

TOWN OF SOUTHBURY, CONNECTICUT

FINANCIAL STATEMENTS
JUNE 30, 2019

TOWN OF SOUTHBURY, CONNECTICUT
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Independent Auditors' Report

To the Board of Finance
Town of Southbury, Connecticut

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Southbury, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Southbury, Connecticut, as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension schedules, as listed in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Southbury, Connecticut, as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated December 12, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2018 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019 on our consideration of the Town of Southbury, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Southbury, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Southbury, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 28, 2019

**TOWN OF SOUTHBURY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$113,141,987 (net position). Of this amount, \$24,136,411 represents the Town's unrestricted net position.
- The Town's total net position of our governmental activities increased by \$3.4 million during the current fiscal year.
- During the year, the Town had \$71.9 million in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$68.6 million with no new programs added this year.
- At the close of the current fiscal year, the General Fund reported a GAAP fund balance of \$12.1 million. Of this balance, \$6.6 million of this is assigned, \$0.1 million is nonspendable and \$0.1 million is committed, leaving an unassigned balance of \$5.4 million. The Town anticipates spending \$0.4 million on bridge repairs in FY 18-19 and \$0.4 million in FY 19-20. Also approved additional pension funding of \$0.2 million in FY 18-19 and \$0.2 million in FY19-20.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position 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 IX. 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 position 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 position and changes to it. The Town's net position, 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 position 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 position 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 position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V through VII)* - The Town's short and long-term financial information about the activities the government operates like business, such as the Town's Medical internal service fund, are reported in the proprietary funds. These funds provide the same type of information as the government-wide financial statements, only in more detail.
- *Fiduciary Funds (Exhibits VIII and IX)* - 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 position and changes in fiduciary net position. 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 position increased from a year ago. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
NET POSITION**

	Governmental Activities	
	2019	2018
Current and other assets	\$ 30,516,329	\$ 28,342,302
Capital assets, net of accumulated depreciation	92,412,815	91,674,367
Total assets	<u>122,929,144</u>	<u>120,016,669</u>
Deferred outflows of resources	<u>726,229</u>	<u>1,198,627</u>
Long-term liabilities outstanding	8,404,845	9,492,618
Other liabilities	2,040,800	1,786,095
Total liabilities	<u>10,445,645</u>	<u>11,278,713</u>
Deferred inflows of resources	<u>67,741</u>	<u>152,418</u>
Net Position:		
Net investment in capital assets	89,005,576	87,242,836
Unrestricted	<u>24,136,411</u>	<u>22,541,329</u>
Total Net Position	<u>\$ 113,141,987</u>	<u>\$ 109,784,165</u>

Net position of the Town's governmental activities increased by 3.1% (\$113.1 million compared to \$109.7 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$22.5 million at June 30, 2018 to \$24.1 million at the end of this fiscal year.

Net position invested in capital assets increased by \$1.8 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 POSITION

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 2,306,938	\$ 2,365,269
Operating grants and contributions	5,914,783	4,946,734
Capital grants and contributions	505,917	1,936,341
General revenues:		
Property taxes	61,670,184	63,077,922
Grants and contributions not restricted to specific purposes	277,937	463,605
Unrestricted investment earnings	972,787	447,076
Miscellaneous	302,786	203,851
Total revenues	<u>71,951,332</u>	<u>73,440,798</u>
Program expenses:		
General government	8,105,157	8,565,123
Public safety	4,428,752	4,404,833
Public works	6,802,745	6,029,502
Conservation of health	632,714	600,069
Community activities	1,843,703	1,745,242
Education	46,665,056	45,944,867
Debt service	115,383	156,073
Total program expenses	<u>68,593,510</u>	<u>67,445,709</u>
Increase in Net Position	<u>\$ 3,357,822</u>	<u>\$ 5,995,089</u>

The Town's total revenues were \$71.9 million. The total cost of all programs and services was \$68.6 million. Property taxes accounted for 85.7% of all revenues. Revenues from operating grants and contributions, the second largest component, were 8.2%. Education expenses were 68% 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**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General government	\$ 8,105,157	\$ 8,565,123	\$ 7,124,913	\$ 7,601,786
Public safety	4,428,752	4,404,833	3,718,457	3,693,799
Public works	6,802,745	6,029,502	4,563,621	2,198,632
Conservation of health	632,714	600,069	625,237	589,226
Community activities	1,843,703	1,745,242	554,666	1,005,030
Education	46,665,056	45,944,867	43,163,595	42,952,819
Debt service	115,383	156,073	115,383	156,073
Totals	<u>\$ 68,593,510</u>	<u>\$ 67,445,709</u>	<u>\$ 59,865,872</u>	<u>\$ 58,197,365</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 \$26.4 million, which is an increase from last year's total of \$24.7 million. The original budget for 2019 also utilized \$1,237,448 of the prior year fund balance to balance it.

The Capital Projects Fund balance increased by \$0.1 million due primarily to road construction and equipment purchase. The Town also eliminated prior fiscal years interfund balances of \$3.7 million.

The Town's General Fund balance of \$12.1 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$11.8 million. This is because the governmental fund balance (Exhibit III) does not include \$292,930 of outstanding encumbrances at year end, which are reported as expenditures for budgetary purposes.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the Town had \$92.4 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 increase (including additions and deductions) of \$0.7 million over last year.

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

	Governmental Activities	
	2019	2018
Land	\$ 19,886	\$ 19,886
Buildings and improvements	13,885	14,203
Equipment	4,234	5,036
Infrastructure	48,176	49,667
Construction in progress	6,232	2,882
Totals	<u>\$ 92,413</u>	<u>\$ 91,674</u>

This year's major additions included:

Building	\$ 30,800
Infrastructure	1,033,491
Equipment	179,662

The Town's fiscal year 2018-19 capital plan calls for it to spend \$785,000 on vehicles. The Town also appropriated an additional \$2.65 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, 2019, the Town had \$3,360,000 in bonds and notes outstanding versus \$4,375,000 last year - a decrease of \$1,015,000. The Town refinanced a portion of its long-term debt in July 2012, which resulted 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 \$436.7 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

During May 2019, the Town adopted a General Fund budget for the fiscal year ending June 30, 2020. The budget reflected an overall increase in expenditures of \$1,238,090 or 1.79% over the final fiscal year 2019 amended budget. The budgeted expenditures of \$70,264,478 resulted in a .10 mill increase from 29 mills to 29.1 mills and allows the Town to continue to maintain the same level of programs and services to its residents. The Town has planned to utilize \$864,084 of fund balance for the purposes of balancing the budget.

A summary of key economic factors affecting the Town are as follows:

- For purposes of calculating property tax revenues for fiscal year 2020, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on-behalf of certain taxpayers. Property tax revenues was planned to have an increasing role in funding the General Fund budget due to expected reductions in intergovernmental and other revenues.
- Intergovernmental grants were based on preliminary estimates from the State. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2020 and thereafter. The State General Assembly can and has changed these estimates over the years, for which such changes are typically made after the Town budget has been adopted. A decrease in intergovernmental revenues has been anticipated due to the financial condition of the State.
- It was unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of the conveyance taxes and interest income.

All of these factors were considered in the preparation of the Town's General Fund budget for the fiscal year 2020.

