

TOWN OF SOUTHBURY, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2012

TOWN OF SOUTHBURY, CONNECTICUT

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Independent Auditors' Report

To the Board of Finance
Town of Southbury, 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 Southbury, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town of Southbury, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Southbury, Connecticut'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Southbury, Connecticut's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 of Southbury, Connecticut, as of June 30, 2012 and the respective changes in financial position 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 December 6, 2012 on our consideration of the Town of Southbury, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* 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 on pages 3 through 9 and the budgetary comparison information on pages 33 through 35 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 of Southbury, Connecticut's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

December 6, 2012

TOWN OF SOUTHBURY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

This discussion and analysis of the Town of Southbury, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to VI.

Financial Highlights

- Net assets of our governmental activities increased by \$0.9 million.
- During the year, the Town had \$62.9 million in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$61.9 million with no new programs added this year.
- The General Fund reported a GAAP fund balance this year of \$7.6 million. \$5.4 million of this is assigned, leaving an unassigned balance of \$2.2 million.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) 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 are presented in Exhibits III to VI. 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 government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. 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 assets and changes in them. The Town's net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other

nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, the Town reports its activities as follows:

- *Governmental Activities* - The Town's basic services are reported here, including education, general government, public safety, public works, conservation of health and community activities. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by Charter. However, the Town establishes many other funds to help control and manage financial activities for particular purposes (like the Revaluation Fund) or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State of Connecticut). The Town's funds are divided into two categories: governmental and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of 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. 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. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Fiduciary Funds (Exhibits V and VI)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded 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.

Government-Wide Financial Analysis

The Town's combined net assets increased from a year ago. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**TABLE 1
NET ASSETS**

	Governmental Activities	
	2012	2011
Current and other assets	\$ 20,193,176	\$ 15,762,709
Capital assets, net of accumulated depreciation	85,477,576	89,377,997
Total assets	<u>105,670,752</u>	<u>105,140,706</u>
Long-term liabilities outstanding	11,022,348	11,303,287
Other liabilities	935,895	1,072,694
Total liabilities	<u>11,958,243</u>	<u>12,375,981</u>
Net Assets:		
Invested in capital assets, net of debt	74,760,758	78,355,847
Unrestricted	<u>18,951,751</u>	<u>14,408,878</u>
Total Net Assets	<u>\$ 93,712,509</u>	<u>\$ 92,764,725</u>

Net assets of the Town's governmental activities increased by 2.1% (\$93.7 million compared to \$92.8 million). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$14.4 million at June 30, 2011 to \$19 million at the end of this year.

Net assets invested in capital assets decreased by \$3.6 million. When developers complete developments and turn over roads to the Town, a contribution is recognized along with the contributed asset.

**TABLE 2
CHANGE IN NET ASSETS**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,673,575	\$ 1,469,468
Operating grants and contributions	3,968,747	2,609,785
Capital grants and contributions	1,504	200,000
General revenues:		
Property taxes	55,465,761	55,523,667
Grants and contributions not restricted to specific purposes	1,410,311	908,796
Unrestricted investment earnings	66,807	59,939
Miscellaneous	267,158	601,860
Total revenues	<u>62,853,863</u>	<u>61,373,515</u>
 Program expenses		
General government	7,009,448	6,615,090
Public safety	4,969,501	3,321,795
Public works	6,120,715	5,585,086
Conservation of health	476,995	444,794
Community activities	1,589,930	1,467,543
Education	41,344,692	41,616,763
Debt service	394,798	503,449
Total expenses	<u>61,906,079</u>	<u>59,554,520</u>
 Increase in Net Assets	 \$ <u>947,784</u>	 \$ <u>1,818,995</u>

The Town's total revenues were \$62.9 million. The total cost of all programs and services was \$61.9 million. Property taxes accounted for 88.3% of all revenues. Revenues from operating grants and contributions, the second largest component, were 6.4%. Education expenses were 66.8% of total expenses.

Table 3 presents the cost of each of the Town’s programs - general government, public safety, public works, conservation of health, community activities, education and debt service - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General government	\$ 7,009,448	\$ 6,615,090	\$ 6,326,097	\$ 5,972,772
Public safety	4,969,501	3,321,795	4,504,338	2,974,153
Public works	6,120,715	5,585,086	5,728,154	4,969,019
Conservation of health	476,995	444,794	472,070	444,794
Community activities	1,589,930	1,467,543	(85,663)	870,982
Education	41,344,692	41,616,763	38,922,459	39,540,098
Debt service	394,798	503,449	394,798	503,449
Totals	<u>\$ 61,906,079</u>	<u>\$ 59,554,520</u>	<u>\$ 56,262,253</u>	<u>\$ 55,275,267</u>

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$18.3 million, which is an increase from last year’s total of \$14.1 million. The original budget for 2012 also utilized \$630,000 of the prior year fund balance to balance it.

The Capital Projects Fund balance increased by \$1.4 million due primarily to road construction. Some significant expenditures were:

Equipment	\$ 64,060
Infrastructure	2,964,000
Building	20,176

The Town’s General Fund balance of \$7.6 million reported on Exhibit III differs from the General Fund’s budgetary fund balance of \$7.4 million. This is because budgetary fund balance does not include \$187,248 of outstanding encumbrances at year end, which are reported as expenditures for budgetary purposes.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the Town had \$85.5 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads and bridges - Table 4. This amount represents a net decrease (including additions and deductions) of \$3.9 million over last year.

TABLE 4
CAPITAL ASSETS (Net of Depreciation)
(In Thousands)

	Governmental Activities	
	2012	2011
Land	\$ 19,283	\$ 19,283
Buildings and improvements	15,036	13,204
Equipment	5,459	4,207
Infrastructure	44,235	45,649
Construction in progress	1,464	7,035
Totals	<u>\$ 85,477</u>	<u>\$ 89,378</u>

This year's major additions included:

Infrastructure	\$ 1,076,395
Equipment	453,453
Buildings	1,909,440

The Town's fiscal year 2012-13 capital plan calls for it to spend \$725,000 on vehicles. The Town also appropriated an additional \$2.0 million for road improvements.

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

At June 30, 2012, the Town had \$10,680,000 in bonds and notes outstanding versus \$11,425,000 last year - an increase of \$745,000. Bonds of \$745,000 were retired this year. The Town refinanced a portion of its long-term debt in July 2012, which will result in a savings of \$241,585 of interest over the life of the bonds.

The Town's general obligation bond rating continues to carry the Aa2 rating, a rating that has been assigned by national rating agencies to the Town's debt since June 2012. The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$387.7 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2013 budget tax rates. One of those factors is the economy. The Town's employment growth has been affected by the economic turndown. Unemployment in the Town now stands at 8.0% versus 7.9% a year ago. This compares favorably with the State's unemployment rate of 9.3% and the national rate of 8.6%.

These indicators were taken into account when adopting the General Fund budget for 2012-13. Amounts available for appropriation in the General Fund budget are \$60,134,058 a decrease of 0.6% over the original 2012 budget of \$60,229,627. Budgeted property tax revenue decreased 0.9% from the previous year.

