

# Final Official Statement Dated November 13, 2012

**REFUNDING ISSUE: Book-Entry-Only**

**RATING: Standard & Poor's Corporation "AA+"**

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; the Bonds are "qualified tax-exempt obligations"; interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B – "Opinion of Bond Counsel and Tax Exemption" herein.



## Town of Southington, Connecticut \$6,915,000 General Obligation Refunding Bonds, Issue of 2012

**Dated: Date of Delivery**

**Due: Serially on November 1, 2013-2025  
as detailed below**

The Bonds will be general obligations of the Town of Southington, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. (See "Security and Remedies" herein).

Interest on the Bonds will be payable on May 1, 2013 and semiannually thereafter on November 1 and May 1 in each year until maturity.

Year	Principal	Coupon	Yield	CUSIP <sup>1</sup>	Year	Principal	Coupon	Yield	CUSIP <sup>1</sup>
2013	\$ 60,000	2.000%	0.350%	844402UN5	2020	\$ 80,000	2.000%	1.350%	844402UV7
2014	730,000	3.000%	0.450%	844402UP0	2020	500,000	3.250%	1.350%	844402UW5
2015	720,000	3.000%	0.570%	844402UQ8	2021*	510,000	2.000%	1.550%	844402UX3
2016	595,000	3.000%	0.670%	844402UR6	2022*	500,000	2.000%	1.670%	844402UY1
2017	595,000	3.000%	0.800%	844402US4	2023*	495,000	2.000%	1.820%	844402UZ8
2018	585,000	2.000%	0.900%	844402UT2	2024*	485,000	2.000%	1.920%	844402VA2
2019	585,000	4.000%	1.100%	844402UU9	2025	475,000	2.000%	2.000%	844402VB0

\* Priced assuming redemption on November 1, 2020; however, any such redemption is at the option of the Town.

### Roosevelt & Cross, Incorporated

The Bonds will be issued by means of a book-entry-only system and will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Ownership of the Bonds will be in the denominations of \$5,000 or integral multiples thereof. The Beneficial Owners will not receive certificates representing their ownership interest in the Bonds. Principal and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. So long as Cede & Co. is the Bondowner as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

**The Bonds are subject to redemption prior to maturity, as described herein under "Redemption Provisions".**

The Registrar, Transfer Agent, Paying Agent, Escrow Agent and Certifying Agent for the Bonds will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. Certain matters will be passed upon for the Underwriter by Shipman & Goodwin LLP of Hartford, Connecticut, Underwriter's Counsel. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC in New York, New York on or about November 27, 2012.

<sup>1</sup> Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations other than those contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

Set forth in Appendix A – “2011 Financial Statements Excerpted from the Town’s Comprehensive Annual Financial Report” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing on and does not assume any responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Official Statement, (other than matters expressly set forth as its opinion in Appendix B "Opinion of Bond Counsel and Tax Exemption" herein), and makes no representation that it has independently verified the same.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
<b>Bond Issue Summary</b> .....	3	Building Permits.....	24
<b>I. Bond Information</b> .....	4	<b>IV. Tax Base Data</b> .....	25
Introduction.....	4	Property Tax - Assessments.....	25
Financial Advisor.....	4	Levy.....	25
The Bonds.....	4	Comparative Assessed Valuations.....	26
Description of the Bonds.....	4	Exempt Property.....	26
Redemption Provisions.....	5	Property Tax Levies and Collections.....	27
Authorization and Purpose.....	5	Ten Largest Taxpayers.....	27
Plan of Refunding.....	6	<b>V. Debt Summary</b> .....	28
Verification of Mathematical Computations.....	6	Principal Amount of Indebtedness.....	28
Sources and Uses of Bond Proceeds.....	7	Short Term Debt.....	28
School Projects.....	7	Annual Bonded Debt Maturity Schedule.....	29
Book-Entry-Only Transfer System.....	7	Overlapping/Underlying Debt.....	29
DTC Practices.....	9	Debt Statement.....	30
Replacement Bonds.....	9	Current Debt Ratios.....	30
Security and Remedies.....	9	Bond Authorization.....	31
Qualification for Financial Institutions.....	10	Maturities.....	31
Availability of Continuing Information.....	10	Temporary Financing.....	31
Ratings.....	10	Limitation of Indebtedness.....	32
Underwriting.....	11	Statement of Debt Limitation.....	33
Bond Insurance.....	11	Authorized But Unissued Debt.....	33
<b>II. The Issuer</b> .....	12	Principal Amount of Outstanding Debt.....	34
Description of the Municipality.....	12	Ratios of Net Long-Term Debt to Valuation,	
Economic Development.....	12	Population and Income.....	34
Other Economic Development Initiatives.....	13	Ratio of Total General Fund Debt Service	
Form of Government.....	13	Expenditures To Total General Fund Expenditures.....	34
Town Officials.....	14	<b>VI. Financial Administration</b> .....	35
Municipal Services.....	14	Fiscal Year.....	35
Educational Services.....	18	Basis of Accounting.....	35
School Enrollment.....	18	Budget Procedure.....	35
School Facilities.....	18	Capital Improvement Plan.....	35
Employee Relations and Collective Bargaining.....	19	Audit.....	36
Municipal Employees.....	19	Liability Insurance.....	36
Employee Relations.....	19	Pensions.....	36
Binding Arbitration.....	19	Other Post Employment Benefits.....	36
<b>III. Economic and Demographic Information</b> .....	20	Investment Policy.....	37
Population and Density.....	20	General Fund Revenues and Expenditures.....	38
Age Distribution of the Population.....	20	Analysis of General Fund Balance.....	38
Income Distribution.....	20	<b>VII. Legal and Other Information</b> .....	39
Income Levels.....	21	Litigation.....	39
Educational Attainment.....	21	Documents Furnished at Delivery.....	39
Major Employers.....	21	Concluding Statement.....	40
Employment by Industry.....	22	<b>Appendix A - 2011 Financial Statements Excerpted from</b>	
Employment Data.....	22	<b>the Town's Comprehensive Annual Financial Report</b>	
Age Distribution of Housing.....	23	<b>Appendix B - Opinion of Bond Counsel and Tax Exemption</b>	
Housing Inventory.....	23	<b>Appendix C - Form of Continuing Disclosure Agreement</b>	
Owner Occupied Housing Values.....	23		

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## **Bond Issue Summary**

*The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

<b>Issuer:</b>	Town of Southington, Connecticut (the "Town").
<b>Issue:</b>	\$6,915,000 General Obligation Refunding Bonds, Issue of 2012 (the "Bonds").
<b>Dated Date:</b>	Date of Delivery
<b>Principal and Interest Due:</b>	Principal due serially November 1, 2013 through November 1, 2025. Interest due November 1 and May 1 in each year until maturity, commencing May 1, 2013.
<b>Purpose:</b>	The Bond proceeds will be used to refinance bonds originally issued in 2005 to provide funds for various school, general purpose, and sewer projects.
<b>Redemption:</b>	The Bonds are subject to redemption prior to maturity. Refer to "Redemption Provisions" herein.
<b>Security:</b>	The Bonds will be general obligations of the Town of Southington, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
<b>Credit Rating:</b>	The Bonds were rated "AA+" from Standard & Poor's Corporation. No other ratings have been applied for from any other rating agency.
<b>Bond Insurance:</b>	The Town does not expect to purchase a credit enhancement facility.
<b>Tax Exemption:</b>	See Appendix B - "Opinion of Bond Counsel and Tax Exemption".
<b>Bank Qualification:</b>	The Bonds shall be designated by the Issuer as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
<b>Continuing Disclosure:</b>	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data, timely, but not in excess of ten (10) business days after the occurrence of the event, notice of certain events with respect to the Bonds and timely notice of a failure by the Town to provide the required annual financial information on or before the specified date, pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
<b>Registrar, Transfer Agent, Certifying Agent, Escrow Agent and Paying Agent:</b>	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
<b>Financial Advisor:</b>	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 878-4945.
<b>Legal Opinion:</b>	Day Pitney LLP, of Hartford, Connecticut.
<b>Delivery and Payment:</b>	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about November 27, 2012. Delivery of the Bonds will be made against payment in Federal Funds.
<b>Issuer Official:</b>	Questions concerning the Official Statement should be addressed to Ms. Emilia C. Portelinha, Director of Finance, Town of Southington, Town Office Building, 75 Main Street, Southington, Connecticut 06489. Telephone (860) 276-6222.

## **I. Bond Information**

### **Introduction**

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Southington, Connecticut (the "Town"), in connection with the original offering and sale of \$6,915,000 General Obligation Refunding Bonds, Issue of 2012 (the "Bonds") of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of Statutes, Charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Paying Agent, Escrow Agent and Certifying Agent for the Bonds.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

### **Financial Advisor**

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the Town with respect to the issuance of the Bonds (the "Financial Advisor"). The information in this Official Statement has been prepared by the Town of Southington, with the help of the Financial Advisor. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **The Bonds**

#### **Description of the Bonds**

The Bonds will be dated the date of delivery and will bear interest at the rates per annum specified on the cover page, payable semiannually on November 1 and May 1 in each year until maturity, commencing May 1, 2013. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of April and October, or the preceding business day if such fifteenth day is not a business day, in each year, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree.

#### **Redemption Provisions**

The Bonds maturing on or before November 1, 2020 are not subject to redemption prior to maturity. The Bonds maturing on November 1, 2021 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after November 1, 2020 at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, at the respective price (expressed as a percentage of the principal amount of the Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
November 1, 2020 and thereafter .....	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the redemption date to the registered owner of the Bonds at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as Cede & Co., as nominee of the Depository Trust Company (“DTC”), is the registered owner of the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its successor nominee. Any failure of DTC to advise any Direct Participant or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its contents or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interest in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by or the responsibility of the Town, the Registrar or Paying Agent.

### ***Authorization and Purpose***

Authorization: The Bonds are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, the Charter of the Town of Southington, and a bond resolution approved by the Town’s Town Council on April 23, 2012. The proceeds of the Bonds will be used to refund or defease all or a portion of the outstanding maturities of the Town’s bonds originally issued in 2005.

## **Plan of Refunding**

The Bonds are being issued to refund at or prior to maturity all or a portion of certain maturities of certain of the outstanding series of general obligation bonds of the Town as set forth below (the “Refunded Bonds”). The refunding is contingent upon delivery of the Bonds.

<b>Issue</b>	<b>Dated Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	
Issue of 2005	11/1/2005	11/01/2013	5.000%	660,000	n/a	n/a	
		11/01/2014	3.625%	660,000	11/1/2013	100.00%	
		11/01/2015	4.000%	655,000	11/1/2013	100.00%	
		11/01/2016	4.000%	535,000	11/1/2013	100.00%	
		11/01/2017	4.000%	535,000	11/1/2013	100.00%	
		11/01/2018	4.000%	535,000	11/1/2013	100.00%	
		11/01/2019	4.000%	535,000	11/1/2013	100.00%	
		11/01/2020	4.000%	535,000	11/1/2013	100.00%	
		11/01/2021	4.000%	470,000	11/1/2013	100.00%	
		11/01/2022	4.125%	470,000	11/1/2013	100.00%	
		11/01/2023	4.125%	470,000	11/1/2013	100.00%	
		11/01/2024	4.250%	470,000	11/1/2013	100.00%	
		<b>Tot</b>	11/01/2025	4.250%	470,000	11/1/2013	100.00%
		<b>Total</b>	.....			<u>\$ 7,000,000</u>	

Upon delivery of the Bonds, the proceeds will be placed in an irrevocable escrow trust fund (the “Escrow Deposit Fund”) established with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) under an escrow agreement (the “Escrow Agreement”) to be dated as of the date of delivery between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the United States of America, including United States Treasury securities, Federal National Mortgage Association securities and Federal Home Loan Mortgage Corporation securities, or other investments permitted by Section 7-400 of the Connecticut General Statutes, as amended, all of which shall not be callable or prepayable at the option of the issuer thereof (the “Government Obligations”). The principal of and interest on the Government Obligations, when due, will provide amounts sufficient to meet principal, interest payments and redemption prices on the Refunded Bonds on the redemption dates. The Escrow Agreement permits substitution of certain Government Obligations for other Government Obligations provided that the maturing principal of and interest on all Government Obligations held at any time under the Escrow Agreement will provide amounts sufficient to pay the principal, interest and redemption prices on the Refunded Bonds on the date such payments are due. All investment income on maturing principal of the Government Obligations held in the Escrow Deposit Fund and needed to pay the principal of, interest and redemption prices, on the Refunded Bonds will be irrevocably deposited by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Refunding Bonds will be used to pay certain costs of issuance and underwriter’s discount.

## **Verification of Mathematical Computations**

The accuracy of the mathematical computations regarding (i) the adequacy of maturing principal of and interest earned on the Government Obligations deposited with the Escrow Agent to pay, when due, the principal of, accrued interest and redemption premium on the Refunded Bonds on the redemption dates and (ii) the yield on the Bonds and the securities and moneys in the Escrow Deposit Fund will be verified by AMTEC of Avon, Connecticut (the “Verification Agent”). Such verification of the accuracy of the mathematical computations will be based upon information and assumptions supplied to the Verification Agent by the Underwriter.



**Sources and Uses of Bond Proceeds:**

<b>Sources:</b>	<b><u>This Issue</u></b>
Par Amount of the Bonds.....	\$ 6,915,000.00
Net Original Issue Premium .....	<u>467,736.20</u>
<b>Total Sources</b> .....	<b>\$ 7,382,736.20</b>
<b>Uses:</b>	
Deposit to Refunding Escrow .....	\$ 7,277,002.68
Costs of Issuance .....	67,701.02
Underwriter’s Discount .....	<u>38,032.50</u>
<b>Total Uses</b> .....	<b>\$ 7,382,736.20</b>

**School Projects**

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996.

Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

**Book-Entry-Only Transfer System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners

will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

### ***DTC Practices***

The Issuer can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

## ***Replacement Bonds***

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town is authorized to issue fully registered Bond certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

## ***Security and Remedies***

The Bonds will be general obligations of the Town of Southington, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such classified property on the last completed Grand List of the Town. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation debt (hereafter "debt") and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefore or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or, hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district or any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

***THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.***

### **Qualification for Financial Institutions**

The Bonds shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

### **Availability of Continuing Information**

The Town prepares, in accordance with State law, annual independent audited financial statements and operating statements and files such annual reports with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide Moody's Investors Service and Standard & Poor's ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement ("Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") (i) annual financial information and operating data with respect to the Bonds, (ii) timely but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The underwriter's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to the Rule. To date, the Town has not failed to meet any of its undertakings under such agreements, except that on or before February 28, 2007 (the deadline for submitting the Town's required annual financial information and operating data filings for the fiscal year ending June 30, 2006) the Town inadvertently filed with the Nationally Recognized Municipal Securities Information Repositories (the "NRMSIRs") a draft, rather than the final, version of its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2006 (the "FYE 2006 CAFR"). Promptly upon discovery of the error, the Town filed the final version of the FYE 2006 CAFR with the NRMSIRs. There are no material differences between the required annual financial information and operating data information set out in the draft FYE 2006 CAFR and that set out in the final FYE 2006 CAFR.

### **Ratings**

The Bonds have been rated "AA+" by Standard & Poor's Corporation. The Town furnished the rating agency certain information and materials, some of which may not have been included in this Official Statement. The rating, if obtained, will reflect only the views of the rating agency and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the Town's bonds and notes, including the Bonds.

The Town expects to furnish the rating agency with certain information and materials that the agency may request. However, the Town may issue short-term or other debt for which a rating is not requested.

## ***Underwriting***

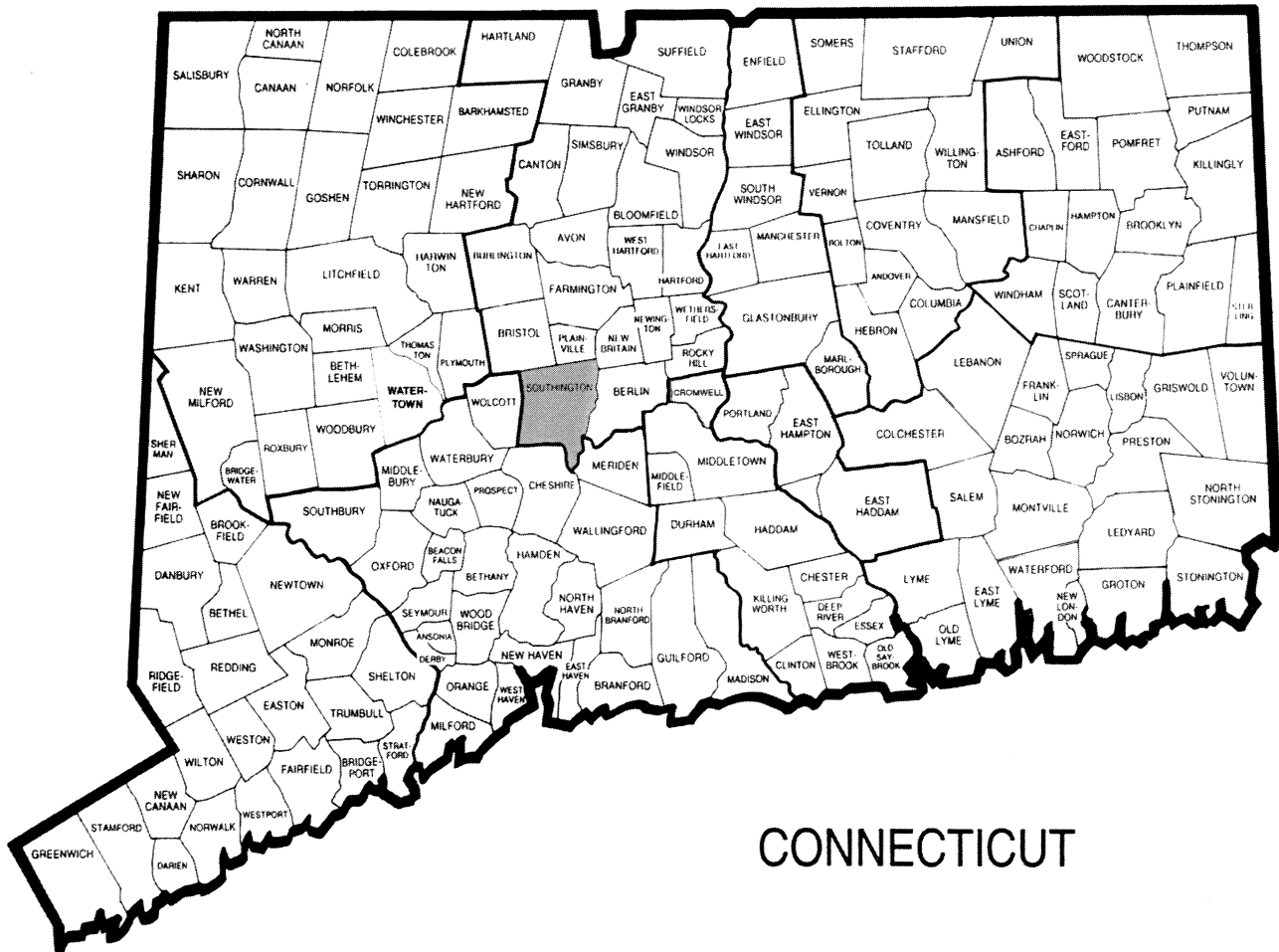
Subject to the terms and conditions of the Bond Purchase Agreement, the Town has agreed to sell to Roosevelt & Cross, Inc. (the “Underwriter”), and the Underwriter has agreed, subject to certain conditions, to purchase the Bonds at the net aggregate purchase price of \$7,344,703.70 (consisting of the principal amount of \$6,915,000.00 plus original issue premium of \$467,736.20, less underwriter’s discount of \$38,032.50). The Underwriter will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the offering prices or yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

## ***Bond Insurance***

The Town does not expect to purchase a credit enhancement facility for the Bonds.

