</b>
<b>Expenditures:</b>									
Current:									
General government	2,668		3,955						6,623
Education		282,694							282,694
Capital outlay						655,000			655,000
<b>Total expenditures</b>	<b>2,668</b>	<b>282,694</b>	<b>3,955</b>	<b>-</b>	<b>-</b>	<b>655,000</b>		<b>655,000</b>	<b>944,317</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,443</b>	<b>4,434</b>	<b>(95)</b>	<b>-</b>	<b>20</b>	<b>(654,962)</b>		<b>(649,160)</b>	
<b>Other Financing Sources (Uses):</b>									
Transfers in (out)					13,500	1,000,000			1,013,500
<b>Net change in fund balances</b>	<b>1,443</b>	<b>4,434</b>	<b>(95)</b>	<b>-</b>	<b>13,520</b>	<b>345,038</b>		<b>364,340</b>	
<b>Fund balances, beginning of year</b>	<b>42,791</b>	<b>(2,869)</b>	<b>2,523</b>	<b>-</b>	<b>(870)</b>	<b>(334,008)</b>		<b>(292,433)</b>	
<b>Fund balances, end of year</b>	<b>\$ 44,234</b>	<b>\$ 1,565</b>	<b>\$ 2,428</b>	<b>\$ -</b>	<b>\$ 12,650</b>	<b>\$ 11,030</b>		<b>\$ 71,907</b>	

**TOWN OF SHERMAN, CONNECTICUT**  
**STATEMENT OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES SECTION 7.374(B)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Total tax collection including interest and lien fees for the year ended June 30, 2011	<u>\$ 11,725,115</u>				
<b>Debt Limitation:</b>					
2 1/4 times base	\$ 26,381,509	\$			\$
4 1/2 times base			52,763,018		
3 3/4 times base				43,969,181	
3 1/4 times base					38,106,624
3 times base					<u>35,175,345</u>
<b>Total debt limitation</b>	<u>26,381,509</u>		<u>52,763,018</u>	<u>43,969,181</u>	<u>38,106,624</u>
<b>Indebtedness:</b>					
Bonds payable	6,750,000		3,590,000		
Open space promissory note	2,250,000				
Bonds authorized and unissued	2,250,000				
<b>Total indebtedness</b>	<u>11,250,000</u>		<u>3,590,000</u>	<u>-</u>	<u>-</u>
<b>Debt limitation in excess of outstanding and authorized debt</b>	<u>\$ 15,131,509</u>		<u>\$ 49,173,018</u>	<u>\$ 43,969,181</u>	<u>\$ 38,106,624</u>
					<u>\$ 35,175,345</u>

**TOWN OF SHERMAN, CONNECTICUT**

**REPORT OF THE TAX COLLECTOR  
FOR THE YEAR ENDED JUNE 30, 2011**

Grand List October 1,	Taxes Receivable		Lawful Corrections		Suspense Transfers	Adjusted Taxes Receivable	Collections		Taxes Receivable June 30, 2011
	July 1, 2010		Additions	Deductions			Taxes	Interest and Lien Fees	
2009	\$ 11,621,225	\$ 39,641	\$ 27,394	\$ (2,387)	\$ 11,631,085	\$ 11,563,499	\$ 53,572	\$ 11,617,071	\$ 67,586
2008	89,236	2,242	1,357	(883)	89,238	73,106	12,755	85,861	16,132
2007	19,110	302	-	(724)	18,688	17,142	5,041	22,183	1,546
2006	276	-	-	(276)	-	-	-	-	-
	<u>\$ 11,729,847</u>	<u>\$ 42,185</u>	<u>\$ 28,751</u>	<u>\$ (4,270)</u>	<u>\$ 11,739,011</u>	<u>\$ 11,653,747</u>	<u>\$ 71,368</u>	<u>\$ 11,725,115</u>	<u>\$ 85,264</u>