The Town has added no new programs or initiatives in the 2013 budget. The Town has also appropriated \$999,250 of fund balance to balance the 2013 budget.

If these estimates are realized, the Town's budgetary General Fund balance is expected to decrease by June 30, 2013.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, 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 Finance Department, Town of Southbury, 501 Main Street, Southbury, Connecticut 06488.

TOWN OF SOUTHURY, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 17,901,433
Receivables, net	2,004,223
Prepaid items	287,520
Capital assets not being depreciated	20,747,511
Capital assets, net of accumulated depreciation	64,730,065
Total assets	<u>105,670,752</u>
Liabilities:	
Accounts and other payables	897,396
Unearned revenue	38,499
Noncurrent liabilities:	
Due within one year	1,306,906
Due in more than one year	9,715,442
Total liabilities	<u>11,958,243</u>
Net Assets:	
Invested in capital assets, net of related debt	74,760,758
Unrestricted	<u>18,951,751</u>
Total Net Assets	<u>\$ 93,712,509</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 7,009,448	\$ 679,192	\$ 4,159	\$	\$ (6,326,097)
Public safety	4,969,501	451,939	13,224		(4,504,338)
Public works	6,120,715	120,198	270,859	1,504	(5,728,154)
Conservation of health	476,995	4,925			(472,070)
Community activities	1,589,930	417,321	1,258,272		85,663
Education	41,344,692		2,422,233		(38,922,459)
Debt service	394,798				(394,798)
Total	<u>\$ 61,906,079</u>	<u>\$ 1,673,575</u>	<u>\$ 3,968,747</u>	<u>\$ 1,504</u>	<u>(56,262,253)</u>
General revenues:					
Property taxes					55,465,761
Grants and contributions not restricted to specific programs					1,410,311
Unrestricted investment earnings					66,807
Miscellaneous					267,158
Total general revenues					<u>57,210,037</u>
Change in net assets					947,784
Net Assets at Beginning of Year					<u>92,764,725</u>
Net Assets at End of Year					<u>\$ 93,712,509</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>Small Cities</u>	<u>Town Aid Road</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 7,856,002	\$ 45,198	\$ 235,256	\$ 7,523,498	\$ 2,241,479	\$ 17,901,433
Receivables, net	1,169,635	235,256			599,332	2,004,223
Due from other funds	248,417	1,327	628,601	671,324	20,280	1,569,949
Other assets	8,532					8,532
Total Assets	<u>\$ 9,282,586</u>	<u>\$ 281,781</u>	<u>\$ 863,857</u>	<u>\$ 8,194,822</u>	<u>\$ 2,861,091</u>	<u>\$ 21,484,137</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 283,363			\$ 471,520	\$ 720	\$ 755,603
Due to other funds	837,623		483,909		248,417	1,569,949
Deferred revenue	571,448	235,256		55,714		862,418
Total liabilities	<u>1,692,434</u>	<u>235,256</u>	<u>483,909</u>	<u>527,234</u>	<u>249,137</u>	<u>3,187,970</u>
Fund balances:						
Nonspendable	8,532					8,532
Restricted		46,525	379,948			426,473
Committed				7,667,588	2,611,954	10,279,542
Assigned	5,411,498					5,411,498
Unassigned	2,170,122					2,170,122
Total fund balances	<u>7,590,152</u>	<u>46,525</u>	<u>379,948</u>	<u>7,667,588</u>	<u>2,611,954</u>	<u>18,296,167</u>
Total Liabilities and Fund Balances	<u>\$ 9,282,586</u>	<u>\$ 281,781</u>	<u>\$ 863,857</u>	<u>\$ 8,194,822</u>	<u>\$ 2,861,091</u>	<u>\$ 21,484,137</u>

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TOWN OF SOUTHBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2012

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are
different because of the following:

Fund balances - total governmental funds (Exhibit III)		\$ 18,296,167
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$ 158,608,614	
Less accumulated depreciation	<u>(73,131,038)</u>	
Net capital assets		85,477,576
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Net pension asset		278,988
Property tax receivables greater than 60 days		378,959
Interest receivable on property taxes		209,702
Housing and mortgage loans		235,256
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Deferred charge on refunding		390,601
Unamortized bond premium		(413,218)
Bonds and notes payable		(10,680,000)
Interest payable on bonds and notes		(141,791)
Compensated absences		(305,530)
Capital lease		<u>(14,201)</u>
Net Assets of Governmental Activities (Exhibit I)		<u>\$ 93,712,509</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Small Cities</u>	<u>Town Aid Road</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 55,519,321	\$	\$	\$	\$	\$ 55,519,321
Intergovernmental	3,851,708		190,467	76,510	21,118	4,139,803
Charges for services	956,857				482,794	1,439,651
Income on investments	57,533		80	896	8,300	66,809
Miscellaneous	404,831			14,310	1,307,544	1,726,685
Total revenues	<u>60,790,250</u>	<u>-</u>	<u>190,547</u>	<u>91,716</u>	<u>1,819,756</u>	<u>62,892,269</u>
Expenditures:						
Current:						
General government	6,152,926				65,490	6,218,416
Public safety	2,927,147				289,934	3,217,081
Public works	3,069,259				220	3,069,479
Conservation of health	474,416					474,416
Community activities	1,283,829	15,570			195,179	1,494,578
Education	41,344,692					41,344,692
Capital outlay				1,771,454		1,771,454
Debt service	1,151,749					1,151,749
Total expenditures	<u>56,404,018</u>	<u>15,570</u>	<u>-</u>	<u>1,771,454</u>	<u>550,823</u>	<u>58,741,865</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,386,232</u>	<u>(15,570)</u>	<u>190,547</u>	<u>(1,679,738)</u>	<u>1,268,933</u>	<u>4,150,404</u>
Other Financing Sources (Uses):						
Transfers in	50,000			3,124,134	12,016	3,186,150
Transfers out	(3,136,150)				(50,000)	(3,186,150)
Total other financing sources (uses)	<u>(3,086,150)</u>	<u>-</u>	<u>-</u>	<u>3,124,134</u>	<u>(37,984)</u>	<u>-</u>
Net Change in Fund Balances	1,300,082	(15,570)	190,547	1,444,396	1,230,949	4,150,404
Fund Balances at Beginning of Year	<u>6,290,070</u>	<u>62,095</u>	<u>189,401</u>	<u>6,223,192</u>	<u>1,381,005</u>	<u>14,145,763</u>
Fund Balances at End of Year	<u>\$ 7,590,152</u>	<u>\$ 46,525</u>	<u>\$ 379,948</u>	<u>\$ 7,667,588</u>	<u>\$ 2,611,954</u>	<u>\$ 18,296,167</u>

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TOWN OF SOUTHBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II)
are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 4,150,404
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Governmental funds report capital outlays as expenditures. In the statement of activities,
the cost of those assets is allocated over their estimated useful lives and reported as
depreciation expense:

Capital outlay	275,029
Depreciation expense	(4,175,450)

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

Property tax receivable - accrual basis change	(27,941)
Property tax interest and lien revenue - accrual basis change	(25,613)
Amortization of bond premium	34,435
Net pension asset	(1,253)
Mortgage loan receivables	13,951

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources
to governmental funds, while the repayment of the principal of long-term debt consumes
the current financial resources of governmental funds. Neither transaction 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
amortized and deferred in the statement of activities. The details of these differences in
the treatment of long-term debt and related items are as follows:

Bond principal payments	745,000
Capital lease payments	6,100

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 the governmental
funds.