## II. The Issuer



### **Description of the Municipality**

The Town of Southington was originally settled in 1698 and incorporated in 1779. Southington, which has land area of approximately 36.9 square miles and a population of 43,069, is located in Hartford County. Located in the geographical center of the State, Southington lies approximately 20 miles west of Hartford, the state capital, and nine miles east of Waterbury. Other nearby cities include Meriden, New Britain, Bristol and New Haven.

Some of Connecticut's major highways provide access to the town. Interstate 84 bisects Southington, and Route 691 leads directly to Interstate 91. Route 10 also runs through the Town.

### **Economic Development**

The Town's Economic Development Coordinator administers a program that focuses on retention of existing businesses as well as the recruitment of new businesses. Since the departure of the Town's largest taxpayer, the Pratt & Whitney division of United Technologies Inc. in 1995, the Town has made strong efforts to diversify its commercial and industrial tax base to avoid over-reliance on one taxpayer or industry.

As a result of these efforts, the Town has become less dependent on one taxpayer or industry as evidenced by the Town's top ten taxpayers representing 4.38% of the October 1, 2011 taxable Grand List vs. 16% in the mid-1990s.

While the "Great Recession" continued, the Town of Southington and Economic Development remained proactive and optimistic. The Town continues its program of attraction and expansion as evidenced with the success of Industrial Drive and the various new companies relocating to Southington, as well as the additional space added to existing facilities. Interest continues along a range of business including manufacturing, retail and service industries. The Town Council and administration continuously strive to remain competitive with area towns to create opportunities for employment and tax revenue growth.

- Southington received a STEAP Grant in the amount of \$250,000 which was quickly put to use by assisting with the creation of another new industrial park, the nine lot South Farms Industrial Park. This heavy industrial subdivision quickly led Southington’s industrial development activity with SRS National for a 25,000 sf trucking facility.
- The Southington Downtown Renaissance effort continues its progress with the addition of new restaurants including Subway and CC Carver’s. Additionally, the town applied for a \$6.3 million state grant for contamination remediation pertaining to the Greenway Commons project. The full amount of the request was denied, however the developers have received a \$1.5 million grant from DECD for demolition and a \$3 million Urban Act grant administered through DECD for remediation. Meridian Development Partners continues with their interest in developing the 14 acre site.
- Plantsville’s center continues its momentum with the extension of the Rails to Trails Linear Park to Cheshire. Dean Michanczyk owner of Dean’s Stove and Spa and The Hearthstone Pub, is putting the final touches on a new thirty-five space municipal lot. Additionally, Zingarella’s Restaurant is near completion of the redevelopment of 83 West Main Street further complimenting the progress transpiring within Plantsville’s downtown area.
- The Economic Development Office continues its effort to bring contaminated property back to the tax rolls. The town received a \$100,000 site assessment grant to provide an evaluation of the former Beaton & Corbin property on North Main Street. This information shall assist with potential remediation and redevelopment of the site. Additionally, the Town Council granted Calco Construction a Tax Abatement to assist the remediation and redevelopment of the former Forestville Industrial Plating Company (FIPCO) site on Queen Street. The proposed redevelopment shall allow for a 30,000 square foot retail building on the site.

In addition to the aforementioned, the following is a list of companies that have recently built, expanded or moved into empty buildings in the Town:

<i>Company</i>	<i>Facility</i>	<i>Origination</i>
Lazy Lane Industrial LLC.....	25,000 sf new construction	New investment
Sno-White Power Equipment.....	9,300 sf new construction	Relocation/expansion from Plainville
Yarde Metal's.....	150,000 new Mfg facility	Expansion of existing company
Donati Contracting.....	10,000 sf new facility	Expansion of existing company
Strollo Brothers Towing.....	5,000 sf approved	Cheshire company expanding to Southington
Malconn Towing .....	4,000 sf approved	N. Haven company expanding to Southington
Briad Development.....	110 room Homewood Suites hotel	New to Southington
Uconn Medical Offices.....	29,000 sf new facility under const	New to Southington
Dee Zee Ice.....	12,300 new ice mfg facility	New to Southington

### **Form of Government**

The Town of Southington is governed under the provisions of a charter and the Connecticut General Statutes. Southington has had a Council-Manager form of government since 1966. The Town Council, which is comprised of nine members who are elected for two-year terms, appoints the Town Manager. The Town Manager is responsible for the supervision and administration of all commissions, boards, departments, offices and agencies of the Town, except those elected by the people, appointed by the Council, or appointed by a regional, State or Federal authority.

The Town Manager’s duties include executing laws and ordinances governing the Town, periodically reporting to the Council, preparing the annual report and the annual budget, and performing any other duties iterated in the Charter, Ordinances or Council Resolution.

The Director of Finance, who is appointed by the Manager, acts as purchasing agent for the Town. The Director assists the Manager in the preparation of the annual budget, processes bills for payment, and performs any additional duties detailed in the Charter.

The full-time professional staff of the Town includes a Town Manager, Assistant Town Manager, Director of Finance, Assistant Director of Finance, Assessor, Economic Development Coordinator, Director of Recreation,

Town Engineer, Town Planner, Building Inspector, Highway Superintendent, Town Clerk, Tax Collector, Director of Public Works, Police Chief, and Fire Chief.

### **Town Officials**

<b>Office</b>	<b>Name</b>	<b>Manner of Selection</b>	<b>Term</b>	<b>Length Of Service</b>
Council Member, Chair.....	John C. Dobbins	Elected	11/11-11/13	3 years
Council Member, Vice Chair.....	Peter J. Romano, Jr.	Elected	11/11-11/13	3 years
Council Member .....	John N. Barry	Elected	11/11-11/13	9 years
Council Member.....	Cheryl Lounsbury	Elected	11/11-11/13	1st term
Council Member.....	Dawn A. Micelli	Elected	11/11-11/13	3 years
Council Member.....	Albert A. Natelli, Jr.	Elected	11/11-11/13	3 years
Council Member.....	Christopher J. Palmieri	Elected	11/11-11/13	7 years
Council Member.....	Louis Martocchio	Appointed	6/12 - 11/13	-- <sup>2</sup>
Council Member.....	Stephanie A. Urillo	Elected	11/11-11/13	3 years
Town Manager.....	Garry Brumback	Appointed	01/11-06/14	-- <sup>1</sup>
Town Attorney/				
Assistant Town Manager.....	Mark Sciota	Appointed	Indefinite	6 years
Director of Finance.....	Emilia Portelinha	Appointed	Indefinite	7 years
Treasurer.....	Christina Sivigny	Appointed	Indefinite	1 year
Economic Dev. Coordinator.....	Louis A. Perillo	Appointed	Indefinite	7 years

<sup>1</sup> Mr. Brumback formerly served as Town Manager in Baytown, Texas and officially took office on January 31, 2011 replacing John Weichsel who served as Town Manager for 44 years.

<sup>2</sup> Louis Martocchio was appointed by the Town Council to fill the vacancy left by Edward S. Pocock III, who was promoted to Captain of the Southington Police Department and resigned May 2012.

Source: Town of Southington

### **Municipal Services**

**Police:** The Southington Police Department has a sworn staff of 66 including a Chief, two Captains, three Lieutenants, eleven Sergeants, seven Detectives, and forty-two Patrol Officers. The department provides 24 hour service to the community, consisting of Patrol, Detective and Crime Prevention Services. Other specialized divisions include: Traffic Division, K-9 officer, Emergency Response Team, Motorcycle Patrol, Support Services Division, Training Division, and the Bicycle Patrol.

A new, central Police headquarters was completed in September 2003 and includes a state of the art Centralized Dispatch Center.

**Fire:** Fire protection is provided by Southington's 31 career and 89 volunteer firefighters. The department, headed by the chief, consists of a central headquarters and 3 additional companies. The fire headquarters addition and renovation project was approved at referendum and completed August 2005. The department's responsibilities, other than fire fighting, include fire marshal inspections and responding to various emergencies.

**Health:** The Southington Health Department and Plainville Health Department combined to form the Plainville-Southington Health District. The District services both Towns and is staffed with a full-time Director of Health, four professional sanitarians and a secretary. The mission of the Health District is to protect and preserve the health of the communities through a number of programs of health promotion and disease prevention. The Director and staff spent a significant amount of time in bioterrorism planning and training, and maintaining the Public Health Preparedness and Response Plan.

**Senior Services:** Calendar House is the Town of Southington's Senior Center and is staffed by an Executive Director, Program Coordinator, secretary, clerk typist and five bus drivers (1 full-time and 4 part-time). The Center's purpose is to serve as a resource center, providing a broad range of services and activities which meet the diverse social, physical, and intellectual needs of older adults. The Calendar House offers recreational and social services to seniors and disabled individuals.

**Youth Services:** The Youth Services Department is staffed by a Director, two counselors, a Youth Prevention Coordinator and a secretary. The Department offers a variety of services to youth and families including confidential counseling, education, diversion and positive youth development programs.



**Building:** The Building Department issues all types of building permits and is responsible for the inspection and approval of all construction in the Town in accordance with state and local building codes. The Department is staffed by a Building Inspector, Assistant Building Inspector, Electrical Inspector, Plumbing Inspector and two secretaries.

**Planning & Zoning:** The Planning and Zoning Department provides technical assistance to the Planning and Zoning Commission, Conservation Commission and Zoning Board of Appeals. The Department is staffed by a Town Planner, Assistant Town Planner, Zoning Enforcement Officer, and two secretaries.

**Economic Development:** The Economic Development Coordinator works closely with Planning & Zoning, other Town departments and the Chamber of Commerce in promoting the Town and providing information and services to prospective businesses as well as existing established businesses. The office also resumed the US Passport application service upon the termination of the activity by the probate office, which was regionalized and relocated to Cheshire.

**Engineering:** The Engineering Department designs or reviews all projects requiring engineering services. The Department is staffed by the Town Engineer, two Assistant Town Engineers, a secretary, a senior draftsman, an Engineer Inspector, two Engineering Aides, and a Survey Crew Chief. The Town Engineer is also the Public Works Director, and oversees the Highway Department and the Water Pollution Control Department.

**Park & Recreation:** The Southington Parks & Recreation Department provides recreational, educational and entertaining programs and services for residents of all ages. Southington's Park facilities encompass over 500 acres of recreational area: Recreation Park (37.6 acres), Western Park (21.2 acres), Central Park (19 acres), Panthorn Park (139.1 acres), Jaycee Park (4.2 acres), Centennial Park (1.5 acres), Memorial Park (20.5 acres), Crescent Lake (223 acres), a hiking and biking trail (11.6 acres) the old Southington Drive-In Theatre (40 acres).

**Library & Museum:** The Southington Public Library and Museum provides the following: Children's Services including over 142 pre-school story times, Summer reading, after-school programs; community services including afternoon movies, free lectures on topics from health to finance, adult services, large print materials; computer service, DVD and VHS film collections. Information services include, computer classes on e-mail and applications, afternoon & evening book discussion groups. The Museum program provides tours of the museum, group visits, and special events such as a Taste of Southington.

**Highway:** The Highway Department is staffed by a Highway Superintendent, Assistant Highway Superintendent, Supervisor, and twenty-four crew members. Additionally, the Highway Superintendent now supervises the Park employees including: Assistant Parks Superintendent, foreman, and seven crew members. The department is responsible for the maintenance and repair of 194 miles of roads. Other duties include snow plowing, street sweeping, sightline improvements and operation of the transfer station. The Highway Department is now utilizing the newly built Highway Operations Complex (Bulky Waste Site).

**Water:** The Southington Water Works Department has functioned as a semi-autonomous entity for over 50 years. The plant was built in 1993 and an additional reservoir was purchased in 1995, ensuring a comfortable water supply for the Town's future demand. In January of 2005 the Water Department completed and moved into their new headquarters. Last year the Town bonded two capital projects for the Water Department: (1) Construction of a water main on West Center Street, West Street, and Welch Road; and (2) Demolition of the water storage tank at the Mariondale Water Filtration Plant and its replacement.

**Sewer:** The Water Pollution Control Department is staffed by a Superintendent, two foremen, one lab chemist and seven operators. Over the last several years, the Town's sewage treatment plant received an ultraviolet system upgrade and three new pump stations were built. The \$14.5 million denitrification plant is now completed and operational.

**Solid Waste:** Homeowners hire private contractors, who are licensed by the Town Engineer, to collect residential waste. The Town has a contract with the Bristol Resource Recovery Facility under which it pays a tipping fee of \$62.50 per ton on a minimum required 28,000 tons for fiscal year 2013.

Under an Inter-Community Agreement dated August 15, 1985, the Town of Southington, together with thirteen other Connecticut municipalities, formed an Operating Committee, the Bristol Resource Recovery Facility Operating Committee (BRRFOC), authorized by state statute to exercise certain rights on the communities' behalf in dealing with the trash to energy plant constructed by Covanta, Inc. ("Company"). The BRRFOC governing board consists of town officials appointed by each of the participating municipalities and assumes all management decisions for BRRFOC.

The Company operates a 650-ton per day mass burn solid waste disposal, electric power generation and resource recovery facility (the "Facility") at 229 Technology Park in Bristol, Connecticut. The Company is a subsidiary of Covanta, Inc., a Delaware Corporation ("Covanta"). The Company was formed in 1984 for the purpose of owning, designing, constructing, and operating the Facility for the processing and disposing of certain solid waste ("Acceptable Waste") from each of the City of Bristol, the Town of Berlin, the Town of Burlington, the City of New Britain, the Town of Plainville, the Town of Plymouth, the Town of Prospect, the Town of Southington, the Town of Washington, the Town of Wolcott, and the Town of Warren (such eleven municipalities being collectively referred to as the "Contracting Communities"). In addition, the Towns of Seymour, Branford and Hartland have also become contracting communities.

The project was funded from the proceeds of the Connecticut Development Authority's (the "Authority") \$73,520,000 Series 1985 Bonds loaned to the Company by the Authority. On May 15, 1995, BRRFOC issued \$68,040,000 in Solid Waste Revenue Refunding Bonds with interest rates varying from 5.20% to 6.50% to currently refund \$66,835,000 of outstanding special obligation bonds of the Authority. In April 2005, the Committee issued \$41,920,000 Solid Waste Revenue Refunding Bonds (Covanta Bristol, Inc. Project – 2005 Series) (the "Bonds") with interest rates varying from 3.00% to 5.00% to currently refund \$46,670,000 outstanding revenue bonds of the Committee, with an interest rate of 6.50%. The current refunding was undertaken to reduce total debt service costs over the period of fiscal years 2005 through 2014 by approximately \$4,300,000 and resulted in present value savings of approximately \$4,000,000.

All required federal and state permits for construction of the Facility were granted prior to the issuance of the Series 1985 Bonds. Commercial operations began in April of 1988.

Under the Service Agreement, the Company has obligated itself to accept and dispose of, using the Facility and Alternate Disposal Methods, in each contract Year at least (1) 200,000 tons per year of Acceptable Waste, (2) the sum of the billing Period Acceptance Guarantees for a Contract Year, and (3) the sum of the Tons delivered during the Contract Year and Acceptable Waste that would have been Waste but for its rejection by the Company or the Service Agreement sum of the yearly Adjusted Guarantee Facility Capacity and the amount of landfill capacity for such Contract Year. Additionally, the Company has obligated itself to operate and maintain the Facility throughout the term of the Service Agreement for a service fee paid by the Contracting Communities through BRRFOC. The Contracting Communities have agreed to use their best efforts to cause to be delivered to the Facility all Acceptable Waste generated within their boundaries up to the Annual Guaranteed Capacity of the Facility and in any event, to deliver, or cause to be delivered, to the Facility, not less than 153,300 tons of Acceptable Waste in each Contract Year. The Company and the Contracting Communities have each agreed to seek additional Acceptable Waste up to the capacity of the Facility. In the event that for any reason such additional Acceptable Waste is not available, each Contracting Community is nevertheless obligated to pay its respective portion of the Service Fee, which is currently \$62.50 per ton for fiscal year 2013.

Waste disposal by the Company is to be provided through the operation of the Facility or by any other Alternate Disposal Method reasonably acceptable to the Contracting Communities, including permitted sanitary landfills. The Service Fee payable by each contracting Community for such waste disposal service is its pro-rata share, based on its respective tonnage deliveries of Acceptable Waste, of the sum for each monthly billing portion of (1) an amount equal to debt service on the BRRFOC Solid Waste Revenue Refunding Series 2005 Bonds; (2) the Operation and Maintenance Expense; and (3) passthrough costs, including certain taxes, insurance, and utility costs, less a credit equal to 90% of all energy revenues and with an adjustment with respect to recovered ferrous metals. Southington is committed to deliver 28,000 tons of Acceptable Waste in fiscal year 2012 and 28,000 tons of Acceptable Waste in fiscal year 2013.

If the Facility is temporarily or permanently shut down and partially or completely unable to receive and process Acceptable Waste, the Company is obligated to provide waste disposal services by alternate disposal methods. In such circumstances, the Energy Credit and the Recovered Materials Adjustment will decrease.

The Company is obligated under the Service Agreement to seek to mitigate the effect of any shutdown, and the Operation and Maintenance Expense is to be adjusted to the extent the Facility is unable to receive and process Acceptable Waste, to reflect the Company's actual direct costs of alternate disposal.

For as long as the Service Agreement remains in effect, the Contracting Communities are obligated to pay the Service Fee to the Company whether or not the Contracting Communities deliver Acceptable Waste to the Facility and whether or not the Company disposes of such Acceptable Waste through the Facility. This obligation is absolute and unconditional, it is not subject to any rights of set-off, recoupment or counterclaim any contracting community may have against the Company, the Bond Indenture Trustee or any other person, and may not be suspended or discontinued for any purpose. In the event of a payment default under the Service Agreement by any

one or more of the Contracting Communities, the non-defaulting Contracting Communities are jointly and severally liable to pay such defaulted amount. Each of the Contracting Communities pledges its full faith and credit to, and is obligated to appropriate, levy taxes, or otherwise raise the funds necessary for the payment in full of all amounts at any given time due from such Contracting Community under the Project Agreement or the Service Agreement to the complete satisfaction of all obligations of such Contracting Community under such agreements.