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 SOUTHBURY, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 19,200,703
Investments	8,303,318
Receivables, net	2,873,286
Advance to plan administrator	94,966
Prepaid items	44,056
Capital assets not being depreciated	26,117,801
Capital assets, net of accumulated depreciation	66,295,014
Total assets	<u>122,929,144</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	226,478
Differences between expected and actual experience	127,507
Changes of assumptions	211,594
Net difference between projected and actual earnings on pension plan investments	<u>160,650</u>
Total deferred outflows of resources	<u>726,229</u>
Liabilities:	
Accounts and other payables	2,040,800
Noncurrent liabilities:	
Due within one year	1,019,913
Due in more than one year	<u>7,384,932</u>
Total liabilities	<u>10,445,645</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	<u>67,741</u>
Net Position:	
Net investment in capital assets	89,005,576
Unrestricted	<u>24,136,411</u>
Total Net Position	<u>\$ 113,141,987</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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental activities:					
General government	\$ 8,105,157	\$ 972,664	\$ 7,580	\$	\$ (7,124,913)
Public safety	4,428,752	702,157	8,138		(3,718,457)
Public works	6,802,745	110,426	1,622,781	505,917	(4,563,621)
Conservation of health	632,714	7,477			(625,237)
Community activities	1,843,703	514,214	774,823		(554,666)
Education	46,665,056		3,501,461		(43,163,595)
Debt service	115,383				(115,383)
Total	<u>\$ 68,593,510</u>	<u>\$ 2,306,938</u>	<u>\$ 5,914,783</u>	<u>\$ 505,917</u>	<u>(59,865,872)</u>
General revenues:					
Property taxes					61,670,184
Grants and contributions not restricted to specific programs					277,937
Unrestricted investment earnings					972,787
Miscellaneous					302,786
Total general revenues					<u>63,223,694</u>
Change in net position					3,357,822
Net Position at Beginning of Year					<u>109,784,165</u>
Net Position at End of Year					<u>\$ 113,141,987</u>

The accompany notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	<u>General</u>	<u>Library Gift</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 13,178,439	\$ 536,321	\$ 4,486,996	\$ 998,947	\$ 19,200,703
Investments	250,361	2,434,618	5,618,343		8,303,322
Receivables, net	1,255,108		505,917	1,112,261	2,873,286
Due from other funds	5,210,312	2,812	6,058,756	989,557	12,261,437
Other assets	44,056				44,056
Total Assets	<u>\$ 19,938,276</u>	<u>\$ 2,973,751</u>	<u>\$ 16,670,012</u>	<u>\$ 3,100,765</u>	<u>\$ 42,682,804</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 649,621	\$ 6,573	\$ 1,237,286	\$ 4,465	\$ 1,897,945
Due to other funds	6,148,073	368,734	4,761,851	982,779	12,261,437
Total liabilities	<u>6,797,694</u>	<u>375,307</u>	<u>5,999,137</u>	<u>987,244</u>	<u>14,159,382</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	641,670				641,670
Unavailable revenue - interest on property taxes	425,443				425,443
Unavailable revenue - loans receivable				1,072,567	1,072,567
Total deferred inflows of resources	<u>1,067,113</u>	<u>-</u>	<u>-</u>	<u>1,072,567</u>	<u>2,139,680</u>
Fund balances:					
Nonspendable	44,056				44,056
Restricted			10,105,340		10,105,340
Committed	70,609	2,598,444	565,535	1,040,954	4,275,542
Assigned	6,579,888				6,579,888
Unassigned	5,378,916				5,378,916
Total fund balances	<u>12,073,469</u>	<u>2,598,444</u>	<u>10,670,875</u>	<u>1,040,954</u>	<u>26,383,742</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,938,276</u>	<u>\$ 2,973,751</u>	<u>\$ 16,670,012</u>	<u>\$ 3,100,765</u>	<u>\$ 42,682,804</u>

(Continued on next page)

TOWN OF SOUTHBURY, CONNECTICUT
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
JUNE 30, 2019

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 26,383,742
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 188,848,223	
Less accumulated depreciation	<u>(96,435,408)</u>	
Net capital assets		92,412,815

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

Property tax receivables greater than 60 days	641,670
Interest receivable on property taxes	425,443
Housing and mortgage loans	1,072,567
Deferred outflows related to differences between expected and actual experience	127,507
Deferred outflows related to the net difference between projected and actual earnings	160,650
Deferred outflows related to changes of assumptions	211,594

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

10,456

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	226,478
Unamortized bond premium	(273,717)
Bonds and notes payable	(3,360,000)
Interest payable on bonds and notes	(58,349)
Compensated absences	(270,192)
Deferred inflows related to pension economic/demographic gains or losses	(67,741)
Net pension liability	<u>(4,500,936)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 113,141,987</u>
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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, 2019

	<u>General</u>	<u>Library Gift</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 61,940,485	\$	\$	\$	\$ 61,940,485
Intergovernmental	4,156,463	24,040	1,759,771	283,622	6,223,896
Charges for services	1,540,104			766,836	2,306,940
Income on investments	586,418	142,680	243,566	123	972,787
Miscellaneous	245,381	28,153		29,252	302,786
Total revenues	<u>68,468,851</u>	<u>194,873</u>	<u>2,003,337</u>	<u>1,079,833</u>	<u>71,746,894</u>
Expenditures:					
Current:					
General government	7,311,431			47,333	7,358,764
Public safety	3,537,992			370,040	3,908,032
Public works	4,032,365			6,659	4,039,024
Conservation of health	646,521				646,521
Community activities	1,229,276	93,771		423,469	1,746,516
Education	46,665,056				46,665,056
Capital outlay			4,532,878		4,532,878
Debt service	1,159,325				1,159,325
Total expenditures	<u>64,581,966</u>	<u>93,771</u>	<u>4,532,878</u>	<u>847,501</u>	<u>70,056,116</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,886,885</u>	<u>101,102</u>	<u>(2,529,541)</u>	<u>232,332</u>	<u>1,690,778</u>
Other Financing Sources (Uses):					
Transfers in	3,952,531		7,570,078	89,064	11,611,673
Transfers out	<u>(7,523,644)</u>		<u>(3,938,235)</u>	<u>(149,794)</u>	<u>(11,611,673)</u>
Total other financing sources (uses)	<u>(3,571,113)</u>	<u>-</u>	<u>3,631,843</u>	<u>(60,730)</u>	<u>-</u>
Net Change in Fund Balances	315,772	101,102	1,102,302	171,602	1,690,778
Fund Balances at Beginning of Year	<u>11,757,697</u>	<u>2,497,342</u>	<u>9,568,573</u>	<u>869,352</u>	<u>24,692,964</u>
Fund Balances at End of Year	<u>\$ 12,073,469</u>	<u>\$ 2,598,444</u>	<u>\$ 10,670,875</u>	<u>\$ 1,040,954</u>	<u>\$ 26,383,742</u>

(Continued on next page)

TOWN OF SOUTHBURY, CONNECTICUT**GOVERNMENTAL FUNDS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2019**

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)	\$ 1,690,778
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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	4,593,747
Depreciation expense	(3,855,299)

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	(273,316)
Property tax interest and lien revenue - accrual basis change	3,015
Amortization of bond premium	53,846
Mortgage loan receivables	474,741
Change in net pension liability	(7,040)
Change in deferred inflows amounts related to differences between expected and actual experience	84,677
Change in deferred outflows amounts related to differences between expected and actual experience	(72,569)
Change in deferred outflows amounts related to net difference between projected and actual earnings on pension plan investments	(90,784)
Change in deferred outflows amounts related to changes in assumptions	(264,491)

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 position. Also, governmental funds report the effect of 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	1,015,000
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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	25,967
Amortization of deferred charge on refunding	(44,554)
Accrued interest	19,650