Compensated absences	(24,393)
Amortization of deferred charge on refunding	(32,550)
Accrued interest	<u>10,065</u>

Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 947,784</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 1,162,682
Investments:	
Mutual funds and equities	9,268,187
U.S. Treasury issues	1,636,618
Corporate bonds	<u>651,740</u>
Total assets	<u>12,719,227</u>
Liabilities	<u>-</u>
Net Assets:	
Held in trust for pension benefits	<u><u>\$ 12,719,227</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund
Additions:	
Contributions:	
Plan members	\$ 25,333
Employer	635,095
Total contributions	660,428
Investment income:	
Net depreciation in fair value of investments	(619,463)
Interest and dividends	288,095
Net investment loss	(331,368)
Total additions	329,060
Deductions:	
Benefits	458,754
Fees	834
Total deductions	459,588
Change in Net Assets	(130,528)
Net Assets Held in Trust for Pension Benefits - Beginning of Year	12,849,755
Net Assets Held in Trust for Pension Benefits - End of Year	\$ 12,719,227

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Southbury, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town was incorporated in 1787. Its legal authority is derived from its Charter which was adopted in 1975 and most recently amended in 1997. The Town operates under a Board of Selectmen/Board of Finance/Town Meeting form of government. Services provided include street maintenance, recreation, police and fire protection, planning and zoning, community services and health services. The Town is a member of Regional School District #15 which provides education services for all children.

The legislative power of the Town is vested with the Board of Selectmen and the Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The administration of the Town offices and agencies is the responsibility of the First Selectman.

The Board of Finance is responsible for financial and taxation matters as prescribed by the Charter and Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

C. 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 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, charges for services, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

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

The Small Cities Fund is used to account for federal Small Cities grant and loan program. The major source of revenue for the fund is from Federal grant receipts.

The Town Aid Road Fund is used to account for financial resources for the maintenance of the Town's roads. The main source of the fund's revenue is from State grants.

The Capital Projects Fund is used to account for the financial resources for the acquisition and construction of major capital facilities. The major source of revenue is from bond proceeds and General Fund transfers.

Additionally, the Town reports the following fund types:

The Pension Trust Fund accounts for the activities of the Town of Southbury Pension System, which accumulates resources for pension benefit payments to qualified Town employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Liens on real property are filed on May 1 following the due date. Interest on delinquent taxes accrues at the rate of 1.5% per month. An amount of \$45,274 has been established as an allowance for uncollectible taxes. At June 30, 2012, this represents 3.7% of all property taxes receivable.

F. Prepaid Items

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

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Building improvements	25-50
Public domain infrastructure	20-50
System infrastructure	20-50
Vehicles	5-15
Office equipment	5-15
Land improvements	10-20

H. Compensated Absences

Substantially all Town employees, other than those employed less than 20 hours per week or on a seasonal or temporary basis, are allowed to accumulate a limited amount of unused vacation and sick leave until termination of their employment. Upon termination of service, an employee with over six months of service is entitled to payment for unused vacation.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. 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 any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, are reported as debt service expenditures.

J. Fund Equity

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

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

Restricted Net Assets - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has no assets under restriction.

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Board of Finance).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Town adheres to the following procedures in establishing the budget for the General Fund. On the third Monday in May, the Board of Finance submits to a Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally adopted by vote of the Annual Town Meeting.
- The Board of Finance in concurrence with the Board of Selectmen is authorized to make additional appropriations up to \$20,000 to any single agency or department per year. Any appropriation causing the total to exceed or exceeding \$20,000 must be approved by Town Meeting.
- Budgets are adopted on the modified accrual basis of accounting.
- The legal budget is a departmental level budget.
- There were supplemental appropriations of \$527,200 during the year ended June 30, 2012. All additional appropriations were made in accordance with the Charter.
- Budgets for Special Revenue Funds are prepared in accordance with the requirements of the various grant agreements and/or provisions which control the expenditure of such funds. Since such budgets are adopted on a program basis, it is not practicable to present the results of budgetary operations at the combined level.
- Capital Projects appropriations for capital and reserve funds are approved in the annual budget. Projects in excess of \$20,000 not in the annual budget are approved at Town Meeting.

All General Fund appropriations lapse at year end. Appropriations for Capital Projects Funds and several Special Revenue Funds are continued until completion of the project, even when projects extend for more than one fiscal year. If three years lapse without any expenditure or any encumbrance of said funds, the appropriation will lapse.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town has a formal deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$720,884 of the Town’s bank balance of \$9,905,165 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 321,730
Uninsured and collateralized held by the pledging bank’s trust department, not in the Town’s name	<u>399,154</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 720,884</u></u>

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Cash Equivalents

At June 30, 2012, the Town's cash equivalents amounted to \$9,779,422. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Balance, June 30, 2012</u>	<u>Standard and Poor's Rating</u>
Money Market Funds*	\$ 1,073,444	
Cutwater Asset Management - Connecticut Cooperative Liquid Assets Securities System (CLASS) Plus	8,705,978	AAA/m

*Not rated

B. Investments

As of June 30, 2012, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Interest-bearing investments:					
U.S. Treasuries	AAA	\$ 572,536	\$	\$ 572,536	\$
Corporate bonds	CCC+	40,747		40,747	
Corporate bonds	BBB-/BB+	610,993	19,245	591,748	
U.S. Government agencies	AAA	1,064,082	81,554	32,123	950,405
 Total		 2,288,358	 \$ 100,799	 \$ 1,237,154	 \$ 950,405
Other investments:					
Equities		6,065,875			
Mutual funds		3,202,312			
 Total Investments		 \$ 11,556,545			

Interest Rate Risk - The Town does not limit their maximum final stated maturities to fifteen years. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk - The Town has a policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has a policy for custodial credit risk. At June 30, 2012, the Town did not have any uninsured and unregistered securities held by the counter party or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