The Contracting Communities' obligation to pay the Service Fee ceases if the Service Agreement is terminated. If the Service Agreement is terminated due to a default by the Contracting Community, the Contracting Communities are obligated to pay amounts sufficient to decrease the Bonds or pay amounts sufficient to make timely payments of principal and interest on the Bonds. If the Service Agreement is terminated due to a default by the Company, the Company is generally obligated to defease the Bonds or continue to make timely payments of principal and interest on the Bonds. If the Company does not perform its obligation under the Service Agreement and Ogden Corporation fails to perform such obligations pursuant to the Guaranty Agreement referred to below, the Contracting Communities have certain rights to terminate the Service Agreement and upon termination would no longer be obligated to pay the Service Fee.

The Company provides specific performance to the Contracting Communities under the Project Agreement and the Service Agreement. These include an Annual Acceptance Guarantee and an Energy Efficiency Guarantee of a minimum of 486.5-kilowatt hours of electricity net of in-plant use per ton of reference composition Acceptable Waste. Specific liquidated damages are payable for failure to meet performance guarantees. In the event the Company fails to demonstrate that the Facility meets the Minimal Performance Standard in Performance Tests by the end of the Extension Period which is a period of one year following the scheduled Commercial Operation Date (can be subject to extensions), the Contracting Communities have the right to terminate the Project Agreement and the Service Agreement.

The Contracting Communities have each designated, in accordance with State legislation, the Facility as the area for the disposal of municipal solid waste generated within such Contracting Communities' boundaries.

Covanta guarantees the performance of all the obligations of the Company under the Project Agreement and the Service Agreement, including its obligation upon default, pursuant to a guarantee dated as of August 1, 1985 (the "Guaranty Agreement"). The obligations of Covanta under the Guaranty Agreement are absolute and unconditional.

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## Educational Services

The Southington school system services grades pre-kindergarten through 12 and is governed by the local Board of Education. The nine members of the Southington Board of Education are elected for two year terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The Town has eleven schools for grades pre-kindergarten through 12 comprising of: one senior high school, two middle schools, and eight elementary schools. Enrollment in grades pre-kindergarten through 12 as of October 1, 2012 was 6,694. The rated capacity of the system facilities is 7,540.

### School Enrollment

School Year	Historical			Total
	Pre-K-5	6 - 8	9 - 12	
2003-2004	3,026	1,641	2,163	6,830
2004-2005	3,057	1,623	2,210	6,890
2005-2006	3,139	1,587	2,175	6,901
2006-2007	3,177	1,587	2,232	6,996
2007-2008	3,197	1,572	2,204	6,973
2008-2009	3,191	1,559	2,154	6,904
2009-2010	3,189	1,597	2,058	6,844
2010-2011	3,180	1,577	2,071	6,828
2011-2012	3,073	1,629	2,077	6,779
2012-2013	3,079	1,580	2,035	6,694

School Year	Projected			Total
	Pre-K	K - 8	9 - 12	
2013-2014	95	4,492	2,084	6,671
2014-2015	95	4,410	2,131	6,636
2015-2016	95	4,396	2,098	6,589
2016-2017	95	4,317	2,145	6,557
2017-2018	95	4,317	2,145	6,557

Source: Town of Southington, Board of Education

### School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2012 Enrollment <sup>1</sup>	Rated Capacity
Southington High					
and New Vo-ag Building.....	9 - 12	1974 (1985,1987,1994,1995)	125	1,992	2,150
DePaolo Middle.....	6 - 8	1967 (1988)	44	735	750
Kennedy Middle.....	6 - 8	1964 (1988)	45	845	750
Derynoski.....	K-5	1950 (1958,1974,1993)	40	666	775
Flanders.....	K-5	1966	23	280	450
Hatton.....	PK-5	1953 (2001)	26	458	550
ALTA @ Pyne Center <sup>2</sup> .....	9-12	1960	5	43	65
Plantsville.....	K-5	1961 (2008)	15	283	300
South End.....	K-5	1954 (2008 New Building)	14	235	300
Strong.....	K-5	1958 (1995,2001)	21	356	500
Thalberg.....	K-5	1959 (2001)	22	427	500
Kelley.....	K-5	1966	23	374	450
<b>Total.....</b>			<b>403</b>	<b>6,694</b>	<b>7,540</b>

<sup>1</sup> A total of 79 Special Education students are out-placed and are not included in the 10/1/2012 Enrollment by Building.

<sup>2</sup> ALTA or Alternative Education is now housed at the Pyne Center.

Source: Town of Southington, Board of Education

**Employee Relations and Collective Bargaining  
Municipal Employees**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
General Government. <sup>1</sup> .....	257	263	261	261	263	246
Board of Education... <sup>2</sup> .....	935	951	931	933	938	934
<b>Total</b> .....	1,192	1,214	1,192	1,194	1,201	1,180

<sup>1</sup> Includes Non-Union Management

<sup>2</sup> Board of Education includes Federally Funded

Source: Town of Southington

**Employee Relations**

<b>Board of Education Groups</b>	<b>Positions Covered</b>	<b>Current Contract Expiration Date</b>
Teachers (Southington Education Association).....	551	6/30/2013
Administrators (Southington Administrators Association).....	22	6/30/2014
Custodians, Maintenance.....	46	6/30/2014
Secretaries, Food Service (A.F.S.C.M.E.).....	90	6/30/2014
Nurses (A.F.S.C.M.E.).....	18	6/30/2014
Paraprofessional (C.S.E.A.).....	190	6/30/2016
<b>Total Unionized Board of Education Employees</b> .....	917	
<b>General Government</b>		
Town Employees (Local 1303-428 of Council #4 A.F.S.C.M.E.).....	74	6/30/2013
Highway, WPCD & Parks (Local 1303-26 of Council #4 A.F.S.C.M.E.).....	42	6/30/2013
Supervisory (UPSEU - Local 424, Unit 11).....	15	6/30/2013
Police Department/Canine Officer (Law Enforcement of Southington L.E.A.S.).....	65	6/30/2016
Police Dispatchers (Local 1303-424 of Council #4 A.F.S.C.M.E.).....	12	6/30/2015
Fire Department (Local 2033 International Association of Firefighters).....	29	6/30/2013
<b>Total Unionized General Government Employees</b> .....	237	

Source: Town of Southington

**Binding Arbitration**

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any items subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

### III. Economic and Demographic Information

#### Population and Density

Year	Population <sup>1</sup>	% Increase	
		(Decrease)	Density <sup>2</sup>
1970	30,946	--	838.6
1980	36,879	19.2	999.4
1990	38,518	4.4	1,043.8
2000	39,728	3.1	1,076.6
2010	43,069	8.4	1,167.2

<sup>1</sup> 1970-2010, U.S. Department of Commerce, Bureau of Census

<sup>2</sup> Per square mile: 36.9 square miles

#### Age Distribution of the Population

	Town of Southington		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	2,183	5.1%	202,106	5.7%
5 - 19.....	8,416	19.5	713,670	20.0
20 - 24.....	1,972	4.6	227,898	6.4
25 - 44.....	10,184	23.6	904,815	25.3
45 - 64.....	12,871	29.9	1,019,049	28.5
65 and over.....	7,443	17.3	506,559	14.2
<b>Total.....</b>	<b>43,069</b>	<b>100.0%</b>	<b>3,574,097</b>	<b>100.0%</b>

Source: U.S. Department of Commerce, Bureau of Census, 2010

#### Income Distribution

	Town of Southington		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	421	2.6%	73,564	5.4%
\$10,000 to \$14,999.....	588	3.6	55,426	4.1
\$15,000 to \$24,999.....	1,264	7.7	112,550	8.3
\$25,000 to \$34,999.....	1,252	7.6	107,632	7.9
\$35,000 to \$49,999.....	1,746	10.7	157,126	11.6
\$50,000 to \$74,999.....	2,742	16.8	234,976	17.3
\$75,000 to \$99,999.....	2,303	14.1	188,102	13.8
\$100,000 to \$149,999.....	3,592	21.9	226,765	16.7
\$150,000 to \$199,999.....	1,503	9.2	93,104	6.8
\$200,000 or more.....	956	5.8	109,973	8.1
<b>Total.....</b>	<b>16,367</b>	<b>100.0%</b>	<b>1,359,218</b>	<b>100.0%</b>

Source: U.S. Department of Commerce, Bureau of Census, 2010

### Income Levels

	<u>Town of Southington</u>	<u>State of Connecticut</u>
Per Capita Income, 2010.....	\$36,053	\$36,775
Per Capita Income, 1999.....	\$26,370	\$28,766
Per Capita Income, 1989.....	\$19,954	\$20,189
Median Family Income, 2010.....	\$94,602	\$84,170
Percent Below Poverty 2010.....	2.9%	6.5%

*Source: U.S. Department of Commerce, Bureau of Census, 2010*

### Educational Attainment Years of School Completed Age 25 and Over

	<u>Town of Southington</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade.....	877	2.9%	112,719	4.7%
9th to 12th grade, no diploma.....	1,604	5.3	167,880	7.0
High School graduate (includes equivalency).....	9,228	30.5	685,909	28.6
Some college, no degree.....	6,021	19.9	414,903	17.3
Associate degree.....	2,723	9.0	175,075	7.3
Bachelor's degree.....	5,991	19.8	477,258	19.9
Graduate or professional degree.....	3,782	12.5	366,937	15.3
<b>Total.....</b>	<b>30,226</b>	<b>100.0%</b>	<b>2,400,681</b>	<b>100.0%</b>
Percent high school graduate or higher.....		91.8%		88.4%
Percent bachelor's degree or higher.....		32.4%		35.2%

*Source: U.S. Department of Commerce, Bureau of Census, 2010*

### Major Employers As of October 2012

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
Town of Southington.....	Municipal Government	1,214
Yarde Metals Inc.....	Manufacturing	400
Hospital of Central CT: Bradley Memorial Hospital...	Hospital	382
Southington Care Center.....	Health Care Practice	312
Smith's Medical (Medex Inc).....	Manufacturing	276
Home Depot (2 Stores).....	Retail Chain	248
Wal-Mart.....	Retail Chain	197
Stop & Shop.....	Retail Chain	179
Price Chopper.....	Retail Chain	177
Lowe's.....	Retail Chain	125

*Source: Town of Southington Economic Development*

**Employment by Industry**  
**Employed Persons 16 Years and Over**

<b>Sector</b>	<b>Town of Southington</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Agriculture, forestry, fishing and hunting, and mining.....	25	0.1%	6,592	0.4%
Construction.....	1,445	6.7	112,301	6.4
Manufacturing.....	2,912	13.4	207,476	11.8
Wholesale trade.....	751	3.5	47,436	2.7
Retail trade.....	2,276	10.5	195,667	11.1
Transportation and warehousing, and utilities.....	856	3.9	67,556	3.8
Information.....	618	2.8	46,077	2.6
Finance, insurance, real estate, and rental and leasing.....	2595	12.0	167,484	9.5
Professional, scientific, management, administrative, and waste management services.....	1611	7.4	189,671	10.7
Education, health and social services.....	5,081	23.4	438,801	24.9
Arts, entertainment, recreation, accommodation and food services.....	1529	7.0	140,551	8.0
Other services (except public administration).....	911	4.2	78,859	4.5
Public Administration.....	1090	5.0	67,078	3.8
<b>Total Labor Force, Employed.....</b>	<b>21,700</b>	<b>100.0%</b>	<b>1,765,549</b>	<b>100.0%</b>

Source: U.S. Department of Commerce, Bureau of Census, 2010

**Employment Data**  
**By Place of Residence**

<b>Period</b>	<b>Town of Southington</b>		<b>Percentage Unemployed</b>		
	<b>Employed</b>	<b>Unemployed</b>	<b>Town of Southington</b>	<b>Hartford Labor Market</b>	<b>State of Connecticut</b>
September 2012.....	22,876	1,619	6.60	8.20	8.20
<b>Annual Average</b>					
2011 .....	22,854	1,834	7.40	8.90	8.80
2010 .....	22,787	1,956	7.91	9.10	9.00
2009 .....	22,963	1,757	7.10	8.30	8.20
2008 .....	23,439	1,180	4.78	5.90	5.80
2007 .....	23,319	969	4.00	4.70	4.60
2006 .....	23,026	869	3.64	4.40	4.30
2005 .....	22,442	1,008	4.30	5.10	4.90
2004 .....	22,091	1,041	4.50	5.20	4.90
2003 .....	22,009	1,169	5.04	5.90	5.50
2002 .....	20,624	814	3.80	8.20	4.30

Source: Department of Labor, State of Connecticut



### Age Distribution of Housing

<b>Year Built</b>	<b>Town of Southington</b>		<b>State of Connecticut</b>	
	<b>Units</b>	<b>Percent</b>	<b>Units</b>	<b>Percent</b>
2005 or later.....	433	2.5%	28,434	1.9%
2000 to 2004.....	1,179	6.9	61,101	4.1
1990 to 1999.....	1,896	11.1	108,780	7.4
1980 to 1989.....	2,242	13.1	189,562	12.8
1970 to 1979.....	3,328	19.5	202,661	13.7
1960 to 1969.....	2,583	15.1	198,079	13.4
1940 to 1959.....	3,842	22.5	335,217	22.7
1939 or earlier.....	1,568	9.2	351,823	23.8
<b>Total Housing Units, 2010.....</b>	<b>17,071</b>	<b>100.0%</b>	<b>1,475,657</b>	<b>100.0%</b>
Percent Owner Occupied, 2010...		88.9%		72.7%

Source: U.S. Department of Commerce, Bureau of Census, 2010

### Housing Inventory

<b>Type</b>	<b>Units</b>	<b>Percent</b>
1-unit, detached.....	12,276	71.9%
1-unit, attached.....	1,065	6.2
2 units.....	861	5.0
3 or 4 units.....	426	2.5
5 to 9 units.....	702	4.1
10 to 19 units.....	609	3.6
20 or more units.....	605	3.5
Mobile home.....	527	3.1
Boat, RV, van, etc.....	-	-
<b>Total Inventory.....</b>	<b>17,071</b>	<b>100.0%</b>

Source: U.S. Department of Commerce, Bureau of Census, 2010

### Owner Occupied Housing Values

<b>Specified Owner-Occupied Units</b>	<b>Town of Southington</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than \$50,000.....	344	2.5%	13,644	1.5%
\$50,000 to \$99,999.....	411	2.9	18,668	2.0
\$100,000 to \$149,999.....	838	6.0	56,161	6.0
\$150,000 to \$199,999.....	1,555	11.2	122,274	13.0
\$200,000 to \$299,999.....	4,678	33.6	267,519	28.5
\$300,000 to \$499,999.....	5,161	37.0	280,008	29.8
\$500,000 to \$999,999.....	879	6.3	134,075	14.3
\$1,000,000 or more.....	68	0.5	47,635	5.1
<b>Total.....</b>	<b>13,934</b>	<b>100.0%</b>	<b>939,984</b>	<b>100.0%</b>
<b>Median Sales Price.....</b>	<b>\$279,600</b>		<b>\$296,500</b>	

Source: U.S. Department of Commerce, Bureau of Census, 2010

## **Building Permits**

The following schedule of building permits and their estimated values (in thousands) over the last ten years:

<b>Fiscal Year</b>	<b>Residential</b>		<b>Comm./Industrial</b>		<b>Total</b>	
	<b>No.</b>	<b>Value</b>	<b>No.</b>	<b>Value</b>	<b>No.</b>	<b>Value</b>
2012	75	\$ 5,954	14	\$ 6,897	89	\$ 12,851
2011	74	6,258	11	4,087	85	10,345
2010	88	7,234	14	6,754	102	13,988
2009	76	5,943	22	9,388	98	15,331
2008	112	8,899	17	11,077	129	19,976
2007	114	8,340	10	4,723	124	13,063
2006	122	10,676	11	10,296	133	20,972
2005	196	15,204	13	2,459	209	17,663
2004	150	14,068	7	4,800	157	18,868
2003	188	13,160	7	2,898	195	16,058

*Source: Town of Southington, Building Official*

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## **IV. Tax Base Data**

### **Property Tax – Assessments**

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion on the Grand List is the responsibility of the Assessor. The Grand List represents the total of assessed value for all taxable real and personal property and motor vehicles located within the Town as of October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments of real estate under appeal are warranted. Real estate assessments are computed at seventy percent (70%) of the estimated market value at the time of the last revaluation. The Town's last revaluation by physical inspection was as of October 1, 2005. Due to a delay permitted by State Statute and approved by the Town, the Town performed a statistical revaluation as of October 1, 2011. Periodic revaluations must be conducted once every five years based on generally accepted mass appraisal methods, with a physical or full inspection performed once every ten years. Despite the one year postponement of the statistical revaluation, the Town's next revaluation with full inspections will still be October 1, 2015.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the latest revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes (CGS) provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All business personal property (furniture, fixtures, equipment, computers, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at 70% of present market value.

Section 12-124a of the CGS permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

All State of Connecticut permitted veterans and elderly tax relief programs are utilized.

### **Levy**

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments - July 1 and January 1. Real estate taxes and personal property taxes of under \$100, and motor vehicle taxes are due in one installment in July. Supplemental motor vehicle taxes (those vehicles registered between October 2 and July 31) are due in one installment in January. Payments not received one month after the due date become delinquent. A margin against delinquencies, legal reductions, and Grand List adjustments, such as assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. A modest estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Interest is charged at the rate of one and one-half percent per month with a minimum charge of \$2.00. In accordance with State law, all interest is collected first and then taxes in the order of the oldest outstanding tax first. Real estate is liened for delinquent taxes within one year after the tax due date.

## Comparative Assessed Valuations

Grand List As Of 10/1	Residential Real Property (%)	Commercial & Industrial		Other Land (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Exemptions, Veterans Relief and Disabled	Net Taxable Grand List
		Real Property (%)							
2011 <sup>1</sup>	70.9	13.5		1.9	4.6	9.1	\$ 3,794,440,243	\$ 79,573,029	\$ 3,714,867,214
2010	70.9	14.1		2.1	4.9	7.9	4,141,712,530	78,495,213	4,063,217,317
2009	71.1	14.1		2.2	4.9	7.6	4,093,537,867	77,368,438	4,016,169,429
2008	71.4	14.0		2.3	4.8	7.5	4,044,463,136	79,443,177	3,965,019,959
2007	71.3	13.6		2.4	4.7	8.0	4,005,649,016	85,933,937	3,919,715,079
2006	71.6	13.5		2.4	4.6	7.9	3,952,344,137	78,193,061	3,874,151,076
2005 <sup>1</sup>	71.6	13.3		2.7	4.6	7.8	3,910,093,433	80,087,922	3,830,005,511
2004	67.9	13.2		2.3	6.2	10.4	2,739,512,383	78,258,096	2,661,254,287
2003	68.1	13.2		2.6	6.2	9.9	2,673,520,983	75,858,475	2,597,662,508
2002	66.8	13.9		2.8	6.4	10.1	2,660,758,544	72,140,506	2,588,618,038

<sup>1</sup> Revaluation.

Source: Town of Southington, Assessor's Office.

Connecticut General Statutes Section 12-81(72) exempts new manufacturing equipment from property taxation by the Town. The State of Connecticut will directly reimburse the Town for 100% of the foregone taxes.