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

4,454

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>3,357,822</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTHBURY, CONNECTICUT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	Governmental Activities
	Internal Service Funds
Assets:	
Advance to plan administrators	\$ 94,966
Liabilities:	
Claims incurred but not reported	<u>84,510</u>
Net Position:	
Unrestricted	\$ <u><u>10,456</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2019

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Contributions	\$ <u>1,266,527</u>
Operating Expenses:	
Employee benefits	1,114,358
Other expenses	<u>147,715</u>
Total operating expenses	<u>1,262,073</u>
Operating Income	4,454
Net Position at Beginning of Year	<u>6,002</u>
Net Position at End of Year	\$ <u><u>10,456</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2019

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 1,266,527
Payment to suppliers	(147,715)
Payments for employee	<u>(1,118,812)</u>
Net cash provided by (used in) operating activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>-</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ 4,454
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase in advance to plan administrators	12,519
Increase in incurred but not reported	<u>(16,973)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBURY, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Pension Trust Fund	Agency Fund
Assets:		
Cash and cash equivalents	\$ 158,910	\$ 401,575
Investments:		
Mutual funds and equities	<u>21,496,736</u>	<u> </u>
Total assets	21,655,646	\$ <u><u>401,575</u></u>
Liabilities		
Due to others	<u> </u>	\$ <u><u>401,575</u></u>
Net Position:		
Held in Trust for Pension Benefits	\$ <u><u>21,655,646</u></u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTHBURY, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Pension Trust Fund
Additions:	
Contributions:	
Plan members	\$ 31,940
Employer	1,023,840
Total contributions	<u>1,055,780</u>
Investment earnings:	
Net change in fair value of investments	586,596
Interest and dividends	528,373
Total investment gain	<u>1,114,969</u>
Less investment expenses:	
Investment management fees	27,426
Net investment gain	<u>1,087,543</u>
Total additions	<u>2,143,323</u>
Deductions:	
Benefits	1,181,511
Fees	13,880
Total deductions	<u>1,195,391</u>
Change in Net Position	947,932
Net Position at Beginning of Year	<u>20,707,714</u>
Net Position at End of Year	<u><u>\$ 21,655,646</u></u>

The accompanying notes are an integral part of the 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 2014. 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 position 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 Library Gift Fund is used to account for gifts to the library. The major source of revenue for the fund is from donations.

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 Internal Service Fund is used to account for the Town's self-insurance program for accident and health insurance coverage of Town employees.

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.

The Agency Fund accounts for monies held on behalf of employees in the defined contribution plan.

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.

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

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to the Town and its employees for medical insurance premiums. Operating expenses for the funds include the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 \$172,374 has been established as an allowance for uncollectible taxes. At June 30, 2019, this represents 18.2% 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.

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

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:

Assets	Years
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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, interest on property taxes, and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during in which the amounts become available.

I. 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.

J. Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

K. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt 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.

L. Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

Restrictions on net position 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.

Unrestricted Net Position

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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) through a resolution.

Assigned Fund Balance

This balance represents 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.

M. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues expenditures during the fiscal year.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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 \$180,840 during the year ended June 30, 2019. 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 either assigned or committed fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Overexpended Appropriations

The Town overexpended the final budget for roads under capital outlay roads. The deficit will be funded by future grants.

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 the Statutes 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). 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*, \$329,407 of the Town’s bank balance of \$1,435,942 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 246,141
Uninsured and collateralized held by the pledging bank’s trust department, not in the Town’s name	<u>83,266</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 329,407</u></u>

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

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, 2019, the Town's cash equivalents amounted to \$19,263,140. 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, 2019</u>	<u>Standard & Poor's Rating</u>
Wells Fargo	\$ 4,584,779	*
ION Bank ICS	3,573,778	*
Newtown Savings Bank ICS	11,104,583	*

* Not rated

B. Investments

As of June 30, 2019, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
			<u>Less than 1</u>	<u>1-10</u>
Interest-bearing investments:				
Certificates of deposit	N/A	\$ 250,361	\$	\$ 250,361
Total		250,361	\$ -	\$ 250,361
Other investments:				
Endowment		266,021		
Mutual funds		29,283,672		
Total Investments		\$ 29,800,054		

Interest Rate Risk

The Town does not limit its 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.

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

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, 2019, 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.

Reserve Investment Plan

The Town has established a Reserve Investment Plan (Plan) to invest the Town's reserve funds in a fashion consistent with Connecticut General Statutes (Chapter 108, Section 7-359 to 7-368) as well as the Town's specific risk tolerance constraints (asset allocation) as dictated by the Southbury Board of Finance.

Management of the Plan rests with the Investment Portfolio Oversight Committee (IPOC), which consists of two representatives from the Board of Selectmen, two representatives from the Board of Finance, the Controller/Treasurer of the Town, two members of the Southbury Public Library Board of Directors and two members and one alternate member, appointed by the Board of Selectmen based on qualifications, who are residents of the Town.

In addition to investing funds according to the applicable statutes and Town policies, and looking to achieve the maximum target return, the IPOC has established a stability fund where the gains and losses of the portfolio will be tracked.

Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2019:

	<u>June 30, 2019</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Mutual funds	\$ 29,283,672	\$ 29,283,672	\$	\$
Endowment	<u>266,021</u>			<u>266,021</u>
Total Investments by Fair Value Level	<u>\$ 29,549,693</u>	<u>\$ 29,283,672</u>	<u>\$ -</u>	<u>\$ 266,021</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Endowments classified in Level 3 are valued using either a discounted cash flow or market comparable companies' technique.

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

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>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 947,325	\$	\$	\$ 947,325
Interest on taxes	425,443			425,443
Accounts	54,714		39,694	94,408
Housing loans			1,072,567	1,072,567
Intergovernmental		505,917		505,917
Gross receivables	<u>1,427,482</u>	<u>505,917</u>	<u>1,112,261</u>	<u>3,045,660</u>
Less allowance for uncollectibles:				
Taxes	<u>(172,374)</u>			<u>(172,374)</u>
Net Total Receivables	\$ <u><u>1,255,108</u></u>	\$ <u><u>505,917</u></u>	\$ <u><u>1,112,261</u></u>	\$ <u><u>2,873,286</u></u>

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

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 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	\$ 19,886,087	\$	\$	\$	\$ 19,886,087
Construction in progress	2,881,920	4,593,747		(1,243,953)	6,231,714
Total capital assets not being depreciated	<u>22,768,007</u>	<u>4,593,747</u>	<u>-</u>	<u>(1,243,953)</u>	<u>26,117,801</u>
Capital assets being depreciated:					
Buildings	20,428,237			30,800	20,459,037
Furniture and equipment	16,679,651		(18,720)	179,663	16,840,594
Infrastructure	124,397,301			1,033,490	125,430,791
Total capital assets being depreciated	<u>161,505,189</u>	<u>-</u>	<u>(18,720)</u>	<u>1,243,953</u>	<u>162,730,422</u>
Less accumulated depreciation for:					
Buildings	6,224,806	349,936			6,574,742
Furniture and equipment	11,643,920	981,097	(18,720)		12,606,297
Infrastructure	74,730,103	2,524,266			77,254,369
Total accumulated depreciation	<u>92,598,829</u>	<u>3,855,299</u>	<u>(18,720)</u>	<u>-</u>	<u>96,435,408</u>
Total capital assets being depreciated, net	<u>68,906,360</u>	<u>(3,855,299)</u>	<u>-</u>	<u>1,243,953</u>	<u>66,295,014</u>
Governmental Activities Capital Assets, Net	<u>\$ 91,674,367</u>	<u>\$ 738,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,412,815</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 338,793
Public safety	522,076
Public works	2,895,269
Community activities	<u>99,161</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,855,299</u>