Receivables as of year-end for the Town's individual major, nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Small Cities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest	\$ 219,245	\$	\$	\$ 219,245
Taxes	512,546			512,546
Accounts	37,601		599,332	636,933
Housing loans		235,256		235,256
Intergovernmental	445,517			445,517
Gross receivables	<u>1,214,909</u>	<u>235,256</u>	<u>599,332</u>	<u>2,049,497</u>
Less allowance for uncollectibles:				
Taxes	<u>(45,274)</u>			<u>(45,274)</u>
Net Total Receivables	<u>\$ 1,169,635</u>	<u>\$ 235,256</u>	<u>\$ 599,332</u>	<u>\$ 2,004,223</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of 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 current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 378,959	\$
Accrued interest on property taxes	192,489	
Small cities loans and grants	235,256	
Unearned grants		38,499
Other	<u>17,215</u>	
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 823,919</u>	<u>\$ 38,499</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 19,283,405	\$	\$	\$	\$ 19,283,405
Construction in progress	<u>7,035,274</u>	<u>275,029</u>	<u></u>	<u>(5,846,197)</u>	<u>1,464,106</u>
Total capital assets not being depreciated	<u>26,318,679</u>	<u>275,029</u>	<u>-</u>	<u>(5,846,197)</u>	<u>20,747,511</u>
Capital assets being depreciated:					
Buildings	16,994,585			2,187,167	19,181,752
Furniture and equipment	10,208,678		(53,005)	2,801,659	12,957,332
Infrastructure	<u>104,864,648</u>	<u></u>	<u></u>	<u>857,371</u>	<u>105,722,019</u>
Total capital assets being depreciated	<u>132,067,911</u>	<u>-</u>	<u>(53,005)</u>	<u>5,846,197</u>	<u>137,861,103</u>
Less accumulated depreciation for:					
Buildings	3,790,464	355,003			4,145,467
Furniture and equipment	6,001,756	1,549,269	(53,005)		7,498,020
Infrastructure	<u>59,216,373</u>	<u>2,271,178</u>	<u></u>	<u></u>	<u>61,487,551</u>
Total accumulated depreciation	<u>69,008,593</u>	<u>4,175,450</u>	<u>(53,005)</u>	<u>-</u>	<u>73,131,038</u>
Total capital assets being depreciated, net	<u>63,059,318</u>	<u>(4,175,450)</u>	<u>-</u>	<u>5,846,197</u>	<u>64,730,065</u>
Governmental Activities Capital Assets, Net	<u>\$ 89,377,997</u>	<u>\$ (3,900,421)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,477,576</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 338,997
Public safety	1,141,749
Public works	2,612,627
Community activities	<u>82,077</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,175,450</u>

Capital Project Commitments

The Town has active long-term projects as of June 30, 2012. The projects include:

	<u>Appropriation</u>	<u>Expended</u>	<u>Encumbrances</u>	<u>Remaining Balance</u>
Capital	\$ 9,749,532	\$ 7,412,257	\$ 497,008	\$ 1,840,267
Reserve Accounts	18,636,088	13,930,525	587,266	4,118,297
Limited Reserve Accounts	18,910,756	18,388,461		522,295

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2012, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 248,417
Capital Projects	Town Aid Road Fund	483,909
Capital Projects	General Fund	187,415
Small Cities Fund	General Fund	1,327
Town Aid Road Fund	General Fund	628,601
Nonmajor Governmental Funds	General Fund	<u>20,280</u>
Total		<u>\$ 1,569,949</u>

All balances reflect recurring reimbursement type transactions expected to be repaid in the current period.

Interfund transfers:

	<u>Transfers In</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:				
General Fund	\$	\$ 3,124,134	\$ 12,016	\$ 3,136,150
Nonmajor Governmental	<u>50,000</u>			<u>50,000</u>
Total Transfers Out	<u>\$ 50,000</u>	<u>\$ 3,124,134</u>	<u>\$ 12,016</u>	<u>\$ 3,186,150</u>

All transfers are for regularly recurring operational transfers.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 11,425,000	\$	\$ 745,000	\$ 10,680,000	\$ 1,065,000
Deferred charge on refunding	(423,151)		(32,550)	(390,601)	
For issuance premiums	<u>447,653</u>		<u>34,435</u>	<u>413,218</u>	
Total bonds payable and other	11,449,502		<u>746,885</u>	10,702,617	<u>1,065,000</u>
Capital leases	20,301		6,100	14,201	6,383
Compensated absences	<u>281,137</u>	<u>24,393</u>		<u>305,530</u>	<u>235,523</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 11,750,940</u>	<u>\$ 24,393</u>	<u>\$ 752,985</u>	<u>\$ 11,022,348</u>	<u>\$ 1,306,906</u>

A schedule of bond and notes outstanding at June 30, 2012 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2012</u>
Bonds payable:					
General purpose	2004	2024	2.95-4.3	\$ 5,580,000	\$ 3,250,000
General purpose	2009	2019	3.52-4.0	2,400,000	1,700,000
General purpose	2010	2023	3.0-4.0	6,080,000	<u>5,730,000</u>
Total					<u>\$ 10,680,000</u>

Annual maturities of bonds and notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,065,000	\$ 378,288	\$ 1,443,288
2014	1,060,000	344,538	1,404,538
2015	1,055,000	310,250	1,365,250
2016	1,025,000	276,731	1,301,731
2017	1,020,000	240,538	1,260,538
2018-24	<u>5,455,000</u>	<u>681,700</u>	<u>6,136,700</u>
Total	<u>\$ 10,680,000</u>	<u>\$ 2,232,045</u>	<u>\$ 12,912,045</u>

Prior Year Defeasance of Debt

In prior years, the Town had defeased certain general obligation 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, 2012, there were no bonds outstanding considered defeased.

Capital Lease

The Town entered into a capital lease to acquire a fingerprint scanner. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 7,200
2014	7,200
2015	<u>1,200</u>
Total future minimum lease payments	15,600
Less amounts representing interest	<u>1,399</u>
Present Value of Future Minimum Lease Payments	<u>\$ 14,201</u>

Overlapping Debt

The Town of Southbury is a member of Regional School District #15, which provides education facilities for grades kindergarten through twelve for the Towns of Southbury and Middlebury. As of June 30, 2012, the outstanding bonded indebtedness of the District was \$22,505,000. These issues are eligible for partial reimbursement by the State of Connecticut. Total grants anticipated are \$1,661,282. The Town of Southbury's share will be approximately 69% of the remainder. These are general obligations of Regional School District #15 and its member towns.

The Town's indebtedness does not exceed the legal debt limitations as established by Connecticut General Statutes as reflected in the following schedule (in thousands):

<u>Category</u>	<u>Debt Limitation</u>	<u>Indebtedness*</u>	<u>Balance</u>
General purpose	\$ 124,612	\$ 10,680	\$ 113,932
Schools	249,224	14,382	234,842
Sewers	207,686		207,686
Urban renewal	179,995		179,995
Pension deficit	166,149		166,149

*Portion of Regional School District #15 indebtedness as described above. Also includes bonds authorized unissued when debt has been issued.

In no case shall total indebtedness exceed seven times annual receipts from taxation (\$387,681).

8. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2012 are as follows:

	<u>General Fund</u>	<u>Small Cities</u>	<u>Town Aid Road</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Inventory	\$ 8,532	\$	\$	\$	\$	8,532
Restricted for:						
Grants		46,525	379,948	\$		426,473
Committed to:						
General government					277,962	277,962
Public safety					229,743	229,743
Public works					212	212
Community activities					2,104,037	2,104,037
Capital projects				7,667,588		7,667,588
Assigned to:						
General government	129,309					129,309
Public safety	6,161					6,161
Public works	48,338					48,338
Community activities	3,440					3,440
Subsequent year's budget	999,250					999,250
Future purposes	4,225,000					4,225,000
Unassigned	2,170,122					2,170,122
Total Fund Balances	\$ 7,590,152	\$ 46,525	\$ 379,948	\$ 7,667,588	\$ 2,611,954	\$ 18,296,167

9. 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 are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

The Town of Southbury is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide retirement, disability and death benefits for its employees. The PERS is considered to be part of the Town of Southbury’s financial reporting entity and is included in the Town’s financial reports as a pension trust fund. The system was established by vote of the Board of Selectmen July 1, 1970.

The Town of Southbury Retirement System covers substantially all employees working more than 20 hours a week.

Participants who retire at normal retirement date are entitled to a monthly retirement benefit in an amount equal to 1.5 and 2.5% (police) of their average monthly earnings multiplied by years of service up to a maximum of 35 years. Average monthly compensation is the average salary over the 60 consecutive month period that provides the highest average (36 months for police). The Plan also produces a preretirement death benefit. Participants become 100% vested on completing 5 years of vesting service. Normal retirement eligibility is later of age 50 and completing 20 years of service but not later than age 55 for police and the later of age 65 or 5 years for all others.

The membership of the Plan consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	50
Terminated plan members entitled to benefits but not yet receiving them	31
Current plan members	<u>99</u>
Total	<u><u>180</u></u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments: All assets are valued at fair value. All investments are invested in government bonds, corporate bonds and equity mutual funds.

C. Funding Policy

The Town is required to contribute the amounts necessary to fund the PERS and cover all administrative charges. Police are required to contribute 1.9% of annual earnings. All amounts are determined by annual actuarial valuations and are included as part of the annual budget expenditures. The current contribution rate for the Town is 12.36% of covered payroll. Covered payroll is \$5,026,644 or 81.0% of total Town payroll of \$6,204,831. The contribution requirements of the Town and plan members may be amended by the Board of Selectmen and subject to bargaining unit approval.

D. Annual Pension Cost and Net Pension Obligations

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

Annual required contribution	\$ 635,095
Interest on net pension obligation	(22,419)
Adjustment to annual required contribution	<u>23,672</u>
Annual pension cost	636,348
Contributions made	<u>635,095</u>
Decrease in net pension asset	1,253
Net pension asset at beginning of year	<u>(280,241)</u>
Net Pension Asset at End of Year	<u><u>\$ (278,988)</u></u>

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent
Remaining amortization period	16 years
Asset valuation method	Fair Value-5 Year Smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.0%
Inflation	3-3.5%

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/12	\$ 636,348	\$ 635,095	99.80%	\$ (278,988)
6/30/11	648,448	648,132	99.95	(280,241)
6/30/10	474,156	600,000	126.54	(280,557)

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/11	\$ 12,884,699	\$ 14,678,470	\$ 1,793,771	87.8%	\$ 5,026,644	35.7%
7/1/10	12,120,924	13,560,517	1,439,593	89.4	5,236,678	27.5
7/1/09	10,940,626	12,458,889	1,518,263	87.8	5,158,084	29.4
7/1/08	11,337,498	11,391,583	54,085	99.5	4,324,805	1.3
7/1/07	9,594,300	9,902,633	308,333	96.9	3,944,816	7.8
7/1/06	8,092,844	10,747,816	2,654,972	75.3	4,035,522	65.8

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/12	\$ 635,095	\$ 635,095	100.00%
6/30/11	648,132	648,132	100.00
6/30/10	474,442	600,000	126.46
6/30/09	430,307	435,000	101.09
6/30/08	685,586	704,566	102.77
6/30/07	628,812	630,000	100.19

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

11. CONTINGENT LIABILITIES

The Town is currently a defendant in a number of lawsuits including tax appeals. It is the opinion of Town officials and legal counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would materially adversely affect its financial position.

TOWN OF SOUTHBURY, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Property taxes:				
Property taxes	\$ 54,080,611	\$ 54,080,611	\$ 54,690,501	\$ 609,890
Prior year's taxes	248,937	248,937	328,323	79,386
Motor vehicle supplement	300,000	300,000	318,195	18,195
Interest and liens	186,156	186,156	182,296	(3,860)
Overpayments	100,000	100,000		(100,000)
Total property taxes	<u>54,915,704</u>	<u>54,915,704</u>	<u>55,519,315</u>	<u>603,611</u>
Intergovernmental revenues:				
State of Connecticut:				
Education Cost Sharing	2,422,233	2,422,233	2,422,233	-
Other	641,895	641,895	1,262,967	621,072
Telecommunication property tax	168,561	168,561	160,568	(7,993)
Total intergovernmental revenues	<u>3,232,689</u>	<u>3,232,689</u>	<u>3,845,768</u>	<u>613,079</u>
Licenses, permits and fees:				
Building and regulatory	228,085	228,085	170,799	(57,286)
Recreation	317,950	317,950	337,222	19,272
Town Clerk	405,796	405,796	440,136	34,340
Dog licenses and fees	9,000	9,000	8,700	(300)
Total licenses, permits and fees	<u>960,831</u>	<u>960,831</u>	<u>956,857</u>	<u>(3,974)</u>
Investment income	<u>44,000</u>	<u>44,000</u>	<u>57,512</u>	<u>13,512</u>
Other	<u>421,403</u>	<u>421,403</u>	<u>461,265</u>	<u>39,862</u>
Transferred in from other funds	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>	<u>25,000</u>
Total	<u>\$ 59,599,627</u>	<u>\$ 59,599,627</u>	<u>60,890,717</u>	<u>\$ 1,291,090</u>

Budgetary revenues are different than GAAP revenues because:

Cancellation of prior year encumbrances are recognized as budgetary revenue (57,087)

Nonbudgetary items and eliminations related to Debt Management
and Historical Buildings funds6,620Total Revenues and Other Financing Sources as Reported on the Statement of
Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Exhibit IV\$ 60,840,250