### Exempt Property

<b>Public</b>	<b>Assessed Value<sup>1</sup></b>
Regular Veterans.....	\$ 12,910,424
Additional Veterans.....	2,174,070
Additional Veterans (1/2).....	2,519,970
100% Disabled and Blind.....	332,690
Local Option Veterans (non-reimbursed).....	155,420
Solar Energy.....	-
Public buildings/property.....	-
<b>Sub-Total Public</b> .....	<b>\$ 18,092,574</b>
<b>Private</b>	
Agricultural or Horticultural.....	\$ 447,799
Manufacturing machinery.....	44,470,786
Enterprise zone.....	5,111,148
Miscellaneous.....	11,450,722
<b>Sub-Total Private</b> .....	<b>61,480,455</b>
<b>Total Exempt Property</b> .....	<b>\$ 79,573,029</b>
Percent Compared to Net Taxable Grand List.....	2.1%

<sup>1</sup> Based on the Net Taxable Grand List of October 1, 2011 of \$3,714,867,214.

Source: Town of Southington, Assessor's Office

**Property Tax Levies and Collections**

<b>Grand List of 10/1</b>	<b>Fiscal Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Adjusted Annual Levy</b>	<b>Percent of Annual Levy Collected at End of Fiscal Year</b>	<b>Percent of Annual Levy Uncollected at End of Fiscal Year</b>	<b>Percent of Annual Levy Uncollected as of 6/30/2012</b>
2011 <sup>1</sup>	2013	\$ 3,714,867,214	27.48	\$101,573,140		<i>In Collection</i>	
2010	2012	4,063,217,317	24.28	98,793,966	98.6	1.4	1.4
2009	2011	4,016,169,429	24.02	96,373,738	98.7	1.3	0.5
2008	2010	3,965,019,959	23.27	92,337,472	98.6	1.4	0.3
2007	2009	3,919,715,079	23.02	90,297,867	98.4	1.6	0.1
2006	2008	3,874,151,076	21.88	84,775,991	98.7	1.3	0.1
2005 <sup>1</sup>	2007	3,830,005,511	21.40	81,627,086	98.8	1.2	0.1
2004	2006	2,661,254,287	29.43	78,876,559	98.6	1.4	0.0
2003	2005	2,597,662,508	28.43	74,194,665	98.3	1.7	0.0
2002	2004	2,588,618,038	26.60	68,598,042	98.5	1.5	0.0

<sup>1</sup> Revaluation.

Source: Town of Southington, Tax Collector

**Ten Largest Taxpayers**

<b>Name of Taxpayer</b>	<b>Nature of Business</b>	<b>Taxable Valuation</b>	<b>Percent of Net Taxable Grand List<sup>1</sup></b>
Connecticut Light & Power.....	Public Utility	\$ 62,255,111	1.68%
Yankee Gas Service.....	Public Utility	15,154,972	0.41%
45 Newell Street Associates.....	Metal Recycling	14,420,318	0.39%
Target Corporation.....	Real Estate	11,570,276	0.31%
Lexington Southington LP.....	Real Estate	10,942,350	0.29%
Execwest LLC .....	Real Estate	10,681,142	0.29%
RK Southington .....	Real Estate	10,646,300	0.29%
Southington Route 10 Associates.....	Real Estate	9,360,730	0.25%
Hartconn Corporation.....	Real Estate	9,081,840	0.24%
Widewaters WC5 Southington (Home Depot)....	Real Estate	8,695,336	0.23%
<b>Total.....</b>		<b>\$ 162,808,375</b>	<b>4.38%</b>

<sup>1</sup> Based on the Net Taxable Grand List of October 1, 2011 of \$3,714,867,214.

Source: Town of Southington, Assessor's Office.

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**V. Debt Summary**  
**Principal Amount of Indebtedness**  
**As of November 27, 2012**  
**(Pro Forma)**

**Long-Term Debt:**

<u>Date</u>	<u>Purpose</u>	<u>Interest Rate %</u>	<u>Original Issue</u>	<u>Amount Outstanding<sup>2</sup></u>	<u>Fiscal Year of Maturity</u>
2004	Refunding (General Purpose).....	2.00-3.25	\$ 379,000	\$ 28,000	2015
2004	Refunding (Schools).....	2.00-3.25	7,032,000	806,000	2015
2004	Refunding (Sewers).....	2.00-3.25	86,000	16,000	2015
2007	General Purpose.....	4.00-5.00	3,025,000	1,790,000	2028
2007	Schools.....	4.00-5.00	2,880,000	730,000	2018
2007	Sewers.....	4.00-5.00	3,070,000	2,205,000	2028
2007	Water <sup>1</sup> .....	2.32	2,484,399	1,759,783	2027
2009	Water <sup>1</sup> .....	2.21	1,037,097	848,347	2029
2009	General Purpose.....	3.00-4.00	2,175,000	1,640,000	2029
2009	Schools.....	3.00-4.00	12,965,000	10,640,000	2029
2009	Sewers.....	3.00-4.00	300,000	120,000	2015
2010	Refunding (General Purpose).....	2.00-5.00	2,098,000	1,677,000	2021
2010	Refunding (Schools).....	2.00-5.00	8,008,000	6,618,000	2021
2010	Refunding (Sewers).....	2.00-5.00	959,000	375,000	2021
2010	Water <sup>1</sup> .....	2.32	1,872,517	1,560,225	2027
2011	General Purpose.....	2.50-4.25	1,713,000	1,540,000	2020
2011	Schools.....	2.50-4.25	6,902,000	6,515,000	2031
2011	Sewers.....	2.50-4.25	3,330,000	3,080,000	2031
2011	Water.....	2.50-4.25	3,410,000	3,065,000	2031
2011	Refunding (General Purpose).....	2.00-5.00	6,042,000	5,613,000	2024
2011	Refunding (Schools).....	2.00-5.00	745,000	693,000	2024
2011	Refunding (Sewers).....	2.00-5.00	1,958,000	1,819,000	2024
2011	Sewer - CWF (590-C).....	2.00	11,068,356	10,041,293	2030
	<b>Total Outstanding Bonded Debt....</b>		<b>\$ 83,539,369</b>	<b>\$ 63,179,648</b>	
	<b>This Issue</b>				
2012	Refunding (General Purpose).....	2.00-4.00	\$ 3,106,000	\$ 3,106,000	2026
2012	Refunding (Schools).....	2.00-4.00	1,958,000	1,958,000	2026
2012	Refunding (Sewers).....	2.00-4.00	1,851,000	1,851,000	2026
	<b>Total This Issue.....</b>		<b>\$ 6,915,000</b>	<b>\$ 6,915,000</b>	
	<b>Grand Total.....</b>		<b>\$ 90,454,369</b>	<b>\$ 70,094,648</b>	

<sup>1</sup> Water debt is self-supporting.

<sup>2</sup> Excludes bonds refunded or defeased.

**Short-Term Debt**  
**As of November 27, 2012**  
**(Pro Forma)**

As of November 27, 2012, the Town has no short term debt outstanding.

**Annual Bonded Debt Maturity Schedule**  
**As of November 27, 2012**  
**(Pro Forma)**

<b>Fiscal Year Ended 6/30</b>	<b>Principal Payments <sup>1</sup></b>	<b>Interest Payments <sup>1</sup></b>	<b>Total Debt Service <sup>1,2</sup></b>	<b>Pro-forma</b>		<b>Cumulative Principal Retired %</b>
				<b>This Issue</b>	<b>Total Principal</b>	
2013	\$ 2,044,298	\$ 1,078,108	\$ 3,122,406	\$ -	\$ 2,044,298	2.92%
2014	5,724,115	1,946,014	7,670,129	60,000	5,784,115	11.17%
2015	5,742,382	1,775,704	7,518,086	730,000	6,472,382	20.40%
2016	5,130,724	1,622,329	6,753,053	720,000	5,850,724	28.75%
2017	5,114,144	1,470,987	6,585,131	595,000	5,709,144	36.89%
2018	5,102,643	1,306,533	6,409,176	595,000	5,697,643	45.02%
2019	4,836,221	1,134,748	5,970,969	585,000	5,421,221	52.76%
2020	4,779,883	967,584	5,747,467	585,000	5,364,883	60.41%
2021	4,208,630	808,165	5,016,795	580,000	4,788,630	67.24%
2022	3,277,463	656,388	3,933,851	510,000	3,787,463	72.65%
2023	2,876,384	546,610	3,422,994	500,000	3,376,384	77.46%
2024	2,885,397	446,834	3,332,231	495,000	3,380,397	82.28%
2025	2,194,501	342,831	2,537,332	485,000	2,679,501	86.11%
2026	2,198,701	272,175	2,470,876	475,000	2,673,701	89.92%
2027	2,070,911	201,267	2,272,178	-	2,070,911	92.88%
2028	1,945,939	134,810	2,080,749	-	1,945,939	95.65%
2029	1,678,937	73,799	1,752,736	-	1,678,937	98.05%
2030	968,375	31,652	1,000,027	-	968,375	99.43%
2031	400,000	8,500	408,500	-	400,000	100.00%
<b>Total.....</b>	<b>\$ 63,179,648</b>	<b>\$14,825,038</b>	<b>\$ 78,004,686</b>	<b>\$ 6,915,000</b>	<b>\$ 70,094,648</b>	

<sup>1</sup> Excludes Refunded Bonds.

<sup>2</sup> Excludes principal payments of \$3,956,624 and interest payments of \$1,044,531 made between July 1, 2011 and November 27, 2012.

**Overlapping/Underlying Debt**

The Town of Southington does not have any overlapping or underlying debt.

**THE TOWN OF SOUTHINGTON HAS NEVER DEFAULTED IN THE PAYMENT OF  
PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES**

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**Debt Statement**  
**As of November 27, 2012**  
**(Pro Forma)**

**Long-Term Debt Outstanding:** <sup>1</sup>

General Purpose .....	\$15,394,000
Schools.....	27,960,000
Sewers .....	19,507,293
Water .....	7,233,355
<b>Total Long-Term Debt.....</b>	<b>70,094,648</b>
<b>Short-Term Debt.....</b>	<b>-</b>
<b>Direct Debt.....</b>	<b>70,094,648</b>
<b>Underlying Debt.....</b>	<b>-</b>
<b>Total Overall Debt.....</b>	<b>70,094,648</b>
Less: School Construction Grants Receivable (As of June 30, 2012) .....	(427,081)
Self Supporting Water Debt (Long-Term and Short-Term).....	(7,233,355)
Sewer Fund Debt (As of June 30, 2012).....	(981,576)
Sewer Assessment Debt (As of June 30, 2012).....	(3,658,270)
<b>Total Overall Net Debt.....</b>	<b>\$57,794,366</b>

<sup>1</sup> Excludes Refunded Bonds, includes the Bonds.

**Current Debt Ratios**  
**As of November 27, 2012**  
**(Pro Forma)**

Population (2010) <sup>1</sup> .....	43,069
Net Taxable Grand List (10/1/11) .....	\$ 3,714,867,214
Estimated Full Value (70%).....	\$ 5,306,953,163
Equalized Grand List (10/1/09) <sup>2</sup> .....	\$ 5,765,941,720
Money Income per Capita (2000) <sup>1</sup> .....	\$ 26,370
Money Income per Capita (2010) <sup>1</sup> .....	\$ 36,053

	<b>Total</b>	<b>Total Overall</b>
	<b>Overall Debt</b>	<b>Net Debt</b>
Per Capita.....	\$ 1,627.50	\$ 1,341.90
Ratio to Net Taxable Grand List.....	1.89%	1.56%
Ratio to Estimated Full Value.....	1.32%	1.09%
Ratio to Equalized Grand List.....	1.22%	1.00%
Debt per Capita to Money Income per Capita (2000)....	6.17%	5.09%
Debt per Capita to Money Income per Capita (2010)....	4.51%	3.72%

<sup>1</sup> U.S. Department of Commerce, Bureau of Census.

<sup>2</sup> Office of Policy and Management, State of Connecticut.



## ***Bond Authorization***

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the requirements of the Town Charter for the authorization of indebtedness. Pursuant to the Charter, upon recommendation of the Board of Finance, the Town Council authorizes borrowing. Such authorizations of \$1 million or more are subject to referendum, and all such authorizations are subject to referendum upon qualifying petition timely filed. Pursuant to CGS 7-370c, refunding bonds may be authorized by resolution of the Town Council.

## ***Maturities***

Except for refunding bonds that achieve net present value savings, general obligation (serial or term) bonds are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50%, or aggregate annual principal and interest payments must be substantially equal. The term of the issue may not exceed twenty years, except in the case of sewer and school bonds, which may mature in up to thirty years.

## ***Temporary Financing***

When General Obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed for an aggregate period of up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions by the end of the third year and each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer and school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer and school projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date, except for sewer or school notes issued in anticipation of state and/or federal grants. If a written commitment exists, the municipality may renew the sewer or school notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the issuance of such notes (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment. Temporary notes may be issued in one year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

### **Limitation of Indebtedness**

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

“Annual receipts from taxation” (the “base”) are defined as total tax collections including interest and penalties, late payment of taxes and state payments for revenue losses under CGS Section 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The CGS also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

**Statement of Debt Limitation**  
**As of November 27, 2012**  
**(Pro Forma)**

Total Tax Collections (including interest and lien fees) received by the Treasurer for the year ended June 30, 2012..... <sup>1</sup>	\$ 99,475,610
Reimbursement For Revenue Loss (Tax relief for elderly).....	-
<b>Base for Debt Limitation Computation.....</b>	<b>\$ 99,475,610</b>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Pension</u>
<b>Debt Limitation:</b>					
2 1/4 times base.....	\$223,820,123	-	-	-	-
4 1/2 times base.....	-	\$447,640,245	-	-	-
3 3/4 times base.....	-	-	\$373,033,538	-	-
3 1/4 times base.....	-	-	-	\$323,295,733	-
3 times base.....	-	-	-	-	\$298,426,830
<b>Total Debt Limitation.....</b>	<b>\$223,820,123</b>	<b>\$447,640,245</b>	<b>\$373,033,538</b>	<b>\$323,295,733</b>	<b>\$298,426,830</b>
<b>Indebtedness:<sup>2</sup></b>					
Bonds Outstanding ... <sup>3</sup> .....	12,288,000	26,002,000	17,656,293 <sup>4</sup>	-	-
Bonds – This Issue.....	3,106,000	1,958,000	1,851,000	-	-
Debt Authorized But Unissued.....	4,110,651	88,419,726	240,000	-	-
<b>Total Indebtedness.....</b>	<b>19,504,651</b>	<b>116,379,726</b>	<b>19,747,293</b>	<b>-</b>	<b>-</b>
Less:					
State School Grants Receivable.....	-	(427,081)	-	-	-
Self-Supporting Sewer Fund Debt.....	-	-	(981,576)	-	-
Sewer Assessment Debt.....	-	-	(3,658,270)	-	-
<b>Total Net Indebtedness.....</b>	<b>19,504,651</b>	<b>115,952,645</b>	<b>15,107,447</b>	<b>-</b>	<b>-</b>
<b>DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS.....</b>					
	<b>\$204,315,472</b>	<b>\$331,687,600</b>	<b>\$357,926,091</b>	<b>\$323,295,733</b>	<b>\$298,426,830</b>

<sup>1</sup> Subject to audit.

<sup>2</sup> Excludes \$7,233,355 of outstanding self-supporting water long-term bonds.

<sup>3</sup> Excludes refunded bonds.

<sup>4</sup> Includes Clean Water Fund Project Loan Obligation.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$696,329,270

**Authorized but Unissued Debt**  
**As of November 27, 2012**  
**(Pro Forma)**

<u>Project</u>	<u>Amount Authorized</u>	<u>Previously Bonded/ CWF Loan</u>	<u>Appropriations, Transfers &amp; Grants Received</u>	<u>Authorized But Unissued Debt</u>
General Purpose.....	\$ 7,263,000	\$ 2,060,000	\$ 1,092,349	4,110,651
Schools.....	164,296,956	39,632,000	36,245,230	88,419,726 <sup>1</sup>
Sewers.....	2,740,000	2,500,000	-	240,000
<b>Total.....</b>	<b>\$ 174,299,956</b>	<b>\$ 44,192,000</b>	<b>\$ 37,337,579</b>	<b>\$ 92,770,377</b>

<sup>1</sup> Includes \$85,000,000 for Kennedy Middle School and DePaolo Middle School Renovations. Southington is eligible for School Construction Grants up to a maximum of \$44,500,000.

**Principal Amount of Outstanding Debt<sup>1</sup>**  
**Last Five Fiscal Years**  
**(000s)**

<u>Long-Term Debt</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Bonds.....	\$ 56,410	\$ 61,665	\$ 55,166	\$ 59,584	\$ 48,597
CWF .....	10,231	11,086	-	-	-
<b>Sub-Total Long-Term Debt....</b>	<b>66,641</b>	<b>72,751</b>	<b>55,166</b>	<b>59,584</b>	<b>48,597</b>
<b>Short-Term Debt</b>					
Bond Anticipation Notes.....	-	-	10,000	-	-
CWF IFO.....	-	-	9,686	-	-
<b>Sub-Total Short-Term Debt...</b>	<b>-</b>	<b>-</b>	<b>19,686</b>	<b>-</b>	<b>-</b>
<b>Grand Total.....</b>	<b>\$ 66,641</b>	<b>\$ 72,751</b>	<b>\$ 74,852</b>	<b>\$ 59,584</b>	<b>\$ 48,597</b>

<sup>1</sup> Does not include Water debt, compensated absences or capital lease obligations.

Source: Town of Southington Financial Reports 2008-2011.

Town of Southington, Finance Department, 2012. Subject to audit.

**Ratios of Net Long-Term Debt to Valuation, Population, and Income**

<u>Fiscal Year Ended 6/30</u>	<u>Net Assessed Value</u>	<u>Estimated Full Value</u>	<u>Net Long-Term Debt<sup>1</sup></u>	<u>Ratio of Net Long-Term Debt to Assessed Value (%)</u>	<u>Ratio of Net Long-Term Debt to Estimated Full Value (%)</u>	<u>Population<sup>2</sup></u>	<u>Net Long-Term Debt per Capita</u>	<u>Ratio of Net Long-Term Debt per Capita to Per Capita Income<sup>3</sup></u>
2011	\$4,063,217,317	\$ 5,804,596,167	\$61,665,000	1.52%	1.06%	43,069	1,431.77	3.97%
2010	4,016,169,429	5,737,384,899	55,166,000	1.37%	0.96%	43,069	1,280.87	3.55%
2009	3,965,019,959	5,664,314,227	59,584,000	1.50%	1.05%	42,250	1,410.27	3.91%
2008	3,919,715,079	5,599,592,970	48,597,000	1.24%	0.87%	42,142	1,153.17	3.20%
2007	3,874,151,076	5,534,501,537	43,465,598	1.12%	0.79%	42,249	1,028.80	2.85%

<sup>1</sup> Long-Term debt does not include Water debt, compensated absences, capital lease obligations, or State of Connecticut Clean Water Fund Debt.