Capital Project Commitments

The Town has active long-term projects as of June 30, 2019. The projects include:

	<u>Appropriation</u>	<u>Expended</u>	<u>Encumbrances</u>	<u>Remaining Balance</u>
Capital	\$ 35,163,783	\$ 29,153,508	\$	\$ 6,010,275
Reserve Accounts	37,064,429	34,208,347		2,856,082
Limited Reserve Accounts	22,610,759	22,020,701		590,058

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

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2019, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 532,017
	Library Gift	368,044
	Capital Projects	4,310,251
		<u>5,210,312</u>
Capital Projects	Nonmajor Governmental	450,762
	General Fund	5,607,994
		<u>6,058,756</u>
Library Gift	Capital Projects	<u>2,812</u>
Nonmajor Governmental Funds	Capital Projects	448,788
	Library Gift	690
	General Fund	540,079
		<u>989,557</u>
Total		<u>\$ 12,261,437</u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Transfers Out</u>
Transfers out:				
General Fund	\$	\$ 7,434,580	\$ 89,064	\$ 7,523,644
Capital Projects	3,938,235			3,938,235
Nonmajor Governmental	<u>14,296</u>	<u>135,498</u>		<u>149,794</u>
Total Transfers In	<u>\$ 3,952,531</u>	<u>\$ 7,570,078</u>	<u>\$ 89,064</u>	<u>\$ 11,611,673</u>

All transfers are for regularly recurring operational transfers.

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

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 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 and other:					
General obligation bonds	\$ 4,375,000	\$	\$ 1,015,000	\$ 3,360,000	\$ 780,000
For issuance premiums	<u>327,563</u>		<u>53,846</u>	<u>273,717</u>	
Total bonds payable and other	4,702,563	-	1,068,846	3,633,717	780,000
Compensated absences	296,159		25,967	270,192	239,913
Net pension liability	<u>4,493,896</u>	<u>7,040</u>		<u>4,500,936</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 9,492,618</u>	<u>\$ 7,040</u>	<u>\$ 1,094,813</u>	<u>\$ 8,404,845</u>	<u>\$ 1,019,913</u>

A schedule of bonds and notes outstanding at June 30, 2019 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, 2019</u>
Bonds payable:					
General purpose	2010	2023	3.0-4.0	6,080,000	\$ 2,040,000
General purpose	2012	2025	2.0-5.0	3,020,000	<u>1,320,000</u>
Total					<u>\$ 3,360,000</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>
2020	\$ 780,000	\$ 111,025	\$ 891,025
2021	780,000	50,750	830,750
2022	775,000	50,750	825,750
2023	765,000	24,813	789,813
2024	<u>260,000</u>	<u>7,800</u>	<u>267,800</u>
Total	<u>\$ 3,360,000</u>	<u>\$ 245,138</u>	<u>\$ 3,605,138</u>

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

Overlapping Debt

The Town 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, 2019, the outstanding bonded indebtedness of the District was \$7,870,000. The Town's share will be approximately 68% of the remaining balance. 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	\$ 140,353	\$ 3,360	\$ 136,993
Schools	280,706	5,315	275,391
Sewers	233,921		233,921
Urban renewal	202,732		202,732
Pension deficit	187,137		187,137

* 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 of \$436,653.

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

8. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Library Gift</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$ 44,056	\$	\$	\$	\$ 44,056
Restricted for:					
Investments - Reserve Fund			9,500,000		9,500,000
Stability Fund - Reserve Fund			605,340		605,340
Committed to:					
General government				379,027	379,027
Public safety				285,441	285,441
Public works				42,745	42,745
Community activities		2,598,444		333,741	2,932,185
Debt service	18,361				18,361
Historical buildings	52,248				52,248
Capital projects			565,535		565,535
Assigned to:					
Purchases on order:					
General government	47,026				47,026
Public safety	71,008				71,008
Public works	196,021				196,021
Community activities	75,702				75,702
Subsequent year's budget	864,084				864,084
Future purposes	5,326,047				5,326,047
Unassigned	<u>5,378,916</u>				<u>5,378,916</u>
Total Fund Balances	\$ <u>12,073,469</u>	\$ <u>2,598,444</u>	\$ <u>10,670,875</u>	\$ <u>1,040,954</u>	\$ <u>26,383,742</u>

Significant encumbrances of \$389,757 are included in the General Fund assigned fund balance and \$469,658 are included in the Capital Projects Fund committed and restricted fund balances as of June 30, 2019.

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

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. These risks are covered by commercial insurance purchased from independent third parties, except as disclosed below.

Medical Self-Insurance

The Town entered into a Cooperative Agreement with the Town of Middlebury and the Regional School District #15 Board of Education, effective July 1, 2013, to facilitate the group purchase of health benefits for active employees and non-Medicare eligible retirees. During 2019, total claims expense of \$1,131,331 was incurred by the Town. This expense represents claims processed and an estimate for claims incurred but not reported as of June 30, 2019.

The Fund establishes claims liabilities based on estimates of claims that have been incurred but not reported; accordingly, the Fund recorded an additional liability at June 30, 2019 of \$84,510.

Premium payments are reported as interfund services provided and used for the General Fund and, accordingly, they are treated as operating revenues of the Self-Insurance Fund and operating expenditures of the General Fund.

A schedule of changes in the claims liability for the year ended June 30, 2019 is presented below:

		Accrued Liability Beginning of Fiscal Year		Current Year Claims Paid and Changes in Estimates		Accrued Liability Claim Payments		Accrued Liability End of Fiscal Year
2018-2019	\$	101,483	\$	1,114,358	\$	1,131,331	\$	84,510
2017-2018		69,857		1,272,715		1,241,089		101,483

10. EMPLOYEE RETIREMENT PLAN

A. Pension Trust Fund

The Town 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'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.

Management of the plans rests with the IPOC, which consists of two representatives from the Board of Selectmen, two representatives from the Board of Finance, the Controller/Treasurer of the Town, two members of the Southbury Public Library Board of Directors and two members and one alternate member, appointed by the Board of Selectmen based on qualifications, who are residents of the Town.

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

Plan Description and Benefits Provided

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, 2018, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	82
Terminated plan members entitled to benefits but not yet receiving them	37
Current plan members	<u>77</u>
Total	<u><u>196</u></u>

The pension plan was closed to new entrants (except police) as of July 1, 2014.

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. Investment income is recognized as earned.

B. 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 20.85% of covered payroll. Covered payroll is \$4,909,578 or 72.3% of total Town payroll of \$6,791,706. The contribution requirements of the Town and plan members may be amended by the Board of Selectmen and subject to bargaining unit approval.