TOWN OF SOUTHBURY, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
General government:				
Board of Selectmen	\$ 286,436	\$ 286,785	\$ 281,734	\$ 5,051
Town Hall Service expense	134,000	134,000	124,370	9,630
Other expense	107,167	142,747	130,264	12,483
Social Services	36,181	36,315	35,593	722
Labor related expense	2,958,309	2,960,309	2,612,466	347,843
Computers	63,189	81,309	79,781	1,528
Probate Court	9,173	9,173	9,173	-
Elections	149,144	149,144	111,032	38,112
Board of Finance	55,250	55,250	52,580	2,670
Board of Assessment Appeals	1,500	1,500	482	1,018
Controller	224,880	225,239	217,608	7,631
Tax Collector	140,227	140,287	129,383	10,904
Assessor	163,191	163,469	157,026	6,443
Town Clerk	226,645	227,385	225,373	2,012
Building Inspector	152,366	152,634	128,796	23,838
Insurance and Bonds	534,527	534,527	518,642	15,885
Legal expense	135,000	135,000	110,029	24,971
Planning Commission	135,620	135,888	106,737	29,151
Inland Wetlands Commission	88,487	88,487	78,199	10,288
Zoning Commission	12,240	12,240	5,396	6,844
Zoning Board of Appeals	34,656	34,784	33,491	1,293
Economic Development Commission	8,050	8,050	3,626	4,424
Town properties - inside	244,846	244,846	242,901	1,945
Energy	382,913	382,913	319,310	63,603
Town properties - outside	403,029	403,029	375,258	27,771
Contingency	230,000	55,175		55,175
Refunds	100,000	100,000	85,548	14,452
Total	<u>7,017,026</u>	<u>6,900,485</u>	<u>6,174,798</u>	<u>725,687</u>
Public safety:				
Fire Department/hydrants	442,222	452,523	452,522	1
Communications	342,880	342,880	272,657	70,223
Police Protection	1,872,066	1,873,511	1,750,754	122,757
Civil Preparedness	13,022	13,022	10,581	2,441
Fire Marshal	81,650	81,650	74,649	7,001
Tree Warden	6,000	6,000	5,509	491
Canine Control	70,154	70,433	60,780	9,653
Ambulance Association	326,765	330,665	330,665	-
Total	<u>3,154,759</u>	<u>3,170,684</u>	<u>2,958,117</u>	<u>212,567</u>
Highway-public works:				
General maintenance	1,845,545	2,393,397	2,301,295	92,102
Solid waste disposal	867,806	869,680	817,882	51,798
Total	<u>2,713,351</u>	<u>3,263,077</u>	<u>3,119,177</u>	<u>143,900</u>

(Continued on next page)

TOWN OF SOUTHURY, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Conservation of health:				
Conservation Commission	\$ 13,200	\$ 13,200	\$ 13,092	\$ 108
Department of Health	146,416	146,416	146,416	-
Visiting Nurses Association	35,000	35,000	35,000	-
Lake Zoar Authority	25,405	25,405	25,405	-
Lake Lillinonah Authority	23,854	23,854	23,854	-
Pomperaug Valley Water Authority	200	200		200
Water Pollution Authority	100	100		100
Commission of Services for Elderly	234,926	237,346	232,584	4,762
Total	<u>479,101</u>	<u>481,521</u>	<u>476,351</u>	<u>5,170</u>
Community activities:				
Committee expenses	20,600	20,600	18,230	2,370
Library	615,140	615,936	608,821	7,115
Recreation Commission	459,767	504,641	503,937	704
Other community activities	116,682	146,682	146,682	-
Total	<u>1,212,189</u>	<u>1,287,859</u>	<u>1,277,670</u>	<u>10,189</u>
Education - Region #15	<u>41,344,692</u>	<u>41,344,692</u>	<u>41,344,692</u>	-
Total expenditures	<u>55,921,118</u>	<u>56,448,318</u>	<u>55,350,805</u>	<u>1,097,513</u>
Transfers out:				
Historic Building Fund	20,339	20,339	20,339	-
Capital Reserve Fund	3,136,150	3,136,150	3,136,150	-
Capital Transfers Other	1,152,020	1,152,020	1,152,020	-
Total transfers out	<u>4,308,509</u>	<u>4,308,509</u>	<u>4,308,509</u>	-
Total Expenditures and Transfers	\$ <u>60,229,627</u>	\$ <u>60,756,827</u>	59,659,314	\$ <u>1,097,513</u>
Budgetary expenditures are different than GAAP expenditures because:				
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			(112,511)	
Nonbudgetary items and eliminations related to Debt Management and Historical Buildings funds			<u>(6,635)</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ <u>59,540,168</u>	

TOWN OF SOUTHBURY, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 7,856,002	\$ 6,813,320
Property taxes receivable, net	467,272	477,230
Other accounts receivable	702,363	247,541
Due from other funds	248,417	153,618
Other assets	<u>8,532</u>	<u>39,961</u>
Total Assets	<u>\$ 9,282,586</u>	<u>\$ 7,731,670</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 283,363	\$ 208,436
Due to other funds	837,623	461,317
Deferred revenues	<u>571,448</u>	<u>771,847</u>
Total liabilities	<u>1,692,434</u>	<u>1,441,600</u>
Fund balance:		
Nonspendable	8,532	
Committed		8,208
Assigned	5,411,498	4,986,823
Unassigned	<u>2,170,122</u>	<u>1,295,039</u>
Total fund balance	<u>7,590,152</u>	<u>6,290,070</u>
Total Liabilities and Fund Balance	<u>\$ 9,282,586</u>	<u>\$ 7,731,670</u>

TOWN OF SOUTHURY, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2012

Grand List	Due Date	Uncollected Taxes July 1, 2011	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2012
			Additions	Deductions			Taxes	Interest	Fees	Total	
2010	2011	\$ 55,277,581	\$ 67,271	\$ 131,202	\$ 1,205	\$ 55,212,445	\$ 54,915,664	\$ 113,069	\$ 1,492	\$ 55,030,225	\$ 296,781
2009	2010	302,086	23,953	13,506	6,441	306,092	213,721	36,552	1,400	251,673	92,371
2008	2009	81,671	25,250	11,572	3,534	91,815	58,749	17,233	300	76,282	33,066
2007	2008	25,987	3,179	12,501		16,665	(57)	62	48	53	16,722
2006	2007	16,485		5,135		11,350	14	11	24	49	11,336
2005	2006	13,434		4,089		9,345	14	13	24	51	9,331
2004	2005	12,206		3,888		8,318				-	8,318
2003	2004	10,727		3,660		7,067				-	7,067
2002	2003	10,024		3,416		6,608	908	1,642		2,550	5,700
2001	2002	7,341		2,441		4,900				-	4,900
2000	2001	7,289		2,429		4,860				-	4,860
1999	2000	6,893		2,300		4,593				-	4,593
1998	1999	7,560		2,091		5,469				-	5,469
1997	1998	7,172		1,990		5,182				-	5,182
1996	1997	6,792		2,460		4,332				-	4,332
1995	1996	4,904		2,386		2,518		200		200	2,518
		<u>\$ 55,798,152</u>	<u>\$ 119,653</u>	<u>\$ 205,066</u>	<u>\$ 11,180</u>	<u>\$ 55,701,559</u>	55,189,013	168,782	3,288	55,361,083	<u>\$ 512,546</u>
					Suspense collections		<u>11,601</u>	<u>7,422</u>	<u>2,741</u>	<u>21,764</u>	
					Total		<u>\$ 55,200,614</u>	<u>\$ 176,204</u>	<u>\$ 6,029</u>	<u>\$ 55,382,847</u>	