<sup>2</sup> State of Connecticut Department of Health 2007-2009. Bureau of Census 2010 used for 2010-2011.

<sup>3</sup> Bureau of Census 2010, Money Income Per Capita \$36,053.

Source: Town of Southington, Department of Finance

**Ratio of Total General Fund Debt Service Expenditures  
To Total General Fund Expenditures and Transfers Out  
Last Five Fiscal Years**

<u>Fiscal Year Ended 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures<sup>1</sup></u>	<u>Ratio of Total Debt Service To General Fund Expenditures</u>
2012	\$ 6,092,768	\$ 2,268,503	\$ 8,361,271	\$ 133,418,000	6.27%
2011	5,030,434	2,026,354	7,056,788	128,909,000	5.47%
2010	4,547,462	2,016,815	6,564,277	124,588,000	5.27%
2009	4,452,868	1,929,748	6,382,616	121,694,000	5.24%
2008	3,844,363	1,705,138	5,549,501	117,227,000 <sup>2</sup>	4.73%
2007	3,896,527	1,853,449	5,749,976	111,605,000	5.15%

<sup>1</sup> Includes transfers out.

<sup>2</sup> Excludes an extraordinary item in 2008 due to the State of Connecticut's contribution to the Teachers' Retirement on behalf of the Town payment.

Source: Town of Southington Financial Statements 2007-2011.

Town of Southington, Finance Department, 2012. Subject to audit.

## VI. Financial Administration

### Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

### Basis of Accounting

See footnote number 1 in “Notes to Financial Statements” of Appendix A.

### Budget Procedure

Annually, the Town Manager presents the budget to the Board of Finance. After required hearings, the Board of Finance, which administers the budget, recommends its budget to the Town Council. At the annual budget meeting held in April, the Council may, by the required number of votes, reduce or increase the proposed estimated expenditures. After completing such action, the Council adopts the budget by resolution. The Board of Finance then calculates a rate of taxation on the most recent Grand List, which will produce the revenue required to preserve a balance between estimated receipts and expenditures, net of provisions for other estimated revenue and cash surplus or deficit.

Subject to the provisions of Chapter VII of the Town Charter, the Town Council, on recommendation of the Board of Finance, may appropriate at any time any unappropriated and unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within an office, department or agency, up to a maximum of \$500. The Town Council must approve any transfer over \$500 from one office, department or agency to another to meet a pressing need for public expenditure. The Board of Finance and the Town Council may review the budget after recommendation by the Town Manager and certification by the Director of Finance that sufficient funds exist.

The budget is prepared on a modified accrual basis of accounting, except for the accrual of payroll. Encumbrances that are outstanding at year-end are not recorded as budgetary expenditures. The Town Council approves those items as continued appropriations in the following year’s budget. Authorized continuing appropriations are presented as reservation of fund balance since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities for generally accepted accounting principles or budgetary purposes. The control level on which expenditures may not legally exceed appropriation is the department level.

### Capital Improvement Plan - Summary

The Town expects to finance the projects as set out in the following table.

<b>Project</b>	<b>Fiscal 2012-13</b>	<b>Fiscal 2013-14</b>	<b>Fiscal 2014-15</b>	<b>Fiscal 2015-16</b>	<b>Fiscal 2016-17</b>	<b>Total</b>
Town.....	\$ 9,007,239	\$ 6,974,811	\$ 8,097,000	\$ 7,820,000	\$ 7,775,000	\$ 39,674,050
Waste Pollution Control Dept.....	920,000	2,255,000	-	1,210,000	-	4,385,000
Board of Education.....	1,204,800	3,432,033	2,185,316	605,827	1,970,596	9,398,572
<b>Total .....</b>	<b>\$ 11,132,039</b>	<b>\$ 12,661,844</b>	<b>\$ 10,282,316</b>	<b>\$ 9,635,827</b>	<b>\$ 9,745,596</b>	<b>\$ 53,457,622</b>

<b>Funding Sources</b>	<b>Fiscal 2010-11</b>	<b>Fiscal 2011-12</b>	<b>Fiscal 2012-13</b>	<b>Fiscal 2013-14</b>	<b>Fiscal 2014-15</b>	<b>Total</b>
G.F. Appropriations - BOE.....	\$ 244,800	\$ 618,440	\$ 363,900	\$ 80,600	\$ -	\$ 1,307,740
G.F. Appropriations - Town .....	524,700	744,811	667,000	320,000	295,000	2,551,511
Bond/Note Proceeds.....	9,015,000	10,768,593	8,721,416	8,362,827	8,920,596	45,788,432
Grants (balances to be bonded)....	1,347,539	530,000	530,000	872,400	530,000	3,809,939
<b>Total Funding Sources.....</b>	<b>\$ 11,132,039</b>	<b>\$ 12,661,844</b>	<b>\$ 10,282,316</b>	<b>\$ 9,635,827</b>	<b>\$ 9,745,596</b>	<b>\$ 53,457,622</b>

## **Audit**

The Town, pursuant to local ordinance and provisions of the Connecticut General Statutes, is required to undergo an annual audit by an independent public accountant. The auditor is required to conduct the audit under the guidelines outlined by the State of Connecticut Office of Policy and Management, which also receives a copy of the audit report. For the fiscal year ended June 30, 2011, the financial statements of the various funds of the Town were audited by Blum Shapiro & Company, P.C. of West Hartford, Connecticut.

## **Liability Insurance**

See Note number 8 in “Notes to Financial Statements” of Appendix A.

## **Pensions**

### Municipal Employees’ Retirement System

All Town of Southington full-time employees, except teachers who are eligible to participate in the State of Connecticut Teachers’ Retirement System, participate in the Municipal Employees’ Retirement Fund (MERF), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a pension trust fund.

Funding Policy - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate for fiscal year 2013 is 11.79%, and the rate for the year ending June 30, 2012 was 11.56% of annual covered payroll. The Town’s contribution for MERS for the year ending June 30, 2012 was \$3,652,579 and the budgeted amount for the year ending June 30, 2013 is \$3,800,000, both of which are equal to the required contributions for that year.

### Teachers’ Retirement

All Town of Southington teachers participate in the State of Connecticut Teachers’ Retirement System under Chapter 167a of the General Statutes of the State of Connecticut.

The Board of Education withholds 7.25% of all teachers’ annual salaries and transmits the funds to the State Teachers’ Retirement Board.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers’ Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The Town does not have any liability for teacher pensions.

The State of Connecticut Teachers’ Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a pension trust fund.

For more information, see Note number 12 in “Notes to Financial Statements” of Appendix A.

## **Other Post Employment Benefits (OPEB)**

GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

Statement 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

The Town of Southington qualified as a “phase 2” government for GASB 34, and likewise qualifies for a “phase 2” government for GASB 45. Southington, per GASB requirements, has implemented GASB 45 effective beginning Fiscal Year 2008-09.

The Town and Board of Education do not offer retirees any post-employment benefits. They do, however, allow retirees to remain on the Health Self-Insurance plan as long as they pay the full COBRA rates. The only exception to the no post-employment benefits would be for those employees who have retired under Heart & Hypertension and have negotiated these benefits. See Note number 11 in “Notes to Financial Statements” of Appendix A.

These other post-employment benefits (OPEB) for former employees are currently funded on a pay-as-you go basis out of the Self Insurance Fund and the Heart and Hypertension Department in the General Fund. Police officers and firefighters hired after July 1, 1996 do not qualify for benefits under the Heart and Hypertension Act which permits a police officer or firefighter who develops hypertension or heart disease after beginning employment to recover benefits without having to prove that the problem is job-related. As of June 30, 2012, the Town has not established a trust fund to segregate assets to fund the liability associated with these benefits.

For more information, see Note #11 of Appendix A.

### ***Investment Policy***

The Town Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposits, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the United States of America, joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, mutual funds and money market mutual funds.

The Town’s investment practices have been to invest in certificate of deposits, obligations of the United States of America, the State of Connecticut Short-Term Investment Fund (STIF) and the State of Connecticut Tax Exempt Proceeds Fund. The Town Treasurer has followed these investment practices and the Town’s operating funds and capital funds are currently invested in the following short-term investments: (1) money markets with Connecticut banks; (2) the State of Connecticut Short-Term Investment Fund; and (3) the State of Connecticut Tax Exempt Proceeds Fund.

**General Fund Revenues and Expenditures**  
**Four Year Summary of Audited Revenues and Expenditures (GAAP Basis)**  
**and Adopted Budget and Estimated Actual (Budgetary Basis)**  
(In thousands)

	<b>Adopted Budget <sup>1</sup> 2012-13</b>	<b>Estimated Actuals 2011-12</b>	<b>Actual 2010-11</b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>
<b>Revenues:</b>						
Property Taxes .....	\$ 102,053	\$ 99,616	\$ 97,026	\$ 92,650	\$ 90,440	\$ 85,341
Intergovernmental .....	22,989	31,833	29,520	29,406	29,730	51,196
Income on Investments.....	302	165	131	225	407	1,177
Other (including Charges for Services) .....	2,393	3,126	2,886	3,045	3,009	3,447
<b>Total Revenues .....</b>	<b>127,737</b>	<b>134,740</b>	<b>129,563</b>	<b>125,326</b>	<b>123,586</b>	<b>141,161</b>
<b>Expenditures:</b>						
General government .....	3,964	3,623	3,214	3,064	3,018	6,030
Public Safety .....	11,952	12,029	11,460	11,428	11,133	10,961
Public Works .....	6,123	5,373	4,816	4,764	5,349	4,923
Health and Welfare .....	710	697	863	760	720	786
Human Resources .....	864	849	811	819	814	783
Recreation .....	478	534	1,397	1,568	2,071	1,935
Public Library .....	1,423	1,399	1,417	1,361	1,281	1,268
Planning and Development .....	925	867	877	835	841	829
Miscellaneous .....	173	502	29	45	147	56
Employee Fringe Benefits .....	8,532	8,016	8,115	7,584	6,920	4,007
Education .....	82,682	88,310	86,524	83,561	80,875	99,810
Debt Service .....	7,783	7,834	6,591	6,079	5,889	5,312
Capital Outlays .....	-	-	-	-	-	-
Contingencies.....	850	-	-	-	-	-
<b>Total Expenditures .....</b>	<b>126,459</b>	<b>130,033</b>	<b>126,114</b>	<b>121,868</b>	<b>119,058</b>	<b>136,700</b>
Revenues over (under) expenditures .....	1,278	4,707	3,449	3,458	4,528	4,461
<b>Other Financing Sources Uses:</b>						
Refunding Bonds Issued.....	-	-	8,745	11,065	-	-
Payment to Refunded Bond Escrow Agent.....	-	-	(9,515)	(11,834)	-	-
Premium on Bonds.....	-	-	1,216	770	-	-
Issuance of Capital Leases.....	-	-	614	-	-	-
Operating Transfers In .....	-	72	100	41	277	-
Operating Transfers (Out) .....	(1,278)	(3,385)	(2,795)	(2,720)	(2,636)	(3,527)
<b>Total other Financing Sources (uses) .....</b>	<b>(1,278)</b>	<b>(3,313)</b>	<b>(1,635)</b>	<b>(2,678)</b>	<b>(2,359)</b>	<b>(3,527)</b>
<b>Revenues and other financing sources over (under) expenditures and other financing (uses) .....</b>	<b>\$ -</b>	<b>\$ 1,394</b>	<b>\$ 1,814</b>	<b>\$ 780</b>	<b>\$ 2,169</b>	<b>\$ 934</b>

**Analysis of General Fund Balance**

	<b>Adopted Budget <sup>1</sup> 2012-13</b>	<b>Estimated Actuals 2011-12</b>	<b>Actual 2010-11</b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>
Nonspendable.....	N/A	\$ 84	\$ 231	\$ 55	\$ 426	\$ 365
Assigned.....	N/A	496	1,347	515	1,286	575
Unassigned.....	N/A	15,878	13,486	12,680	10,758	9,361
<b>Total Fund Balance...</b>	<b>\$ -</b>	<b>\$ 16,458</b>	<b>\$ 15,064</b>	<b>\$ 13,250</b>	<b>\$ 12,470</b>	<b>\$ 10,301</b>

<sup>1</sup> Budgetary basis, subject to audit.



## **VII. Legal And Other Information**

### ***Litigation***

During the normal course of business, claims against the Town arise from personal injury suits, contract disputes, property damage claims, and other normal type claims related to a municipality. It is the opinion of the Town Attorney that the ultimate liability of the Town for these cases currently pending will not, individually or in the aggregate, have a materially adverse effect upon the Town's financial position.

### ***Documents Furnished At Delivery***

Upon delivery of the Bonds, the Underwriter will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the Town, signed by the Town Manager, the Town Treasurer and the Director of Finance, or other authorized officials of the Town, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the purchase contract for the Bonds was signed and as of the closing date, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C to this Official Statement.
6. A copy of the Escrow Agreement pertaining to the Refunded Bonds.
7. Any other documents required by the Contract of Purchase for the Bonds.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at offices of U.S. Bank National Association, and may be examined upon reasonable request.

**Concluding Statement**

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Town from official and other sources and is believed by the Town to be reliable, but such information other than that obtained from official records of the Town has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

**TOWN OF SOUTHLINGTON, CONNECTICUT**

By: /s/ *Garry Brumback*

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Garry Brumback, *Town Manager*

By: /s/ *Emilia Portelinha*

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Emilia Portelinha, *Director of Finance*

By: /s/ *Christina Sivigny*

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Christina Sivigny, *Treasurer*

Dated: November 13, 2012

## ***Appendix A***

### ***2011 Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report***

The following includes the General Purpose Financial Statements of the Town of Southington, Connecticut for the fiscal year ended June 30, 2011. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Accounting | Tax | Business Consulting

## Independent Auditors' Report

To the Board of Finance  
Town of Southington, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southington, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the Town of Southington, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 on our consideration of the Town of Southington, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 13 and the budgetary comparison information on pages 44 through 57 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Southington, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Blum, Shapiro & Company, P.C.*

December 21, 2011

**TOWN OF SOUTHLINGTON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

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

**Financial Highlights**

- On a government-wide basis, the assets of the Town exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$160.9 million. Total net assets for governmental activities at fiscal year-end were \$111.9 million and total net assets for business-type activities were \$49.0 million.
- On a government-wide basis, during the year, the Town's net assets increased by \$11.1 million or 7.4% from \$149.8 million to \$160.9 million. Net assets increased by \$9.9 million for governmental activities and increased by \$1.1 million for business-type activities. Governmental activities expenses and transfers out were \$137.6 million, while revenues were \$147.5 million.
- At the close of the year, the Town's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$19.5 million, an increase of \$24.2 million from the prior fiscal year (Exhibit IV).
- At the end of the current fiscal year, the total fund balance for the General Fund alone was \$15.1 million, an increase of \$1.8 million from the prior fiscal year. Of the total fund balance \$13.5 million represents unassigned fund balance. The unassigned General Fund balance at year-end represents 10.4% of total General Fund revenues (\$129.6 million), an increase of .3% from last year.
- The tax collection rate was 98.70% of the current levy, exceeding last year's rate of 98.55%.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information and a statistical section.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

The statement of net assets presents information on all of Southington's assets and liabilities, with the difference reported as net assets. One can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health or financial position. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the Town is improving or deteriorating. It speaks to the question of whether or not the Town, as a whole, is better or worse off as a

result of this year's activities. Other nonfinancial factors will need to be considered, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by property taxes, charges for services and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town encompass the Town's basic services and include governmental and community services, administration, public safety, health and welfare, and education. The business-type activities of the Town include the Sewer Operating Fund.

The government-wide financial statements (statement of net assets and statement of activities) can be found on Exhibits I and II of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has three kinds of funds:

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

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

The Town maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund and the Sewer Assessment Fund, all of which are considered to be major funds. Data from the other 20 governmental funds are combined into a single, aggregated presentation as other non-major governmental funds.

Individual fund data for each of these non-major governmental funds is provided in the combining balance sheet and in the combining statement of revenues, expenditures and changes in fund balances on Exhibit B-1 and B-2.



The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balances) can be found on Exhibits III and IV of this report.

**Proprietary Funds.** The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Southington uses an enterprise fund to account for its Sewer Fund. Internal service funds are an accounting device used to accumulate and allocate certain costs internally among the Town of Southington's various functions. The Town uses internal service funds to account for its Employee Health Self-Insurance Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Enterprise Fund and the Health Insurance Internal Service Fund.

The proprietary fund financial statements can be found on Exhibits V-VII of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town's constituency. The Town has two agency funds: the Student Activity Fund and the Escrow Deposit Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on Exhibit VIII.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 43 of this report.

Certain required supplementary information is reported concerning the Town's progress in funding its obligations to provide pension benefits and other post employment benefits to its employees. This information can be found on pages 44 through 57 of this report.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. The Town's total assets exceeded liabilities by \$ 160.9 million on June 30, 2011. Governmental activities assets exceeded liabilities by \$111.9 million. Business-type activities assets exceeded liabilities by \$49.0 million.