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

C. Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Cash	5.00 %
U.S. Core Fixed Income	26.50
Global Bonds	5.50
U.S. Large Caps	17.00
U.S. Small & Mid Caps	9.00
Global Equity	2.50
Non-U.S. Equity	24.75
Emerging Markets Equity	2.25
Global REITs	5.00
Commodities	2.50
	<u>100.00 %</u>

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2019 were as follows:

Total pension liability	\$ 26,156,582
Plan fiduciary net position	<u>21,655,646</u>
Net Pension Liability	<u>\$ 4,500,936</u>
Plan fiduciary net position as a percentage of the total pension liability	82.79%

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.5%
Salary increases	3.5%
Investment rate of return	6.5%

Mortality rates were based on the RP-2000 Combined Healthy Mortality for Males or Females with generational projection per Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. Cash	0.36 %
U.S. Core Fixed Income	2.40
Global Bonds	0.75
U.S. Large Caps	4.33
U.S. Small & Mid Caps	5.42
Global Equity	4.98
Non-U.S. Equity	5.81
Emerging Markets Equity	7.88
Global REITs	5.59
Commodities	3.07

Discount Rate

The discount rate used to measure the total pension liability was 6.50% for June 30, 2019. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

E. Net Pension Liability of the Town

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of July 1, 2018	\$ 25,201,610	\$ 20,707,714	\$ 4,493,896
Changes for the year:			
Service cost	479,314		479,314
Interest on total pension liability	1,631,465		1,631,465
Effect of plan changes	(34,303)		(34,303)
Effect of economic/demographic gains or losses	60,007		60,007
Employer contributions		1,023,840	(1,023,840)
Member contributions		31,940	(31,940)
Net investment income		1,087,543	(1,087,543)
Benefit payments	(1,181,511)	(1,181,511)	-
Administrative expenses		(13,880)	13,880
Net changes	954,972	947,932	7,040
Balances as of June 30, 2019	\$ 26,156,582	\$ 21,655,646	\$ 4,500,936

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

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

	1% Decrease	Current	1% Increase
	5.50%	Discount Rate	7.50%
		6.50%	
Net Pension Liability	\$ 7,530,317	\$ 4,500,936	\$ 1,958,130

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Town recognized pension expense of \$1,374,047. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 67,741	\$ 127,507
Changes of assumptions		211,594
Net difference between projected and actual earnings on pension plan investments	<u> </u>	<u>160,650</u>
Total	\$ <u>67,741</u>	\$ <u>499,751</u>

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

Year Ending June 30,

2020	\$ 383,002
2021	(67,575)
2022	65,783
2023	<u>50,800</u>
Total	\$ <u>432,010</u>

11. DEFINED CONTRIBUTION PLAN

The Town established a defined contribution plan effective July 1, 2014. The Town will match employee contributions by one (1) percent for every percent of the employee's base salary contributed by the employee up to a total of five (5) percent of the employee's base salary for the relevant fiscal year. If an employee's employment is terminated for other than just cause during the fiscal year, the employee shall receive a pro rata Town contribution based on the number of full months of employment the employee completes during the fiscal year, subject to the vesting requirements set forth below.

After one (1) year of employment	20%
After two (2) years of employment	40%
After three (3) years of employment	60%
After four (4) years of employment	80%
After five (5) years of employment	100%

Employees will have the right to self-direct their contributions to the defined contribution plan from among the investment options offered by the plan selected by the Town.

Total contributions to the plan for the year ended June 30, 2019 were \$165,281 for employees and \$40,162 for the Town.

12. 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 that 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, 2019

	<u>Budgeted Amounts</u>			<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Property taxes:				
Property taxes	\$ 60,662,399	\$ 60,662,399	\$ 60,578,874	\$ (83,525)
Prior year's taxes	345,305	345,305	480,058	134,753
Motor vehicle supplement	600,000	600,000	606,279	6,279
Interest and liens	200,000	200,000	275,274	75,274
Total property taxes	<u>61,807,704</u>	<u>61,807,704</u>	<u>61,940,485</u>	<u>132,781</u>
Intergovernmental revenues:				
State of Connecticut:				
Education Cost Sharing	2,991,567	2,991,567	3,501,461	509,894
Other	863,017	863,017	552,011	(311,006)
Telecommunication property tax	107,753	107,753	102,991	(4,762)
Total intergovernmental revenues	<u>3,962,337</u>	<u>3,962,337</u>	<u>4,156,463</u>	<u>194,126</u>
Licenses, permits and fees:				
Building and regulatory	239,200	239,200	301,506	62,306
Recreation	375,000	375,000	339,076	(35,924)
Town Clerk	512,440	512,440	514,000	1,560
Dog licenses and fees	8,500	8,500	32,453	23,953
Total licenses, permits and fees	<u>1,135,140</u>	<u>1,135,140</u>	<u>1,187,035</u>	<u>51,895</u>
Investment income	<u>291,845</u>	<u>291,845</u>	<u>586,418</u>	<u>294,573</u>
Other	<u>489,914</u>	<u>489,914</u>	<u>645,217</u>	<u>155,303</u>
Transferred in from other funds	<u>100,000</u>	<u>100,000</u>	<u>186,413</u>	<u>86,413</u>
Total	<u>\$ 67,786,940</u>	<u>\$ 67,786,940</u>	68,702,031	<u>\$ 915,091</u>
Budgetary revenues are different than GAAP revenues because:				
Cancellation of prior year encumbrances are recognized as budgetary revenue			(46,766)	
Elimination of interfund balances			<u>3,766,117</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 72,421,382</u>	

**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, 2019**

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
General government:				
Board of Selectmen	\$ 420,611	\$ 423,472	\$ 333,356	\$ 90,116
Town Hall Service expense	60,400	60,400	55,783	4,617
Other expense	145,873	144,373	142,741	1,632
Labor related expense	3,532,564	3,583,443	3,306,625	276,818
Computers	404,972	413,967	357,934	56,033
Probate Court	7,568	7,568	7,567	1
Elections	125,458	126,962	118,029	8,933
Board of Finance	65,780	81,280	81,140	140
Board of Assessment Appeals	2,050	2,050	909	1,141
Controller	275,212	281,405	266,750	14,655
Tax Collector	132,737	135,305	117,372	17,933
Assessor	148,637	151,785	146,430	5,355
Town Clerk	251,870	256,812	225,243	31,569
Building Inspector	155,905	159,113	125,528	33,585
Insurance and bonds	744,973	744,973	588,727	156,246
Legal expense	95,000	95,000	70,687	24,313
Planning Commission	142,153	145,835	140,637	5,198
Inland Wetlands Commission	89,216	91,361	89,903	1,458
Zoning Commission	20,308	20,308	1,494	18,814
Zoning Board of Appeals	39,437	39,437	14,026	25,411
Economic Development Commission	39,250	39,250	7,145	32,105
Town properties - inside	388,519	390,915	373,516	17,399
Energy	320,000	320,000	319,846	154
Town properties - outside	527,220	527,220	426,079	101,141
Contingency	200,000	100,449		100,449
Refunds	100,000	115,000	109,872	5,128
Total	<u>8,435,713</u>	<u>8,457,683</u>	<u>7,427,339</u>	<u>1,030,344</u>
Public safety:				
Fire Department/hydrants	499,571	499,571	495,678	3,893
Communications	362,132	372,211	360,797	11,414
Police Protection	2,317,124	2,410,047	2,224,027	186,020
Emergency Management	23,000	23,000	16,960	6,040
Fire Marshal	121,135	123,019	74,620	48,399
Tree Warden	25,075	25,075	25,071	4
Canine Control	83,007	88,881	75,425	13,456
Emergency Services	326,172	326,172	326,172	-
Total	<u>3,757,216</u>	<u>3,867,976</u>	<u>3,598,750</u>	<u>269,226</u>
Highway-public works:				
General maintenance	2,468,994	3,495,721	3,212,581	283,140
Solid waste disposal	931,922	934,686	880,500	54,186
Total	<u>3,400,916</u>	<u>4,430,407</u>	<u>4,093,081</u>	<u>337,326</u>

(Continued on next page)