TOWN OF SOUTHURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Special Revenue Funds</u>						
	<u>Private Duty</u>	<u>Police D.A.R.E.</u>	<u>Parks and Recreation Programs and Trips</u>	<u>Probate Court</u>	<u>Three R Investments</u>	<u>Police Forfeitures</u>	<u>Elderly Services and Program Fund</u>
Assets							
Cash and cash equivalents	\$ 17,823	\$ 7,826	\$ 227,734	\$ 11,507	\$ 3,458	\$ 1,144	\$ 73,854
Accounts receivable	65,332						
Due from other funds				1,500	3,776		12,504
Total Assets	<u>\$ 83,155</u>	<u>\$ 7,826</u>	<u>\$ 227,734</u>	<u>\$ 13,007</u>	<u>\$ 7,234</u>	<u>\$ 1,144</u>	<u>\$ 86,358</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts and other payables	\$	\$	\$ 720	\$	\$	\$	\$
Due to other funds		5,065	207,316				
Total liabilities	<u>-</u>	<u>5,065</u>	<u>208,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Committed	83,155	2,761	19,698	13,007	7,234	1,144	86,358
Total fund balances	<u>83,155</u>	<u>2,761</u>	<u>19,698</u>	<u>13,007</u>	<u>7,234</u>	<u>1,144</u>	<u>86,358</u>
Total Liabilities and Fund Balances	<u>\$ 83,155</u>	<u>\$ 7,826</u>	<u>\$ 227,734</u>	<u>\$ 13,007</u>	<u>\$ 7,234</u>	<u>\$ 1,144</u>	<u>\$ 86,358</u>

(Continued on next page)

TOWN OF SOUTHBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2012

	<u>Special Revenue Funds</u>						Total Nonmajor Governmental Funds
	Town Clerk Record Preservation	Streetscape Reserve	Loss Reserve	Library Gift	Planning	Farm Document	
Assets							
Cash and cash equivalents	\$ 50,973	\$ 9,362	\$ 142,683	\$ 1,483,756	\$ 120,990	\$ 90,369	\$ 2,241,479
Accounts receivable				534,000			599,332
Due from other funds				2,500			20,280
Total Assets	<u>\$ 50,973</u>	<u>\$ 9,362</u>	<u>\$ 142,683</u>	<u>\$ 2,020,256</u>	<u>\$ 120,990</u>	<u>\$ 90,369</u>	<u>\$ 2,861,091</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts and other payables	\$	\$	\$	\$	\$	\$	\$ 720
Due to other funds	4,007	9,150		22,275		604	248,417
Total liabilities	<u>4,007</u>	<u>9,150</u>	<u>-</u>	<u>22,275</u>	<u>-</u>	<u>604</u>	<u>249,137</u>
Fund Balances:							
Committed	46,966	212	142,683	1,997,981	120,990	89,765	2,611,954
Total fund balances	<u>46,966</u>	<u>212</u>	<u>142,683</u>	<u>1,997,981</u>	<u>120,990</u>	<u>89,765</u>	<u>2,611,954</u>
Total Liabilities and Fund Balances	<u>\$ 50,973</u>	<u>\$ 9,362</u>	<u>\$ 142,683</u>	<u>\$ 2,020,256</u>	<u>\$ 120,990</u>	<u>\$ 90,369</u>	<u>\$ 2,861,091</u>

TOWN OF SOUTHBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds						Elderly Services and Program Fund
	Private Duty	Police D.A.R.E.	Parks and Recreation Programs and Trips	Probate Court	Three R Investments	Police Forfeitures	
Revenues:							
Intergovernmental revenues	\$	\$	\$	\$	\$	\$	\$
Charges for services	334,681		80,102	36,294			
Income on investments							5
Other							7,522
Total revenues	<u>334,681</u>	<u>-</u>	<u>80,102</u>	<u>36,294</u>	<u>-</u>	<u>-</u>	<u>7,527</u>
Expenditures:							
Current:							
General government				23,287			18,203
Public safety	287,978						
Public works							
Community activities			71,591				6,765
Total expenditures	<u>287,978</u>	<u>-</u>	<u>71,591</u>	<u>23,287</u>	<u>-</u>	<u>-</u>	<u>24,968</u>
Excess (Deficiency) of Revenues over Expenditures	<u>46,703</u>	<u>-</u>	<u>8,511</u>	<u>13,007</u>	<u>-</u>	<u>-</u>	<u>(17,441)</u>
Other Financing Sources (Uses):							
Transfers in							12,016
Transfers out	(50,000)						
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,016</u>
Net Change in Fund Balances	(3,297)	-	8,511	13,007	-	-	(5,425)
Fund Balances, Beginning of Year	<u>86,452</u>	<u>2,761</u>	<u>11,187</u>	<u>-</u>	<u>7,234</u>	<u>1,144</u>	<u>91,783</u>
Fund Balances, End of Year	<u>\$ 83,155</u>	<u>\$ 2,761</u>	<u>\$ 19,698</u>	<u>\$ 13,007</u>	<u>\$ 7,234</u>	<u>\$ 1,144</u>	<u>\$ 86,358</u>

(Continued on next page)

TOWN OF SOUTHBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Town Clerk Record Preservation	Streetscape Reserve	Loss Reserve	Library Gift	Planning	Farm Document	
Revenues:							
Intergovernmental revenues	\$ 3,500	\$	\$	\$ 17,618	\$	\$	\$ 21,118
Charges for services	8,047				11,601	12,069	482,794
Income on investments	99		26	8,154	16		8,300
Other			79,409	1,220,613			1,307,544
Total revenues	<u>11,646</u>	<u>-</u>	<u>79,435</u>	<u>1,246,385</u>	<u>11,617</u>	<u>12,069</u>	<u>1,819,756</u>
Expenditures:							
Current:							
General government	5,000		19,000				65,490
Public safety			1,956				289,934
Public works			220				220
Community activities			59,548	57,275			195,179
Total expenditures	<u>5,000</u>	<u>-</u>	<u>80,724</u>	<u>57,275</u>	<u>-</u>	<u>-</u>	<u>550,823</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,646</u>	<u>-</u>	<u>(1,289)</u>	<u>1,189,110</u>	<u>11,617</u>	<u>12,069</u>	<u>1,268,933</u>
Other Financing Sources (Uses):							
Transfers in							12,016
Transfers out							(50,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,984)</u>
Net Change in Fund Balances	6,646	-	(1,289)	1,189,110	11,617	12,069	1,230,949
Fund Balances, Beginning of Year	<u>40,320</u>	<u>212</u>	<u>143,972</u>	<u>808,871</u>	<u>109,373</u>	<u>77,696</u>	<u>1,381,005</u>
Fund Balances, End of Year	<u>\$ 46,966</u>	<u>\$ 212</u>	<u>\$ 142,683</u>	<u>\$ 1,997,981</u>	<u>\$ 120,990</u>	<u>\$ 89,765</u>	<u>\$ 2,611,954</u>

TOWN OF SOUTHBURY, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2012

(In Thousands)

Total tax collections, including interest and lien fees					\$ <u>55,383</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 124,612	\$	\$	\$	\$
4-1/2 times base		249,224			
3-3/4 times base			207,686		
3-1/4 times base				179,995	
3 times base					166,149
	<u>124,612</u>	<u>249,224</u>	<u>207,686</u>	<u>179,995</u>	<u>166,149</u>
Total debt limitation					
Indebtedness:					
Bonds and notes payable	10,680				
Overlapping debt:					
Bonds payable and authorized - Regional District #15*, net of school building grants		14,382			
	<u>10,680</u>	<u>14,382</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net indebtedness					
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u>113,932</u>	\$ <u>234,842</u>	\$ <u>207,686</u>	\$ <u>179,995</u>	\$ <u>166,149</u>

Note (1): In no case shall total indebtedness exceed seven times annual receipts from taxation (\$387,681).