**TABLE 1**  
**NET ASSETS**  
**In Thousands**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 38,106	\$ 29,548	\$ 2,037	\$ 1,526	\$ 40,143	\$ 31,074
Capital assets, net of accumulated depreciation	177,919	175,402	47,450	47,103	225,369	222,505
Total assets	<u>216,025</u>	<u>204,950</u>	<u>49,487</u>	<u>48,629</u>	<u>265,512</u>	<u>253,579</u>
Long-term debt outstanding	98,259	75,703			98,259	75,703
Other liabilities	5,913	27,323	452	737	6,365	28,060
Total liabilities	<u>104,172</u>	<u>103,026</u>	<u>452</u>	<u>737</u>	<u>104,624</u>	<u>103,763</u>
Net Assets:						
Invested in capital assets, net of debt	104,035	99,125	47,450	47,103	151,485	146,228
Restricted	1,032	985			1,032	985
Unrestricted	<u>6,786</u>	<u>1,814</u>	<u>1,585</u>	<u>789</u>	<u>8,371</u>	<u>2,603</u>
Total Net Assets	<u>\$ 111,853</u>	<u>\$ 101,924</u>	<u>\$ 49,035</u>	<u>\$ 47,892</u>	<u>\$ 160,888</u>	<u>\$ 149,816</u>

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

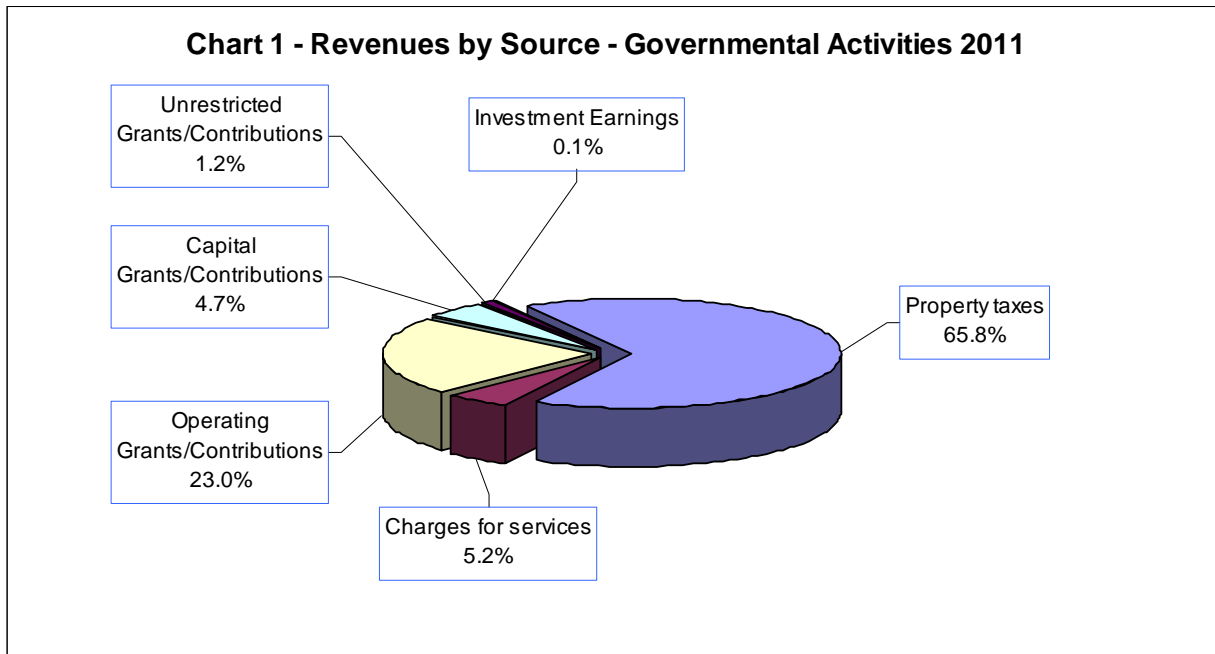
**TABLE 2**  
**CHANGES IN NET ASSETS**  
**In Thousands**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Revenues:						
Program revenues:						
Charges for services	\$ 7,718	\$ 8,056	\$ 4,297	\$ 3,727	\$ 12,015	\$ 11,783
Operating grants and contributions	33,906	33,301			33,906	33,301
Capital grants and contributions	6,920	8,329			6,920	8,329
General revenues:						
Property taxes	97,004	92,919			97,004	92,919
Grants and contributions not restricted to specific purposes	1,755	2,201			1,755	2,201
Unrestricted investment earnings	219	278			219	278
Total revenues	<u>147,522</u>	<u>145,084</u>	<u>4,297</u>	<u>3,727</u>	<u>151,819</u>	<u>148,811</u>
Program expenses:						
General government	4,176	4,464			4,176	4,464
Public safety	18,711	17,749			18,711	17,749
Public works	9,402	9,712			9,402	9,712
Health and welfare	1,047	940			1,047	940
Human services	1,671	1,477			1,671	1,477
Parks and recreation	1,903	1,994			1,903	1,994
Public library	1,844	1,830			1,844	1,830
Planning and development	1,245	1,131			1,245	1,131
Education	94,128	92,209			94,128	92,209
Interest on long-term debt	1,621	2,060			1,621	2,060
Sewer			4,999	4,849	4,999	4,849
Total program expenses	<u>135,748</u>	<u>133,566</u>	<u>4,999</u>	<u>4,849</u>	<u>140,747</u>	<u>138,415</u>
Excess (deficiency) before transfers	11,774	11,518	(702)	(1,122)	11,072	10,396
Transfers	<u>(1,845)</u>	<u>(3,869)</u>	<u>1,845</u>	<u>3,869</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	<u>\$ 9,929</u>	<u>\$ 7,649</u>	<u>\$ 1,143</u>	<u>\$ 2,747</u>	<u>\$ 11,072</u>	<u>\$ 10,396</u>

The Town's net assets increased by \$11.1 million during the fiscal year, with net assets of governmental activities increasing \$9.9 million and business-type activities increasing by \$1.1 million. The total cost of all programs and services was \$140.7 million. Our analysis below separately considers the operations of governmental and business-type activities.

## Governmental Activities

Approximately 65.8% of the revenues were derived from property taxes, followed by 23.0% from operating grants and contributions, 5.2% from charges for services, 4.7% from capital grants and contributions, 1.2% from unrestricted grants and contributions and 0.1% from investment earnings.



Major revenue factors include:

- Property tax revenue increased by \$4.1 million or 4.4% over last year. The increase is attributable to a 1.3% increase in the grand list (\$51.1 million), an increase in the mill rate from 23.27 to 24.02 or 3.2%, and an increase in prior years' tax collections and interest on taxes.
- Capital Grants and Contributions decreased by \$1.4 million from \$8.3 million in fiscal year 2010 to \$6.9 million in fiscal year 2011. This decrease is due to the reduction in grants received from the State for the Plantsville Elementary School Renovation and the New South End Elementary School.

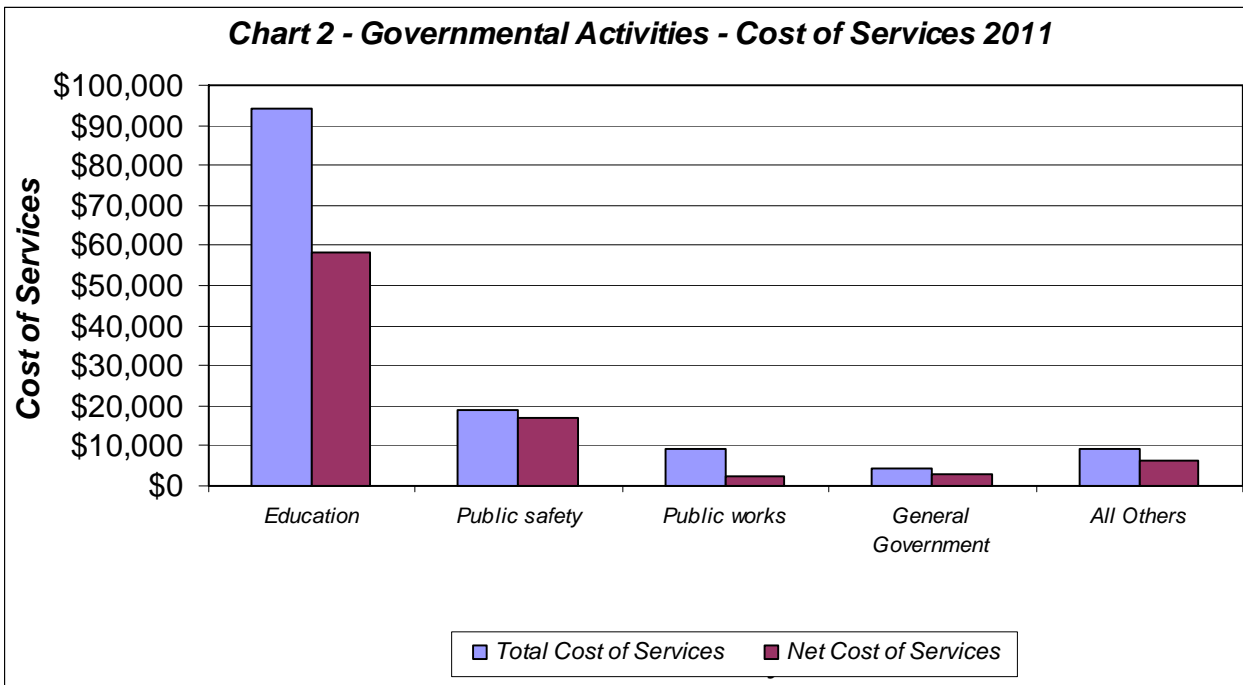
For governmental activities, 69.3% of the Town's expenses related to education. Public safety accounted for 13.8%, public works accounted for 6.9% and general government accounted for 3.1% of expenses. The remaining 6.9% related to health and welfare, human services, parks and recreation, public library, planning and development and interest on long-term debt.

Overall, total program expenses increased \$2.2 million or 1.6% over last year. Education expenses increased 2.1%, Town operating expenses increased 1.8% and interest on long-term debt decreased 21.3%.

Major expense factors include:

- The cost of education services increased \$1.9 million over fiscal year 2010 due to higher operating, health care and special education costs.
- Town operating costs increased \$702 thousand due to increased pension contributions to MERS, 1.5% to 2% increases in wages and various other costs.
- Interest on long-term debt decreased by \$439 thousand due to the pay down of current debt and the bond refunding of January 2010.

**Chart 2 - Governmental Activities - Cost of Services 2011**



**Business-Type Activities**

Business-type activities (see Table 2) increased the Town’s net assets by \$1.1 million primarily due to the 15% increase in the sewer fees. The increased revenue is necessary to pay for the State mandated nitrogen credit purchases, the higher maintenance costs for the new Denitrification Facility, and the aggressive efforts to televise, clean and maintain the sewer system.

**Financial Analysis of the Town’s Funds**

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

**Governmental Funds**

The focus of the Town’s governmental funds is to provide information on the near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Town’s financing requirements.

As of June 30, 2011, the Town’s governmental funds reported combined ending fund balances of \$19.5 million, an increase of \$24.1 million from last year’s deficit fund balance of \$4.6 million. This increase is mostly due to the permanent financing of last year’s \$21.1 million deficit in the Capital Projects Fund, which represented projects with bond ordinances yet to be financed. In March of 2011, the Town issued \$15.4 million in general obligation bonds (GOB) for the two elementary school projects, two major sewer projects, two Water Company projects (\$3.4 million) and other smaller projects. Additionally, in June 2011, the Town permanently financed the \$11.1 million Clean Water Fund loan used to fund the new Denitrification Facility.

**General Fund**

The General Fund is the primary operating fund of the Town. As of June 30, 2011, unassigned fund balance increased by \$805 thousand to \$13.5 million in the General Fund, while total fund balance increased \$1.8 million to \$15.1 million.

Key factors that contributed to the financial outcome are as follows:

- Property tax revenues exceeded budget estimates by approximately \$563 thousand. The surplus is due to the collection rate and the successful efforts of the Town to collect on delinquent taxes. The increase in the property tax revenue has allowed the Town to withstand local revenue losses in intergovernmental revenues, interest income and charges for services.
- Intergovernmental revenues came in under budget by \$254 thousand, mostly due to the reduction in the Manufacturing, Machinery and Equipment Grant.
- Despite the anticipated decline in the investment income during the FY 2011 budget process, the further decline in the interest rates made it impossible to achieve the budget estimates. The investment income category came in \$165 thousand under budget. This environment is expected to continue for an extended period of time.
- The Town Council had adopted a cost containment policy for fiscal year 2011, which prompted department heads to reduce costs and delay non-urgent expenditures. Savings due to cost avoidance were aggregated and utilized to transfer to pre-fund \$616 thousand of fiscal year 2012 projects.
- Several departments had aggregate cost savings creating the \$1.7 million expenditure under budget. Of this amount, \$972 thousand was assigned to fiscal year 2012 for continued appropriations.
- The Town returned \$64 thousand in the budgeted Contingency account.

### Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Fund at year-end totaled \$49.0 million. Unrestricted net assets were \$1.6 million, an increase of \$1.1 million. The Sewer Fund experienced an operating loss of \$702 thousand, and \$1.8 million of capital assets were contributed from the Capital Fund.

Net assets of the Health Insurance Fund were \$3.7 million. The Internal Service Fund's unrestricted net assets increased by \$2.7 million, from \$951 thousand. The Town's medical claims have taken an unexpected down turn in the last 16 months, resulting in this surplus. The Town is in the process of implementing a Self-Insurance Reserve Policy.

### General Fund Budgetary Highlights

The Town's adopted General Fund budget for 2010 - 2011 was \$123.1 million (\$122.2 million for expenditures plus \$850 thousand for contingency appropriations). In addition to the \$786 thousand which was appropriated from the Contingency Fund, the Town appropriated \$555 million to the expenditure budget with corresponding revenue budget increases, and \$89 thousand was appropriated per fiscal year 2010 designation, for a total amended budget of \$123.7 million. The following lists the key changes to the budget during the year:

- \$89 thousand was appropriated for the amount of Fund Balance Designated for Continued Appropriations at the end of fiscal year 2010.
- \$221 thousand was appropriated to the Board of Education Operations for preschool and special education outside tuitions, and rent revenues received.
- \$129 thousand was appropriated with a revenue match, to the Board of Education Building/Facilities Maintenance account to fund the Derynoski School boiler, 49 Beecher Street site assessment and smart boards for Southington High School.
- \$300 thousand was appropriated to Snow and Ice for Overtime and Contracted Services due to the harsh winter season. This winter the crews were out 68 days plowing, sanding, clearing catch basins and related work. This represents a 26% increase from last year's 54 days.
- \$599 thousand was appropriated or transferred for the following Capital Projects: \$293 thousand for the Pondview Pump Station legal costs; \$180 thousand for Phase I of a New IT Network; \$56 thousand for the Drive-in Park Development; \$40 thousand to the Middle School Feasibility Study; and \$30 thousand for various other projects.

- \$300 thousand was transferred to the Environmental Problems Budget to partially cash fund the final NRD payment and a cash call due next year for the Old Southington Landfill.
- \$136 thousand was transferred to pre-fund six capital and major maintenance projects originally submitted in the Fiscal Year 2012 Operating Budget.

Capital Assets and Debt Administration

**Capital Assets.** The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2011 totaled to \$225.3 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles and equipment, roads and sewer lines. This amount represents a net increase (including additions and deductions) of \$2.8 million a 1.3% increase over last year.

**TABLE 3  
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)  
In Millions**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 19.5	\$ 19.3	\$	\$	\$ 19.5	\$ 19.3
Buildings and systems	69.2	71.9	47.4	46.7	116.6	118.6
Equipment	5.4	6.0		0.3	5.4	6.3
Infrastructure	47.1	45.5			47.1	45.5
Construction in progress	36.7	32.8			36.7	32.8
Totals	<u>\$ 177.9</u>	<u>\$ 175.5</u>	<u>\$ 47.4</u>	<u>\$ 47.0</u>	<u>\$ 225.3</u>	<u>\$ 222.5</u>

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- Construction in progress for the New South End Elementary of \$1.6 million.
- Construction in progress for Plantsville Elementary Renovation of \$404 thousand.
- Construction in progress for Rails to Trails Phase II of \$854 thousand.
- Construction in progress for South End Road Reclamation of \$254 thousand.
- Construction in progress for Mount Vernon Road Reclamation of \$347 thousand.

Business-Type Activities:

- Construction of Denitrification Facility for \$677 thousand.
- Construction of Marion Highlands Interceptor for \$289 thousand.
- Construction of Roseanna, Lagana, Hickory Hill Sewers for \$467 thousand.

The Town’s fiscal year 2011-2012 Capital Budget includes another \$1.8 million for capital projects principally for road resurfacing and maintenance, upgrading the Town Hall infrastructure and network connectivity, and various other smaller projects.

Additional information on the Town’s capital assets can be found in Note 5 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Town had total bonded debt outstanding of \$66.0 million. All this debt is backed by the full faith and credit of the Town government.

**TABLE 4**  
**OUTSTANDING DEBT, AT YEAR-END**  
**In Thousands**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
General obligation bonds:						
Town	\$ 61,665	\$ 55,166	\$	\$	\$ 61,665	\$ 55,166
Southington Water Company	4,360	1,419			4,360	1,419
Clean Water Fund Notes Payable	11,068				11,068	-
<b>Total</b>	<b>\$ 77,093</b>	<b>\$ 56,585</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 77,093</b>	<b>\$ 56,585</b>

The Town of Southington’s bonded debt increased by \$9.4 million or 16.7% during the 2010-2011 fiscal year.

In March 2011, the Town issued \$15.4 million of new General Obligation Bonds at a phenomenal 3.17% TIC (True Interest Cost), paying off \$10 million in Bond Anticipation Notes. The general obligation bonds were used to finance public improvements including Sewers, School Improvements, Town Infrastructure and Water Department Infrastructure (\$3.4 million of which is paid by the Water Company). Additionally, the Town issued \$8.7 million General Obligation Refunding Bonds in June 2011 and realized \$483 thousand in aggregate budgetary savings over the 13 years.

In May 2009, Standard & Poor’s Rating Services raised its underlying rating on the Town’s general obligation debt two notches from “AA-” to “AA+” due to the Town’s improved financial position, good management practices and low debt burden.

In June 2011, Standard & Poor’s assigned a AA+ long-term rating to the new debt issue and affirmed its AA+ rating on the Town’s GO bonds outstanding. The rating agency cited the Town’s “strong financial position,” “low debt burden,” and the “expectation of the consistently strong reserve levels” among the factors influencing the Town’s rating.

As a result of the Moody’s rating recalibration to a “Global Scale” in May of 2010, the Town’s underlying rating has been officially changed to Aa2 from A1. (The recalibration is not a change in credit rating, but rather a change from a municipal scale to a global scale).

The overall statutory limit for the Town is equal to 7 times annual receipts from taxation, or \$678.7 million. As of June 30, 2011, the Town recorded long-term debt of \$77.5 million, well below the statutory debt limits.

Additional information on the Town’s long-term debt can be found in Note 7 of this report.

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

### **Economic Factors and Next Year’s Budgets and Rates**

The Town’s unemployment rate at June 30, 2011 was 7.5%. Although the Town’s unemployment has increased considerably in the last couple of years, it still compares favorably to the 9.1% for the State of Connecticut and the 9.2% nationally (the highest in 25 years). The increasing unemployment rates are a major concern in this recessionary environment. Unfortunately, leading economic indicators continue to indicate a slow economic rebound.



Elected and appointed officials considered these factors, among others, when setting the fiscal year 2011 - 2012 General Fund budget and tax rates.

As previously stated, the General Fund total fund balance increased from \$13.3 million at June 30, 2010 to \$15.1 million at June 30, 2011. Of this \$15.1 million General Fund balance, \$231 thousand was nonspendable due to form (inventories and prepaid accounts), and \$1.3 million was assigned (\$375 thousand to balance the 2011-2012 budget and \$972 thousand for continued appropriations), leaving an unassigned fund balance of \$13.5 million in the General Fund at June 30, 2011. The Town feels that this level is strong enough to withstand unexpected events which may have a negative budget impact and is within the average of comparable towns of our size in Connecticut. This increase in the "rainy day" fund is pivotal to maintaining the Town's enhanced bond rating, thereby reducing the cost of the Town's current and future debt service payments.

The Town adopted a General Fund budget of \$125.0 million for 2011-2012 compared to an adopted budget of \$123.1 million for 2010-2011, for an overall increase of \$1.8 million or 1.6%. Most of this increase was for the Town for the following: \$1.1 million for the first year's payment on the State of Connecticut Clean Water Loan (18 months of principal and 12 months of interest); \$521 thousand for Bond Principal and Interest due to the Bond Issue of January 2010; and \$355 thousand to the Payroll taxes and MERS budget due to the second dramatic increase in the Town's MERS required contributions as a result of the State's poor investment returns. Only \$176 thousand of this increase was for the Board of Education Operations. The remainder of the Board of Education's additional operational costs will be paid from the one-time Jobs Grant of \$1.2 million received from the State of Connecticut through the Federal and State Grants Special Revenue Fund.