**TOWN OF SOUTHBURY, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance - Favorable (Unfavorable)
	Original	Final	Actual	
Conservation of health:				
Conservation Commission	\$ 20,400	\$ 20,400	\$ 16,093	\$ 4,307
Department of Health	176,931	176,931	176,931	-
P. River Watershed Coalition	40,800	40,800	40,000	800
Lake Zoar Authority	18,761	18,761	18,761	-
Lake Lillinonah Authority	25,909	25,909	25,909	-
Pomperaug Valley Water Authority	100	100		100
Water Pollution Authority	100	100		100
Commission of Services for Elderly	384,424	391,605	377,611	13,994
Total	<u>667,425</u>	<u>674,606</u>	<u>655,305</u>	<u>19,301</u>
Community activities:				
Committee expenses	29,300	29,300	23,930	5,370
Historic Buildings Commission	13,930	13,930	13,930	-
Library	683,416	694,456	689,262	5,194
Recreation Commission	548,591	552,457	488,857	63,600
Other community activities	500	500		500
Total	<u>1,275,737</u>	<u>1,290,643</u>	<u>1,215,979</u>	<u>74,664</u>
Education - Region #15	<u>46,665,056</u>	<u>46,665,056</u>	<u>46,665,056</u>	<u>-</u>
Capital outlay - Roads	<u>2,653,000</u>	<u>2,653,000</u>	<u>2,763,453</u>	<u>(110,453)</u>
Total expenditures	<u>66,855,063</u>	<u>68,039,371</u>	<u>66,418,963</u>	<u>1,620,408</u>
Transfers out:				
Capital Reserve Fund	1,012,000	1,012,000	1,012,000	-
Capital Transfers Other			3,768,076	(3,768,076)
Debt Service	<u>1,159,325</u>	<u>1,159,325</u>	<u>1,159,325</u>	<u>-</u>
Total transfers out	<u>2,171,325</u>	<u>2,171,325</u>	<u>5,939,401</u>	<u>(3,768,076)</u>
Total Expenditures and Transfers	<u>\$ 69,026,388</u>	<u>\$ 70,210,696</u>	<u>72,358,364</u>	<u>\$ (2,147,668)</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			(250,652)	
Nonbudgetary items and eliminations related to Debt Management and Historical Buildings funds			<u>(2,102)</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>\$ 72,105,610</u>	

TOWN OF SOUTHBURY, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability:						
Service cost	\$ 482,164	\$ 465,632	\$ 486,569	\$ 425,211	\$ 441,526	\$ 479,314
Interest on total pension liability	1,324,663	1,396,685	1,508,808	1,559,415	1,561,887	1,631,465
Effect of plan changes					(31,584)	(34,303)
Effect of economic/demographic gains or losses	(349,016)	(248,639)	215,336	(321,772)	204,174	60,007
Effect of assumption changes or inputs		530,487		1,005,067		
Benefit payments, including refunds of member contributions	<u>(493,215)</u>	<u>(527,123)</u>	<u>(596,355)</u>	<u>(763,276)</u>	<u>(1,106,371)</u>	<u>(1,181,511)</u>
Net change in total pension liability	964,596	1,617,042	1,614,358	1,904,645	1,069,632	954,972
Total pension liability - beginning	<u>18,031,337</u>	<u>18,995,933</u>	<u>20,612,975</u>	<u>22,227,333</u>	<u>24,131,978</u>	<u>25,201,610</u>
Total pension liability - ending	<u>18,995,933</u>	<u>20,612,975</u>	<u>22,227,333</u>	<u>24,131,978</u>	<u>25,201,610</u>	<u>26,156,582</u>
Plan fiduciary net position:						
Contributions - employer	836,516	1,075,764	989,000	1,119,000	1,354,000	1,023,840
Contributions - member	23,628	34,709	34,734	27,557	25,135	31,940
Net investment income (loss)	1,657,727	171,680	(117,785)	2,015,608	1,211,098	1,087,543
Benefit payments, including refunds of member contributions	<u>(493,215)</u>	<u>(527,123)</u>	<u>(596,355)</u>	<u>(763,276)</u>	<u>(1,106,371)</u>	<u>(1,181,511)</u>
Administrative expense	<u>(10,981)</u>	<u>(11,455)</u>	<u>(11,278)</u>	<u>(12,288)</u>	<u>(14,181)</u>	<u>(13,880)</u>
Net change in plan fiduciary net position	2,013,675	743,575	298,316	2,386,601	1,469,681	947,932
Plan fiduciary net position - beginning	<u>13,795,866</u>	<u>15,809,541</u>	<u>16,553,116</u>	<u>16,851,432</u>	<u>19,238,033</u>	<u>20,707,714</u>
Plan fiduciary net position - ending	<u>15,809,541</u>	<u>16,553,116</u>	<u>16,851,432</u>	<u>19,238,033</u>	<u>20,707,714</u>	<u>21,655,646</u>
Net Pension Liability - Ending	<u>\$ 3,186,392</u>	<u>\$ 4,059,859</u>	<u>\$ 5,375,901</u>	<u>\$ 4,893,945</u>	<u>\$ 4,493,896</u>	<u>\$ 4,500,936</u>
Plan fiduciary net position as a percentage of the total pension liability	83.23%	80.30%	75.81%	79.72%	82.17%	82.79%
Covered employee payroll	\$ 4,667,415	\$ 5,161,863	\$ 5,096,060	\$ 5,806,805	\$ 5,347,606	\$ 4,909,578
Net pension liability as a percentage of covered employee payroll	68.27%	78.65%	105.49%	84.28%	84.04%	91.68%

*Note: This schedule is intended to be ten years. Additional years will be added as information becomes available.

TOWN OF SOUTHBURY, CONNECTICUT
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 474,442	\$ 648,132	\$ 635,095	\$ 621,135	\$ 836,141	\$ 950,764	\$ 988,541	\$ 1,013,607	\$ 1,098,703	\$ 1,023,597
Contributions in relation to the actuarially determined contribution	<u>600,000</u>	<u>648,132</u>	<u>635,095</u>	<u>621,135</u>	<u>836,516</u>	<u>1,075,764</u>	<u>989,000</u>	<u>1,119,000</u>	<u>1,354,000</u>	<u>1,023,840</u>
Contribution Deficiency (Excess)	\$ <u>(125,558)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(375)</u>	\$ <u>(125,000)</u>	\$ <u>(459)</u>	\$ <u>(105,393)</u>	\$ <u>(255,297)</u>	\$ <u>(243)</u>
Covered employee payroll	\$ 4,324,805	\$ 5,158,084	\$ 5,236,678	\$ 5,026,644	\$ 4,667,415	\$ 5,161,863	\$ 5,096,060	\$ 5,806,805	\$ 5,347,606	\$ 4,909,578
Contributions as a percentage of covered employee payroll	13.87%	12.57%	12.13%	12.36%	17.92%	20.84%	19.41%	19.27%	25.32%	20.85%

Notes to Schedule

Valuation date: July 1, 2018

Measurement date: June 30, 2019

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent, Layered
Remaining amortization period	10 years
Asset valuation method	5 years, non-asymptotic
Inflation	2.50%
Salary increases	3.50%
Investment rate of return	6.50%
Retirement age	100% at Normal Retirement Age
Mortality	RP-2000 Combined Healthy Mortality for males and females with generational projection per Scale AA

**TOWN OF SOUTHBURY, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - PENSION PLAN
LAST SIX FISCAL YEARS***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Annual money-weighted rate of return, net of investment expense	11.88%	1.06%	(0.70%)	11.80%	6.23%	5.25%

*Note: This schedule is intended to be ten years. Additional years will be added as information becomes available.