* The Town of Southbury is a member of Regional School District #15 which provides education facilities for grades kindergarten through twelve for the Towns of Southbury and Middlebury. As of June 30, 2012, the outstanding bonded indebtedness of the District was \$22,505. The State of Connecticut will be providing grants to offset the debt of approximately \$1,661. The Town of Southbury's share will be approximately 69% of the remainder. These are general obligations of Regional School District #15 and its member towns.

TOWN OF SOUTHBURY, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2012

TOWN OF SOUTHBURY, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2012

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, on Internal Control over Compliance in Accordance with the State Single Audit Act and on the Schedule of Expenditures of State Financial Assistance

To the Members of the Board of Finance
Town of Southbury, Connecticut

Compliance

We have audited the Town of Southbury, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Southbury, Connecticut's major state programs for the year ended June 30, 2012. The Town of Southbury, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Southbury, Connecticut's management. Our responsibility is to express an opinion on the Town of Southbury, Connecticut's compliance based on our audit.

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 of Southbury, Connecticut'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. Our audit does not provide a legal determination of the Town of Southbury, Connecticut's compliance with those requirements.

In our opinion, the Town of Southbury, Connecticut, complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Southbury, Connecticut, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 6, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Southbury, Connecticut's financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Finance, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 6, 2012

**TOWN OF SOUTHBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,249
ConnectiCard Payments	11000-CSL66051-17010	17,618
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>3,500</u>
Total Connecticut State Library		<u>22,367</u>
Office of Policy and Management		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	305,160
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	1,519
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	225,501
Property Tax Relief for Veterans	11000-OPM20600-17024	<u>14,157</u>
Total Office of Policy and Management		<u>546,337</u>
Department of Transportation		
Bus Operations	12001-DOT57000-12175	<u>23,436</u>
Department of Agriculture		
Agricultural Viability Grant Program	12060-DAG42710-90456	<u>2,999</u>
Total State Financial Assistance Before Exempt Programs		<u>595,139</u>

(Continued on next page)

**TOWN OF SOUTHURY, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012**

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Exempt Programs		
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	\$ 38,870
Municipal Revenue Sharing	12060-OPM20600-35458	12,482
Municipal Video Competition	12060-OPM20600-35362	<u>7</u>
Total Office of Policy and Management		<u>51,359</u>
Department of Education		
Educational Cost Sharing	11000-SDE64000-17041	<u>2,422,233</u>
Total Exempt Programs		<u>2,473,592</u>
Total State Financial Assistance		<u><u>\$ 3,068,731</u></u>

The accompanying notes are an integral part of this schedule

**TOWN OF SOUTHBURY, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of state financial assistance (the Schedule) includes the state grant activity of the Town of Southbury, Connecticut, under programs of the State of Connecticut for the year ended June 30, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of the Town of Southbury, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net assets of the Town of Southbury, Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Southbury, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

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



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**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 Members of the Board of Finance
Town of Southbury, Connecticut

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Southbury, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town of Southbury, Connecticut's basic financial statements, and have issued our report thereon dated December 6, 2012. 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.

Internal Control over Financial Reporting

Management of the Town of Southbury, Connecticut is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Southbury, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures 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 of Southbury, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Southbury, Connecticut's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Southbury, Connecticut's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Finance, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 6, 2012

**TOWN OF SOUTHBURY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

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 X no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	\$ 305,160
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	225,501

- Dollar threshold used to distinguish between type A and type B programs: \$100,000

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported .

TOWN OF SOUTHBURY, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2012

TOWN OF SOUTHBURY, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2012

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

To the Members of the Board of Finance
Town of Southbury, Connecticut

Compliance

We have audited the Town of Southbury, Connecticut's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Southbury, Connecticut's major federal programs for the year ended June 30, 2012. The Town of Southbury, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Southbury, Connecticut's management. Our responsibility is to express an opinion on the Town of Southbury, Connecticut's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Southbury, Connecticut'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. Our audit does not provide a legal determination of the Town of Southbury, Connecticut's compliance with those requirements.

In our opinion, the Town of Southbury, Connecticut, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town of Southbury, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Southbury, Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Southbury, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Southbury, Connecticut, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 6, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Southbury, Connecticut's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Finance federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 6, 2012

**TOWN OF SOUTHBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Homeland Security			
<i>Passed Through the State of Connecticut Department of Emergency Services and Public Protection:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	12060-DPS32985-21891	\$ <u>589,032</u>
United States Department of Justice			
<i>Passed Through the State of Connecticut Department of Emergency Services and Public Protection:</i>			
National Institute of Juvenile Justice and Delinquency Prevention	16.542	12060-DPS32353-21917	<u>1,571</u>
United States Department of Transportation			
<i>Passed Through the State of Connecticut Department of Transportation:</i>			
Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	12062-DOT57191-22108	13,919
Capital Assistance Program Elderly Persons/ Persons Disabilities	20.513	12062-DOT57931-21361	<u>40,000</u>
Total United States Department of Transportation			<u>53,919</u>
United States Department of Energy			
<i>Passed Through the State of Connecticut Department of Energy and Environmental Protection:</i>			
Energy Efficiency and Conservation Block Grant Program (EECBG) - Recovery Act	81.128	12060-DEP44720-29009	<u>7,400</u>
Total Federal Awards Expended			<u>\$ <u>651,922</u></u>

The accompanying notes are an integral part of this schedule

**TOWN OF SOUTHBURY, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Southbury, Connecticut, under programs of the federal government for the year ended June 30, 2012. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Because the Schedule presents only a selected portion of the operations of the Town of Southbury, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net assets or cash flows of the Town of Southbury, Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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**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 Members of the Board of Finance
Town of Southbury, Connecticut

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Southbury, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town of Southbury, Connecticut's basic financial statements, and have issued our report thereon dated December 6, 2012. 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.

Internal Control over Financial Reporting

Management of the Town of Southbury, Connecticut, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Southbury, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures 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 of Southbury, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Southbury, Connecticut's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Southbury, Connecticut's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Finance federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 6, 2012

**TOWN OF SOUTHBURY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.