If these estimates are realized, the Town's budgetary General Fund balance is expected to remain consistent with the June 30, 2011 level.

Costs of the Town's business-type activities, accounted for in the Sewer Operating Fund, are expected to decrease by approximately 3.3% during fiscal year 2011-2012. After four years of double digit rate increases to pay for the cumulative costs of the denitrification credits, the higher costs of the Denitrification Facility and the aggressive maintenance efforts of the Sewer System, the Sewer Fund is finally starting to stabilize. The Town will review the current systems in an effort to gain better efficiencies in the Sewer's Operations.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Emilia C. Portelinha, Finance Director, Town of Southington, 75 Main Street, Southington, Connecticut 06489 or visit Southington's website at [www.Southington.org](http://www.Southington.org).

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# **Basic Financial Statements**

## TOWN OF SOUTHLINGTON, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2011

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 23,979	\$ 476	\$ 24,455
Investments	721		721
Receivables, net	12,877	1,549	14,426
Inventory	116		116
Other assets	413	12	425
Capital assets:			
Assets not being depreciated	56,163	39	56,202
Assets being depreciated, net	121,756	47,411	169,167
Total assets	<u>216,025</u>	<u>49,487</u>	<u>265,512</u>
Liabilities:			
Accounts and other payables	5,578	275	5,853
Other current liabilities		177	177
Unearned revenue	335		335
Noncurrent liabilities:			
Due within one year	9,221		9,221
Due in more than one year	89,038		89,038
Total liabilities	<u>104,172</u>	<u>452</u>	<u>104,624</u>
Net Assets:			
Invested in capital assets, net of related debt	104,035	47,450	151,485
Restricted for:			
Trust purposes:			
Expendable	106		106
Nonexpendable	926		926
Unrestricted	<u>6,786</u>	<u>1,585</u>	<u>8,371</u>
Total Net Assets	<u>\$ 111,853</u>	<u>\$ 49,035</u>	<u>\$ 160,888</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTHTON, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 4,176	\$ 1,085	\$ 12	\$	\$ (3,079)	\$	\$ (3,079)
Public safety	18,711	1,250	280		(17,181)		(17,181)
Public works	9,402	2,442	485	4,041	(2,434)		(2,434)
Health and welfare	1,047	43	285		(719)		(719)
Human services	1,671	17	545		(1,109)		(1,109)
Parks and recreation	1,903	221	189	854	(639)		(639)
Public library	1,844	39	23		(1,782)		(1,782)
Planning and development	1,245	648			(597)		(597)
Education	94,128	1,973	32,087	2,007	(58,061)		(58,061)
Interest on long-term debt	1,621			18	(1,603)		(1,603)
Total governmental activities	<u>135,748</u>	<u>7,718</u>	<u>33,906</u>	<u>6,920</u>	<u>(87,204)</u>	<u>-</u>	<u>(87,204)</u>
Business-type activities:							
Sewer	<u>4,999</u>	<u>4,297</u>				<u>(702)</u>	<u>(702)</u>
Total	<u>\$ 140,747</u>	<u>\$ 12,015</u>	<u>\$ 33,906</u>	<u>\$ 6,920</u>	<u>(87,204)</u>	<u>(702)</u>	<u>(87,906)</u>
General revenues:							
Property taxes					97,004		97,004
Grants and contributions not restricted to specific programs					1,755		1,755
Unrestricted investment earnings					219		219
Transfers					(1,845)	1,845	-
Total general revenues and transfers					<u>97,133</u>	<u>1,845</u>	<u>98,978</u>
Change in net assets					9,929	1,143	11,072
Net Assets at Beginning of Year					<u>101,924</u>	<u>47,892</u>	<u>149,816</u>
Net Assets at End of Year					<u>\$ 111,853</u>	<u>\$ 49,035</u>	<u>\$ 160,888</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTHTON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

**JUNE 30, 2011**  
(In Thousands)

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessments</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,748	\$	\$ 935	\$ 1,522	\$ 19,205
Investments				721	721
Receivables, net	3,036	2,175	816	577	6,604
Due from other funds	216			111	327
Inventories	54			62	116
Prepaid expenses	<u>177</u>				<u>177</u>
Total Assets	<u>\$ 20,231</u>	<u>\$ 2,175</u>	<u>\$ 1,751</u>	<u>\$ 2,993</u>	<u>\$ 27,150</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 2,963	\$ 593	\$ 13	\$ 488	\$ 4,057
Due to other funds	111	172		44	327
Deferred revenue	<u>2,093</u>		<u>815</u>	<u>335</u>	<u>3,243</u>
Total liabilities	<u>5,167</u>	<u>765</u>	<u>828</u>	<u>867</u>	<u>7,627</u>
Fund balances:					
Nonspendable	231			988	1,219
Restricted		1,410		152	1,562
Committed			923	986	1,909
Assigned	1,347				1,347
Unassigned	<u>13,486</u>				<u>13,486</u>
Total fund balances	<u>15,064</u>	<u>1,410</u>	<u>923</u>	<u>2,126</u>	<u>19,523</u>
Total Liabilities and Fund Balances	<u>\$ 20,231</u>	<u>\$ 2,175</u>	<u>\$ 1,751</u>	<u>\$ 2,993</u>	<u>\$ 27,150</u>

(Continued on next page)

## TOWN OF SOUTHTON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

(In Thousands)

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

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

Fund balances - total governmental funds	\$	19,523
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	269,774
Less accumulated depreciation		<u>(91,855)</u>
Net capital assets		177,919
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		2,093
Interest receivable on property taxes		962
Assessments receivable greater than 60 days		815
Interest receivable on assessments		195
Deferred amount in refunding		1,029
Bond issuance costs		236
Long term receivable		4,360
Receivable from the state for school construction projects		757
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 assets.		
		3,687
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable		(77,093)
Premium on issuance		(1,566)
Interest payable on bonds and notes		(435)
Compensated absences		(7,840)
Capital lease		(614)
OPEB liability		(4,580)
Heart and Hypertension		(7,219)
Landfill closure		<u>(376)</u>
Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>111,853</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTHTON, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(In Thousands)**

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessments</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 97,026	\$	\$	\$	\$ 97,026
Intergovernmental	29,520	3,796		5,961	39,277
Charges for services	2,757		57	4,778	7,592
Income on investments	131		13	74	218
Other revenues	129	158		217	504
Total revenues	<u>129,563</u>	<u>3,954</u>	<u>70</u>	<u>11,030</u>	<u>144,617</u>
Expenditures:					
Current:					
General government	3,214			51	3,265
Public safety	11,460			1,227	12,687
Public works	4,816			2,372	7,188
Health and welfare	863			17	880
Human services	811			576	1,387
Parks and recreation	1,397			26	1,423
Public library	1,417			55	1,472
Planning and development	877				877
Miscellaneous	29				29
Employee fringe benefits	8,115				8,115
Education	86,524			6,639	93,163
Debt and sundry	6,591		410	-	7,001
Capital outlay		7,041			7,041
Total expenditures	<u>126,114</u>	<u>7,041</u>	<u>410</u>	<u>10,963</u>	<u>144,528</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,449</u>	<u>(3,087)</u>	<u>(340)</u>	<u>67</u>	<u>89</u>
Other Financing Sources (Uses):					
Issuance of general obligation bonds		11,945			11,945
Refunding bonds issued	8,745				8,745
Premium on refunding bonds	887				887
Payment to refunded bond escrow agent	(9,515)				(9,515)
Premium on general obligation bonds	329				329
Issuance of notes payable		11,068			11,068
Issuance of capital leases	614				614
Transfers in	100	2,602		193	2,895
Transfers out	(2,795)			(100)	(2,895)
Total other financing sources (uses)	<u>(1,635)</u>	<u>25,615</u>	<u>-</u>	<u>93</u>	<u>24,073</u>
Net Change in Fund Balances	1,814	22,528	(340)	160	24,162
Fund Balances at Beginning of Year	<u>13,250</u>	<u>(21,118)</u>	<u>1,263</u>	<u>1,966</u>	<u>(4,639)</u>
Fund Balances at End of Year	<u>\$ 15,064</u>	<u>\$ 1,410</u>	<u>\$ 923</u>	<u>\$ 2,126</u>	<u>\$ 19,523</u>

(Continued on next page)



## TOWN OF SOUTHTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)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)	\$ 24,162
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	4,823
Depreciation expense	(5,056)
Donated assets	2,794

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets. (44)

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:

School building grant receipts	(338)
Long term receivable receipts	2,941
Property tax receivable - accrual basis change	(12)
Property tax interest and lien revenue - accrual basis change	(10)
Sewer assessment receivable-accrual basis change	(23)
Sewer assessment interest and lien revenue - accrual basis change	165

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Issuance of refunding bonds	(8,745)
Premium on refunding	(887)
Deferred amount in refunding	355
Issuance costs on refunding	117
Issuance of general obligation bonds	(15,355)
Issuance of notes payable	(11,068)
Bond principal payments	14,660
Capital leases	(614)
Accrued interest	241
Amortization of deferred charge on refunding	(63)
Amortization of issue costs	(11)
Amortization of bond premiums	64

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	(40)
OPEB obligation	(931)
Heart and hypertension	(161)
Landfill post closure care and settlement	229

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.

2,736

Change in Net Assets of Governmental Activities (Exhibit II)

\$ 9,929

The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTHLINGTON, CONNECTICUT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**JUNE 30, 2011**  
**(In Thousands)**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Internal</b>
	<b>Enterprise Fund</b>	<b>Service Fund</b>
Assets:		
Current:		
Cash and cash equivalents	\$ 476	\$ 4,774
Accounts and other receivables	1,549	
Other assets	12	
Total current assets	<u>2,037</u>	<u>4,774</u>
Capital assets, net	47,450	
Total assets	<u>49,487</u>	<u>4,774</u>
Liabilities:		
Current:		
Accounts and other payables	275	1,087
Other accrued liabilities	177	
Total liabilities	<u>452</u>	<u>1,087</u>
Net Assets:		
Invested in capital assets	47,450	
Unrestricted	<u>1,585</u>	<u>3,687</u>
Total Net Assets	<u>\$ 49,035</u>	<u>\$ 3,687</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTHLINGTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Sewer Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Fund premiums	\$	\$ 20,955
Charges for services	4,140	
Intergovernmental	31	
Fines, penalties and interest	126	
Total operating revenues	<u>4,297</u>	<u>20,955</u>
Operating Expenses:		
Plant	2,990	
Benefits	233	17,170
Depreciation	1,536	
Administration and other	240	1,050
Total operating expenses	<u>4,999</u>	<u>18,220</u>
Operating Income (Loss)	(702)	2,735
Nonoperating Revenue:		
Income on investments		<u>1</u>
Income before Capital Contributions	(702)	2,736
Capital Contributions	<u>1,845</u>	
Change in Net Assets	1,143	2,736
Net Assets at Beginning of Year	<u>47,892</u>	<u>951</u>
Net Assets at End of Year	<u>\$ 49,035</u>	<u>\$ 3,687</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTHLINGTON, CONNECTICUT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	<u>Business-Type Activities</u> <u>Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Fund</u>
Cash Flows from Operating Activities:		
Cash received from customers and granting agencies	\$ 3,817	\$ 20,955
Cash received for premiums - Town departments and agencies		
Cash payments to suppliers for goods and services	(2,583)	
Cash payments to employees for services	(928)	
Cash payments to providers of benefits	(233)	(17,387)
Cash payments for service fees		(1,050)
Net cash provided by operating activities	<u>73</u>	<u>2,518</u>
Cash Flows from Capital Financing Activities:		
Acquisition of capital assets	<u>(38)</u>	
Cash Flows from Investing Activities:		
Income on investments		<u>1</u>
Net Increase in Cash and Cash Equivalents	35	2,519
Cash and Cash Equivalents at Beginning of Year	<u>441</u>	<u>2,255</u>
Cash and Cash Equivalents at End of Year	<u>\$ 476</u>	<u>\$ 4,774</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ (702)	\$ 2,735
Depreciation	1,536	
Adjustments to reconcile operating income (loss) to net cash		
provided by operating activities:		
(Increase) decrease in accounts receivable	(480)	
Decrease in inventory	4	
Increase (decrease) in accounts payable and accrued liabilities	<u>(285)</u>	<u>(217)</u>
Net Cash Provided by Operating Activities	<u>\$ 73</u>	<u>\$ 2,518</u>
Noncash Capital Financing Activities:		
Capital assets transferred from governmental funds	<u>\$ 1,845</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTHLINGTON, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

**JUNE 30, 2011**  
**(In Thousands)**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,288
Investments	<u>214</u>
Total assets	<u>\$ 3,502</u>
<b>Liabilities:</b>	
Fiduciary deposits	<u>3,502</u>
Total liabilities	<u>\$ 3,502</u>

The accompanying notes are an integral part of the financial statements

# TOWN OF SOUTHTON, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS

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(In Thousands)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Southington, 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

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable and other organizations that by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded.

#### Related Organizations

The Town of Southington Water Company operates the only water system in the Town. The operations of the Water Company benefit primarily Town residents. The Southington Water Company is an agency that is independent from the Town in all administrative, operational and financial matters. The Board of Water Commissioners is elected by the voters of the Town independently from the Town Council and they do not report nor answer to the Town Council. The Southington Water Company may independently issue its own debt. In prior years, the Town included the Water Company in their general obligation debt only for the purposes of obtaining a lower interest rate for the Water Company. In 2001 legal counsel determined that the Southington Water Company is legally capable of issuing its own debt and it is the Town's option to include them in their debt issuance at their discretion.

The Southington Housing Authority, Inc., a body corporate and politic, provides services primarily to Town residents. Although the Town appoints the governing body, the Town does not have the ability to significantly influence the programs, projects, activities or level of services performed or provided by the Housing Authority. The Southington Housing Authority, Inc., is not fiscally dependent on the Town.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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 the proprietary funds 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 Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities.

The Sewer Assessments Fund accounts for the proceeds of sewer line assessments used to fund debt service costs related to sewerline extension projects within the Town. The major source of revenue is sewer assessments.

The Town reports the following as a major proprietary fund:

The Sewer Fund accounts for the activities of the government's sewer operations.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for health benefits program for Town employees.

The agency funds include the student activities and the escrow deposits. They are custodial in nature and do not involve measurement of results of operation.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund and of the Town's Internal Service Fund are charges to customers for sales and services. Operating expenses for the enterprise fund and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. 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 funds 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.

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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles. The property taxes receivable allowance of \$156 is equal to 6.2% of outstanding property taxes at June 30, 2011.



The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property, motor vehicles and commercial personal property located in the Town. Assessed values are established by the Town Assessment Board at 70% of estimated market value. A revaluation of all real property is required to be completed no less than every ten years. The Town performed a full revaluation of its property as of October 1, 2005 and is in the process of performing a statistical revaluation as of October 1, 2011. The assessed value for the Grand List of October 1, 2009, upon which the fiscal 2011 levy was based, was \$4.0 billion. A 24.02 mill rate was applied to the Grand List.

Taxes are due in two equal installments on the July 1 and January 1 following the levy date, although a 30-day grace period is provided. Current tax collections for the years ended June 30, 2011 and 2010 were 98.7% and 98.55%, respectively, of the adjusted tax levy. Uncollected property taxes are recorded as receivables, net of an allowance for estimated uncollectible accounts. Unpaid taxes are lienied on or before June 30 following the due date. The revenue relating to property taxes not collected during the fiscal year and within 60 days after the close of the fiscal year is deferred.

#### **F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

#### **G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	25
Public domain infrastructure	35-70
System infrastructure	15
Vehicles	7
Office equipment	7
Computer equipment	7

#### **H. Compensated Absences**

A limited amount of vacation earned may be accumulated by certain employees until termination of their employment, at which time they are paid for accumulated vacation. Sick leave may be accumulated by Fire Department and AFSCME employees in accordance with union contracts until retirement, termination or death, at which time they are paid for a percentage of their accumulated sick leave.

The Town's accounting and financial reporting policy for compensated absences is based on GASB Statement 16. Compensated absences are accrued at current salary rates and paid by the General Fund.

## **I. Long-Term Obligations**

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

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

## **J. Fund Equity and Net Assets**

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

*Invested in Capital Assets, Net of Related Debt and Accumulated Depreciation* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

*Restricted Net Assets* - This category represents the net assets of the Town which are restricted by externally imposed constraints placed on the net assets by grantors, contributors or laws and regulations of other governments.

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

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The five categories, and their general meanings, are as follows:

*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 (Town Council).

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

*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.

The Town has adopted a written fund balance policy which states that the Town shall strive to maintain during the year and specifically at fiscal year end a level of general fund undesignated fund balance, also known as accumulated surplus or the rainy day fund at 9% of actual year end general fund revenues. The 9% shall be known as the Town's "target floor."

The Town is currently in the process of revising this policy to conform to the language contained in the Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Chapter VII of the Town Charter governs the financial provisions of the Town. The Town Manager presents the budget to the Board of Finance. After required hearings, the Board of Finance recommends its budget to the Town Council. At the annual budget meeting held in May, the Council may adopt the recommended budget or may reduce or increase the proposed estimated expenditures, by the required number of votes. After completing such action, the Council shall adopt the budget by resolution and notify the Board of Finance, the Board of Education and the Town Manager.

The Board of Finance shall, upon adoption of the budget by the Town Council, fix a rate of taxation on the last Grand List, sufficient to produce the required revenue to preserve a balanced relation between estimated receipts and expenditures, net of provision for other estimated revenue and cash surplus or deficit.

Additional Appropriations and Transfers:

The control level on which expenditures may not legally exceed appropriations is the object level. Each department must seek approval from the Board of Finance and/or the Town Council for any appropriations or transfers. The Town Council, on the recommendation of the Board of Finance, may appropriate at any time, subject to the other provisions of Chapter VII, any unappropriated and unencumbered cash balance in the Town treasury. The Board of Finance may at any time transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within an office, department or agency, not to exceed \$500 (amount not rounded). Transfers in excess of \$500 (amount not rounded) within departments, and all transfers between departments must be approved by the Town Council. During the last three months of the fiscal year, the Council may, upon the recommendation of the Board of Finance, by resolution transfer any unencumbered appropriation balance, or portion thereof, from one office, department or agency to another to meet a pressing need for public expenditure. No money shall be expended, or obligation for such expenditure incurred, by any department, office, board, commission or agency of the Town, except in accordance with an appropriation by the Council.

The budget is prepared on a modified accrual basis of accounting except for the accrual of payroll. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered. Encumbrances outstanding at the end of the year are reappropriated as continued appropriations. Encumbrances are established by adoption of the Town Council (continuing appropriations). Authorized continuing appropriations are presented as reservations of fund balances since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities for accounting principles generally accepted in the United States of America or budgetary purposes. Only the General Fund has a legally adopted annual budget.

Budgeted amounts are as originally adopted or as amended by the Town Council. During the year, \$1,430 of supplemental budgetary appropriations from the General Fund were made, of which \$786 was from Contingency, \$555 from revised revenue estimates, and \$89 from continued appropriations from the prior year. Also, at year end \$963 of appropriations were reappropriated.