**TOWN OF SOUTHBURY, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 13,178,439	\$ 11,691,625
Investments	250,361	497,636
Property taxes and interest receivable, net of allowance for uncollectible accounts of \$172,374 in 2019 and \$45,274 in 2018	1,200,394	1,445,698
Other accounts receivable	54,714	61,521
Due from other funds	5,210,312	4,943,154
Other assets	<u>44,056</u>	<u>244,089</u>
Total Assets	<u>\$ 19,938,276</u>	<u>\$ 18,883,723</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 649,621	\$ 818,887
Due to other funds	<u>6,148,073</u>	<u>4,969,725</u>
Total liabilities	<u>6,797,694</u>	<u>5,788,612</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	641,670	914,986
Unavailable revenue - interest on property taxes	<u>425,443</u>	<u>422,428</u>
Total deferred inflows of resources	<u>1,067,113</u>	<u>1,337,414</u>
Fund balances:		
Nonspendable	44,056	244,089
Committed	70,609	230,986
Assigned	6,579,888	6,658,715
Unassigned	<u>5,378,916</u>	<u>4,623,907</u>
Total fund balances	<u>12,073,469</u>	<u>11,757,697</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,938,276</u>	<u>\$ 18,883,723</u>

**TOWN OF SOUTHBURY, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2019**

Grand List	Due Date	Uncollected Taxes	Lawful Corrections		Transfers to	Adjusted Taxes	Collections				Uncollected Taxes
		July 1, 2018	Additions	Deductions	Suspense	Collectible	Taxes	Interest	Fees	Total	June 30, 2019
2017	2018	\$ 61,008,249	\$ 743,064	\$ 188,372	\$	\$ 61,562,941	\$ 61,100,044	\$ 122,738	\$ 1,568	\$ 61,224,350	\$ 462,897
2016	2017	561,987	23,526	2,839	106,215	476,459	277,930	66,185	3,218	347,333	198,529
2015	2016	240,500	24,197	1,437	93,629	169,631	99,633	38,873	914	139,420	69,998
2014	2015	63,006	338	1,362		61,982	23,428	13,850	264	37,542	38,554
2013	2014	45,703	285	9,252		36,736	10,606	8,065	120	18,791	26,130
2012	2013	18,446	5,936			24,382	7,433	6,964	72	14,469	16,949
2011	2012	34,569	939			35,508	2,148	1,288	208	3,644	33,360
2010	2011	28,632	18	14		28,636				-	28,636
2009	2010	19,225	5			19,230				-	19,230
2008	2009	14,943	6	5		14,944				-	14,944
2007	2008	12,330	8	5		12,333				-	12,333
2006	2007	8,627	8	3		8,632				-	8,632
2005	2006	6,654	13			6,667				-	6,667
2004	2005	5,771	4			5,775				-	5,775
2003	2004	4,689	2			4,691				-	4,691
		<u>\$ 62,073,331</u>	<u>\$ 798,349</u>	<u>\$ 203,289</u>	<u>\$ 199,844</u>	<u>\$ 62,468,547</u>	61,521,222	257,963	6,364	61,785,549	<u>\$ 947,325</u>
Suspense collections							11,295	8,954	1,922	22,171	
Total							<u>\$ 61,532,517</u>	<u>\$ 266,917</u>	<u>\$ 8,286</u>	<u>\$ 61,807,720</u>	

**TOWN OF SOUTHBURY, CONNECTICUT
GENERAL FUND
COMBINING BALANCE SHEET SCHEDULE
JUNE 30, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Historical Building Fund</u>	<u>Eliminating Entries</u>	<u>Total Combined Funds</u>
ASSETS					
Cash and cash equivalents	\$ 13,178,439	\$	\$	\$	\$ 13,178,439
Investments	250,361				250,361
Receivables, net	1,255,108				1,255,108
Due from other funds	5,210,312	18,361	52,248	(70,609)	5,210,312
Other assets	<u>44,056</u>				<u>44,056</u>
Total Assets	<u>\$ 19,938,276</u>	<u>\$ 18,361</u>	<u>\$ 52,248</u>	<u>\$ (70,609)</u>	<u>\$ 19,938,276</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 649,621	\$	\$	\$	\$ 649,621
Due to other funds	<u>6,218,682</u>			<u>(70,609)</u>	<u>6,148,073</u>
Total liabilities	<u>6,868,303</u>	<u>-</u>	<u>-</u>	<u>(70,609)</u>	<u>6,797,694</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	641,670				641,670
Unavailable revenue - interest on property taxes	<u>425,443</u>				<u>425,443</u>
Total deferred inflows of resources	<u>1,067,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,113</u>
Fund balances:					
Nonspendable	44,056				44,056
Committed		18,361	52,248		70,609
Assigned	6,579,888				6,579,888
Unassigned	<u>5,378,916</u>				<u>5,378,916</u>
Total fund balances	<u>12,002,860</u>	<u>18,361</u>	<u>52,248</u>	<u>-</u>	<u>12,073,469</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,938,276</u>	<u>\$ 18,361</u>	<u>\$ 52,248</u>	<u>\$ (70,609)</u>	<u>\$ 19,938,276</u>

TOWN OF SOUTHBURY, CONNECTICUT

GENERAL FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Historical Building Fund</u>	<u>Eliminating Entries</u>	<u>Total Combined Funds</u>
Revenues:					
Property taxes	\$ 61,940,485	\$	\$	\$	\$ 61,940,485
Intergovernmental revenues	4,156,463				4,156,463
Charges for services	1,540,104				1,540,104
Income on investments	586,418				586,418
Miscellaneous	245,381				245,381
Total revenues	<u>68,468,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,468,851</u>
Expenditures:					
Current:					
General government	7,311,431				7,311,431
Public safety	3,537,992				3,537,992
Public works	4,032,365				4,032,365
Conservation of health	646,521				646,521
Community activities	1,217,448		11,828		1,229,276
Education	46,665,056				46,665,056
Debt service		1,159,325			1,159,325
Total expenditures	<u>63,410,813</u>	<u>1,159,325</u>	<u>11,828</u>	<u>-</u>	<u>64,581,966</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,058,038</u>	<u>(1,159,325)</u>	<u>(11,828)</u>	<u>-</u>	<u>3,886,885</u>
Other Financing Sources (Uses):					
Transfers in	3,952,531	1,159,325	13,930	(1,173,255)	3,952,531
Transfers out	<u>(8,696,899)</u>			<u>1,173,255</u>	<u>(7,523,644)</u>
Total other financing sources (uses)	<u>(4,744,368)</u>	<u>1,159,325</u>	<u>13,930</u>	<u>-</u>	<u>(3,571,113)</u>
Net Change in Fund Balances	313,670	-	2,102	-	315,772
Fund Balances at Beginning of Year	<u>11,689,190</u>	<u>18,361</u>	<u>50,146</u>	<u>-</u>	<u>11,757,697</u>
Fund Balances at End of Year	<u>\$ 12,002,860</u>	<u>\$ 18,361</u>	<u>\$ 52,248</u>	<u>\$ -</u>	<u>\$ 12,073,469</u>

**TOWN OF SOUTHBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Special Revenue Funds					
	Private Duty	Parks and Recreation Programs and Trips	Probate Court	Elderly Services and Program Fund	Town Clerk Record Preservation	Streetscape Reserve
ASSETS						
Cash and cash equivalents	\$ 453,810	\$ 142,027	\$ 107,874	\$ 79,508	\$ 76,133	\$
Accounts receivable	39,694					
Due from other funds	449,172	48,338		54,983		42,745
Total Assets	<u>\$ 942,676</u>	<u>\$ 190,365</u>	<u>\$ 107,874</u>	<u>\$ 134,491</u>	<u>\$ 76,133</u>	<u>\$ 42,745</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$	\$	\$
Due to other funds	814,666	79,825	80,216	14,833	8,811	
Total liabilities	<u>814,666</u>	<u>79,825</u>	<u>80,216</u>	<u>14,833</u>	<u>8,811</u>	<u>-</u>
Deferred inflows of resources:						
Unavailable revenue - loans receivable						
Fund balances:						
Committed	128,010	110,540	27,658	119,658	67,322	42,745
Unassigned						
Total fund balance	<u>128,010</u>	<u>110,540</u>	<u>27,658</u>	<u>119,658</u>	<u>67,322</u>	<u>42,745</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 942,676</u>	<u>\$ 190,365</u>	<u>\$ 107,874</u>	<u>\$ 134,491</u>	<u>\$ 76,133</u>	<u>\$ 42,745</u>

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**TOWN OF SOUTHBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2019**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Loss Reserve	Planning	Community Investment Fund	Small Cities	Town Aid Road	Eliminating Entries	
ASSETS							
Cash and cash equivalents	\$	\$	\$ 37,701	\$ 101,894	\$	\$	\$ 998,947
Accounts receivable				1,072,567			1,112,261
Due from other funds	161,896	156,659	89,687	1,649		(15,572)	989,557
Total Assets	<u>\$ 161,896</u>	<u>\$ 156,659</u>	<u>\$ 127,388</u>	<u>\$ 1,176,110</u>	<u>\$ -</u>	<u>\$ (15,572)</u>	<u>\$ 3,100,765</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 4,465	\$	\$	\$	\$	\$	\$ 4,465
Due to other funds						(15,572)	982,779
Total liabilities	<u>4,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,572)</u>	<u>987,244</u>
Deferred inflows of resources:							
Unavailable revenue - loans receivable				1,072,567			1,072,567
Fund balances:							
Committed	157,431	156,659	127,388	103,543			1,040,954
Unassigned							
Total fund balance	<u>157,431</u>	<u>156,659</u>	<u>127,388</u>	<u>103,543</u>	<u>-</u>	<u>-</u>	<u>1,040,954</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 161,896</u>	<u>\$ 156,659</u>	<u>\$ 127,388</u>	<u>\$ 1,176,110</u>	<u>\$ -</u>	<u>\$ (15,572)</u>	<u>\$ 3,100,765</u>

**TOWN OF SOUTHBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds					
	Private Duty	Parks and Recreation Programs and Trips	Probate Court	Elderly Services and Program Fund	Town Clerk Record Preservation	Streetscape Reserve
Revenues:						
Intergovernmental revenues	\$	\$	\$	\$	7,580	\$
Charges for services	523,698	106,914	33,998	7,477	10,746	
Income on investments					123	
Miscellaneous		5,284		6,180		
Total revenues	<u>523,698</u>	<u>112,198</u>	<u>33,998</u>	<u>13,657</u>	<u>18,449</u>	<u>-</u>
Expenditures:						
Current:						
General government			24,709	8,076	10,083	
Public safety	361,253					
Public works						
Community activities		93,501		2,064		
Total expenditures	<u>361,253</u>	<u>93,501</u>	<u>24,709</u>	<u>10,140</u>	<u>10,083</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>162,445</u>	<u>18,697</u>	<u>9,289</u>	<u>3,517</u>	<u>8,366</u>	<u>-</u>
Other Financing Sources (Uses):						
Transfers in				3,586		
Transfers out	(150,000)					
Total other financing sources (uses)	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>3,586</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	12,445	18,697	9,289	7,103	8,366	-
Fund Balances at Beginning of Year	<u>115,565</u>	<u>91,843</u>	<u>18,369</u>	<u>112,555</u>	<u>58,956</u>	<u>42,745</u>
Fund Balances at End of Year	<u>\$ 128,010</u>	<u>\$ 110,540</u>	<u>\$ 27,658</u>	<u>\$ 119,658</u>	<u>\$ 67,322</u>	<u>\$ 42,745</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, 2019

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Loss Reserve	Planning	Community Investment Fund	Small Cities	Town Aid Road	
Revenues:						
Intergovernmental revenues	\$	\$	\$	\$ 276,042	\$	\$ 283,622
Charges for services		6,752	9,027	68,224		766,836
Income on investments						123
Miscellaneous	17,788					29,252
Total revenues	<u>17,788</u>	<u>6,752</u>	<u>9,027</u>	<u>344,266</u>	<u>-</u>	<u>1,079,833</u>
Expenditures:						
Current:						
General government	4,465					47,333
Public safety	8,787					370,040
Public works	6,659					6,659
Community activities				327,904		423,469
Total expenditures	<u>19,911</u>	<u>-</u>	<u>-</u>	<u>327,904</u>	<u>-</u>	<u>847,501</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,123)</u>	<u>6,752</u>	<u>9,027</u>	<u>16,362</u>	<u>-</u>	<u>232,332</u>
Other Financing Sources (Uses):						
Transfers in		85,478				89,064
Transfers out					206	(149,794)
Total other financing sources (uses)	<u>-</u>	<u>85,478</u>	<u>-</u>	<u>-</u>	<u>206</u>	<u>(60,730)</u>
Net Change in Fund Balances	(2,123)	92,230	9,027	16,362	206	171,602
Fund Balances at Beginning of Year	<u>159,554</u>	<u>64,429</u>	<u>118,361</u>	<u>87,181</u>	<u>(206)</u>	<u>869,352</u>
Fund Balances at End of Year	<u>\$ 157,431</u>	<u>\$ 156,659</u>	<u>\$ 127,388</u>	<u>\$ 103,543</u>	<u>\$ -</u>	<u>\$ 1,040,954</u>

TOWN OF SOUTHBURY, CONNECTICUT
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Defined Contribution Plan				
Assets:				
Cash and cash equivalents	\$ <u>178,822</u>	\$ <u>227,456</u>	\$ <u>4,703</u>	\$ <u>401,575</u>
Liabilities:				
Due to employees	\$ <u>178,822</u>	\$ <u>227,456</u>	\$ <u>4,703</u>	\$ <u>401,575</u>

TOWN OF SOUTHBURY, CONNECTICUT
STATEMENT OF DEBT LIMITATION
JUNE 30, 2019
(In Thousands)

Total tax collections, including interest and lien fees	\$ <u>62,379</u>
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BASE	\$ <u>62,379</u>
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	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 140,353	\$	\$	\$	\$
4-1/2 times base		280,706			
3-3/4 times base			233,921		
3-1/4 times base				202,732	
3 times base					187,137
	<u>140,353</u>	<u>280,706</u>	<u>233,921</u>	<u>202,732</u>	<u>187,137</u>
Total debt limitation	<u>140,353</u>	<u>280,706</u>	<u>233,921</u>	<u>202,732</u>	<u>187,137</u>
Indebtedness:					
Bonds and notes payable	3,360				
Overlapping debt:					
Bonds payable and authorized - Regional District #15*, net of school building grants		5,315			
	<u>3,360</u>	<u>5,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net indebtedness	<u>3,360</u>	<u>5,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u>136,993</u>	\$ <u>275,391</u>	\$ <u>233,921</u>	\$ <u>202,732</u>	\$ <u>187,137</u>

Note (1): In no case shall total indebtedness exceed seven times annual receipts from taxation (\$436,653).

* 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, 2019, the outstanding bonded indebtedness of the District was \$7,870. The Town of Southbury's share will be approximately 68% of the remainder. These are general obligations of Regional School District #15 and its member towns.