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

#### 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 does not have a 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*, \$27,979 of the Town’s bank balance of \$29,894 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	25,050
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>2,929</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>27,979</u></u>

## Cash Equivalents

At June 30, 2011, the Town's cash equivalents amounted to \$1,191. 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>Standard &amp; Poor's</u>
Wells Fargo*	
Citizens Securites*	
Cutwater - Cooperative Liquid Assets Securities System (CLASS)	AAAm
*Not rated	

## Investments

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

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificates of deposit	*	\$ 541	\$ 541	\$ -	\$ -
Other investments:					
Common stock		32			
Mutual funds		<u>362</u>			
Total Investments		\$ <u>935</u>			

\*Subject to coverage by Federal Depository Insurance and collateralization.  
N/A Not applicable

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

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Town's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Town's total investments.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2011, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

#### 4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessment</u>	<u>Sewer Enterprise</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes *	\$ 2,516	\$	\$	\$	\$	\$ 2,516
Accounts	170		2	1,518	438	2,128
Special assessments			814			814
Intergovernmental	506	2,175		31	139	2,851
Interest **						-
Gross receivables	<u>3,192</u>	<u>2,175</u>	<u>816</u>	<u>1,549</u>	<u>577</u>	<u>8,309</u>
Less allowance for uncollectibles	<u>156</u>					<u>156</u>
Net Total Receivables	<u>\$ 3,036</u>	<u>\$ 2,175</u>	<u>\$ 816</u>	<u>\$ 1,549</u>	<u>\$ 577</u>	<u>\$ 8,153</u>

\* Does not include amount due from Southington Water Company for bonds (\$4,360) and accrued interest (\$29) - Note 7.

\*\* Does not include accrued interest on property taxes and assessments receivable of \$962 and \$195, respectively.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable	\$ 2,093	\$	\$ 2,093
Special assessments	815		815
Other		335	335
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 2,908</u>	<u>\$ 335</u>	<u>\$ 3,243</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,325	\$ 150	\$	\$ 19,475
Construction in progress	32,750	3,938		36,688
Total capital assets not being depreciated	<u>52,075</u>	<u>4,088</u>	<u>-</u>	<u>56,163</u>
Capital assets being depreciated:				
Buildings	117,162	54		117,216
Machinery and equipment	17,612	674	(86)	18,200
Infrastructure	75,394	2,801		78,195
Total capital assets being depreciated	<u>210,168</u>	<u>3,529</u>	<u>(86)</u>	<u>213,611</u>
Less accumulated depreciation for:				
Buildings	(45,300)	(2,672)		(47,972)
Machinery and equipment	(11,658)	(1,176)	42	(12,792)
Infrastructure	(29,883)	(1,208)		(31,091)
Total accumulated depreciation	<u>(86,841)</u>	<u>(5,056)</u>	<u>42</u>	<u>(91,855)</u>
Total capital assets being depreciated, net	<u>123,327</u>	<u>(1,527)</u>	<u>(44)</u>	<u>121,756</u>
Governmental Activities Capital Assets, Net	<u>\$ 175,402</u>	<u>\$ 2,561</u>	<u>\$ (44)</u>	<u>\$ 177,919</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 39	\$	\$	\$ 39
Capital assets being depreciated:				
Buildings and system	72,256	1,845		74,101
Machinery and equipment	1,175	38	(53)	1,160
Total capital assets being depreciated	<u>73,431</u>	<u>1,883</u>	<u>(53)</u>	<u>75,261</u>
Less accumulated depreciation for:				
Buildings and system	(25,510)	(1,461)		(26,971)
Machinery and equipment	(857)	(75)	53	(879)
Total accumulated depreciation	<u>(26,367)</u>	<u>(1,536)</u>	<u>53</u>	<u>(27,850)</u>
Total capital assets being depreciated, net	<u>47,064</u>	<u>347</u>	<u>-</u>	<u>47,411</u>
Business-Type Activities Capital Assets, Net	<u>\$ 47,103</u>	<u>\$ 347</u>	<u>\$ -</u>	<u>\$ 47,450</u>

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

Governmental activities:	
General government	\$ 416
Public safety	855
Public works	1,220
Planning and development	77
Park and recreation	151
Library	36
Health and welfare	59
Education	<u>2,242</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>5,056</u>
 Business-type activities:	
Sewer Enterprise Fund	\$ <u>1,536</u>

**Construction Commitments**

The Town has active construction projects as of June 30, 2011. The projects include roads, bridges, water and sewer lines, and school building improvements. At year end the Town’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
East St. Realignment	\$ 243	\$ 4
Marion Highlands & Roseanna, Lagana	2,456	50
Rails to Trails II	1,364	134
Lazy Lane Recon/Spring Street Recon	961	20
South End/Mt. Vernon Road Paving	591	60
Drive in Theater	191	65
Triano Drive Development	53	3
South End Elementary	<u>9,442</u>	<u>127</u>
 Total	 \$ <u>15,301</u>	 \$ <u>463</u>

The commitments are being financed as follows:

- School projects are financed by bonds and grants from the State Department of Education.
- Other projects are primarily funded by Town general obligation bonds.

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Individual fund interfund receivable and payable balances, which result from short-term cash flows needs, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Fund	\$ 172
General Fund	Nonmajor Governmental	44
Nonmajor Governmental	General Fund	<u>111</u>
 Total		 \$ <u>327</u>



Interfund transfers are generally used to supplement revenues of other funds. The transfers that occurred during the year are as follows:

	<b>Transfers In</b>			
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
Transfers out:				
General Fund	\$	\$	\$	\$
Nonmajor Funds	100	2,602	193	2,795
	<u>100</u>	<u>2,602</u>	<u>193</u>	<u>2,895</u>
	<u>\$ 100</u>	<u>\$ 2,602</u>	<u>\$ 193</u>	<u>\$ 2,895</u>

## 7. LONG-TERM DEBT

### Changes in Long-Term Liabilities

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
Bonds payable:					
General obligation bonds:					
Town	\$ 55,166	\$ 20,690	\$ 14,191	\$ 61,665	\$ 5,255
Southington Water Company	1,419	3,410	469	4,360	460
Premium on bonds	743	887	64	1,566	
Less deferred amounts	(737)	(355)	(63)	(1,029)	
State of Connecticut - serial note		11,068		11,068	838
Total bonds and notes payable	<u>56,591</u>	<u>35,700</u>	<u>14,661</u>	<u>77,630</u>	<u>6,553</u>
Compensated absences	7,800	1,681	1,641	7,840	1,672
Capital leases		614		614	233
OPEB obligation	3,649	931		4,580	
Heart and hypertension	7,058	645	484	7,219	533
Landfill closure and postclosure	<u>605</u>	<u></u>	<u>229</u>	<u>376</u>	<u>230</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 75,703</u>	<u>\$ 39,571</u>	<u>\$ 17,015</u>	<u>\$ 98,259</u>	<u>\$ 9,221</u>

Bonds payable at June 30, 2011 are comprised of the following issues:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate (%)</u>	<u>Date of Maturity</u>	<u>Principal Outstanding June 30, 2011</u>
<u>General Purpose Bonds:</u>					
Refunding (General Purpose)	2004	\$ 379	2.00-3.25	09/15/14	\$ 90
General Purpose	2005	5,765	3.50-5.50	11/01/25	3,925
General Purpose	2007	3,025	4.00-5.00	08/01/27	2,280
General Purpose	2009	2,175	3.00-4.00	08/01/27	2,000
Refunding (General Purpose)	2010	2,098	2.00-5.00	05/15/21	1,918
General Purpose	2011	1,713	2.50-4.25	08/01/30	1,713
Refunding (General Purpose)	2011	6,042	2.00-5.00	02/01/24	6,042
					<u>17,968</u>
<u>School Bonds:</u>					
Refunding (Schools)	2004	7,032	2.00-3.25	09/15/14	1,670
Schools	2005	3,510	3.50-5.50	11/01/25	2,250
Schools	2007	2,880	4.00-5.00	08/01/27	1,590
Schools	2009	12,965	3.00-4.00	08/01/27	12,190
Refunding (Schools)	2010	8,008	2.00-5.00	05/15/21	7,430
Schools	2011	6,902	2.50-4.25	08/01/30	6,902
Refunding (Schools)	2011	745	2.00-5.00	02/01/24	745
					<u>32,777</u>
<u>Sewer Bonds:</u>					
Refunding (Sewers)	2004	86	2.00-3.25	09/15/14	20
Sewers	2005	2,900	3.50-5.50	11/01/25	2,150
Sewers	2007	3,070	4.00-5.00	08/01/27	2,555
Sewers	2009	300	3.00-4.00	08/01/27	240
Refunding (Sewers)	2010	959	2.00-5.00	05/15/21	667
Sewers	2011	3,330	2.50-4.25	08/01/30	3,330
Refunding (Sewers)	2011	1,958	2.00-5.00	02/01/24	1,958
State of Connecticut serial notes payable:					
Clean Water Fund Loan 590-C	2011	11,068	2.00	06/30/30	11,068
					<u>21,988</u>
<u>Water Bonds:</u>					
Water	1991	2,044	5.75-6.75	08/15/11	95
Refunding (Water)	2004	3,683	2.00-3.25	09/15/14	855
Water	2011	3,410	2.50-4.25	08/01/21	3,410
					<u>4,360</u>
Total					\$ <u>77,093</u>

The annual requirements to amortize bond and notes principal and interest are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 6,553	\$ 2,388
2013	6,398	2,327
2014	6,118	2,128
2015	6,133	1,936
2016	5,513	1,763
2017-2021	25,302	6,156
2022-2026	14,272	2,393
2027-2031	<u>6,804</u>	<u>446</u>
Total	<u>\$ 77,093</u>	<u>\$ 19,537</u>

All bonds are general obligation bonds secured by the general revenue raising powers of the Town. Payment will be provided by General Fund revenues for general purpose bonds and user fees charged by the Southington Water Company, an independent entity, for water bonds. The Town issued debt on behalf of the Southington Water Company. At June 30, 2011, \$4,360 is recorded as amounts to be provided by other entities in the government-wide financial statements. The Town does not have any overlapping debt.

The Town is subject to the General Statutes of the State of Connecticut, which limit the amount of debt outstanding at June 30, 2011. In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum debt amount permitted under this formula would be approximately \$678.7 million.

**General Obligation Bonds-Advance Refunding**

On June 3, 2011, the Town issued \$8,745 of general obligation refunding bonds with interest rates ranging from 2% to 5% to currently refund the outstanding principal amounts of \$9,160 General Obligation Bonds, Series 2004, dated February 1, 2004.

The net proceeds of \$9,519 (including a premium of \$887 and issuance costs of \$113, including underwriter's fees) will reduce total debt service payments over the next 13 years by approximately \$483 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$467. As a result, the refunded bonds are considered defeased, and all future interest and principal on the defeased bonds will be paid from the proceeds of the refunding issue which were placed into an irrevocable escrow account until all the defeased bonds have been called. The principal balance in escrow was \$9,408 at June 30, 2011. The outstanding balance of the defeased bonds as of June 30, 2011 is \$9,160.

## Capital Leases

The Board of Education has entered into several lease agreements as lessee for financing the acquisition of computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The net undepreciated value of assets purchased by capital lease approximates the principal balance payable of \$614 at June 30, 2011. The following is a summary of capital lease commitments as of June 30, 2011.

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 243
2013	243
2014	<u>162</u>
Subtotal	648
Less interest	<u>(34)</u>
Principal Balance	<u>\$ 614</u>

## Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2011:

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>
03/03/10	03/02/11	0.41%	\$ 10,000	\$ -	\$ 10,000	\$ -

## **8. 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; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage during the years ended June 30, 2011, 2010 or 2009. Town insurance can be described as follows:

Employee Health Insurance - The Medical Claims Fund (the Fund), which has been recorded as an Internal Service Fund, was established to account for the medical claims activity of the Town's employees as well as the related funding. Anthem Blue Cross/Blue Shield of Connecticut administers the plan for which the Fund pays a fee.

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, 2011 of \$1,088.

Premium payments are reported as quasi-external interfund transactions for Town entities, and accordingly, they are treated as operating revenues of the Self-Insurance Fund and operating expenditures of the participating funds.

A schedule of changes in the claims liability for the years ended June 30, 2011 and 2010, is presented below:

	<b>Accrued Liability Beginning of Fiscal Year</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Accrued Liability End of Fiscal Year</b>
2009-2010	\$ 1,402	\$ 17,409	\$ 17,537	\$ 1,274
2010-2011	1,274	16,983	17,170	1,087

Interlocal Risk Pool

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7479a et. seq. of the Connecticut General Statutes.

The Town participates in CIRMA's Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. CIRMA currently has 220 members in the Workers' Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan and losses incurred in coverage period 2010-11 will be evaluated at 18, 30, and 42 months after the effective date of coverage. The deposit contribution (premium) paid in 2010-11 for the Town and Board of Education was \$1,323. The contribution (premium) is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains up to \$1 million per occurrence. Claims over \$1 million are reinsured.

## 9. FUND EQUITY

The components of fund balance at June 30, 2011 are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Sewer Assessments</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$ 54	\$	\$	\$ 62	\$ 116
Prepaid expenses	177				177
Trust				926	926
Restricted for:					
Grants				46	46
Trust				106	106
Bonds		1,410			1,410
Committed to:					
Public safety				365	365
Public works			923	154	1,077
Human services				149	149
Parks and recreation				91	91
Education				227	227
Assigned to:					
General government	155				155
Public works	473				473
Public safety	108				108
Education	129				129
Other	107				107
Next years budget	375				375
Unassigned	13,486				13,486
Total Fund Balances	<u>\$ 15,064</u>	<u>\$ 1,410</u>	<u>\$ 923</u>	<u>\$ 2,126</u>	<u>\$ 19,523</u>

## 10. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The Town's Old Turnpike Road (Old Southington) Landfill, which was closed in 1967, was placed on the United States Environmental Protection Agency (EPA) Superfund List for cleanup in the early 1990s. Three hundred and twenty five parties, including the Town, were identified by the EPA as potentially responsible parties (PRPs) for the cleanup costs. The Town, per agreement with the EPA, is responsible for \$4.4 million of the costs for constructing a cap at the site. However, the EPA granted the Town credit of \$3.2 million for landfill costs paid by the Town since 1989, leaving the Town with a net liability of approximately \$1.2 million. This amount was authorized for bonding at referendum in May of 1998. Construction of the cap was completed during fiscal year 2000-01. The Town paid approximately \$840 thousand of its \$1.2 million net share for the cap during 2000-01, which was bonded on May 15, 2001.

In December 2006, EPA issued a final Record of Decision. As a result of that, a passive groundwater remedy has been selected rather than an active remedy. The remedy will consist of institutional controls and fairly extensive groundwater monitoring. The effect of these items on future budgets will be very small.

A settlement in United States versus the Town of Southington was reached on November 24, 2010. The Town was required to make three payments of \$210 thousand to the State of Connecticut, the last of which is due on November 24, 2011.

The Town and its employees are defendants in numerous claims and legal actions. It is the opinion of Town officials 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.

The Town participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of certain of these programs for or including the year ended June 30, 2011 have not yet been conducted. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

## 11. OTHER POST-EMPLOYMENT BENEFITS

### A. Overview

The Town and Board of Education do not offer retirees any post-employment benefits. They do, however, allow retirees to remain on the Health Self-Insurance plan as long as they pay the full COBRA rates. The only exception to the no post-employment benefits would be for those employees who have retired under Heart and Hypertension and have negotiated these benefits. There are no stand-alone financial statements available for the plan.

At July 1, 2009, plan participation consisted of the following:

Active participants	1,163
Retirees	191
Spouses of retirees	<u>68</u>
Total Participants	<u><u>1,422</u></u>

### B. Funding Policy

These other post-employment benefits (OPEB) for former employees are currently funded on a pay-as-you-go basis out of the Self-Insurance Fund and the Heart and Hypertension Department in the General Fund. As of June 30, 2011, the Town has not established a trust fund to segregate assets to fund the liability associated with these benefits.

### C. Annual OPEB Cost and Net OPEB Obligations

The Town's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$ 3,054
Interest on OPEB obligation	182
Adjustment to annual required contribution	<u>(226)</u>
Annual OPEB cost	3,010
Contributions made	<u>2,079</u>
Increase in net OPEB obligation	931
Net OPEB obligation, beginning of year	<u>3,649</u>
Net OPEB Obligation, End of Year	<u><u>\$ 4,580</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2011, 2010 and 2009 are presented below.

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
6/30/2011	\$ 3,010	\$ 2,079	69.1%	\$ 4,580
6/30/2010	3,455	1,359	39.3%	3,649
6/30/2009	3,425	1,872	54.7%	1,553

#### **D. Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2007	\$ -0-	\$ 37,107	\$ 37,107	0.0%	\$ 61,102	60.7%
7/1/2009	-0-	37,666	37,666	0.0%	58,386	64.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The plan is a single-employer plan.

In the July 1, 2009 actuarial valuation, the projected unit actuarial credit cost method was used. The annual required contribution (ARC) reflects an open 30-year, level amortization of the unfunded actuarial accrued liability (AAL). The actuarial assumptions include a 5% investment rate of return and an inflation rate of 3%. The annual healthcare cost trend rate is 10% initially, grading down to 5% for 2014 and later.

## **12. EMPLOYEE RETIREMENT SYSTEMS**

### Municipal Employees' Retirement System

All Town of Southington full-time employees, except teachers who are eligible to participate in the State of Connecticut Teachers' Retirement System, participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.



*Funding Policy* - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 11.56% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERS for the years ended June 30, 2011, 2010 and 2009 were \$3,024, \$2,212, and \$1,972, respectively, equal to the required contributions for each year.

### Teachers' Retirement

All Town of Southington teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Certified payroll subject to retirement amounted to \$39,258 or 74.8% of total Board of Education payroll of \$52,449.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. For the year ended June 30, 2011 the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$6,287 as payments made by the State of Connecticut on behalf of the Town. The Town does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

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**Required Supplementary  
Information**

## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes, interest and lien fees:				
Taxes	\$ 95,951	\$ 95,951	\$ 96,227	\$ 276
Suspense taxes	30	30	54	24
Interest and lien fees	482	482	745	263
Total property taxes, interest and lien fees	<u>96,463</u>	<u>96,463</u>	<u>97,026</u>	<u>563</u>
Licenses, fees and permits:				
Building	550	550	586	36
Police	32	32	33	1
Library	30	30	28	(2)
Miscellaneous		23	23	-
Total licenses, fees and permits	<u>612</u>	<u>635</u>	<u>670</u>	<u>35</u>
Educational Cost Sharing	17,009	17,009	16,974	(35)
Education Cost Sharing ARRA	2,830	2,830	2,830	-
Non-public school transportation	44	44	47	3
Public school transportation	268	268	198	(70)
Excess Cost Supplement		129	129	-
School building construction grants	350	350	357	7
Vocational Agriculture	160	160	175	15
Children/youth services	26	26	27	1
Youth Service/Drug free	32	37	36	(1)
Town aid road transportation grant	262	262	261	(1)
Health education/risk reduction grant	6	6	6	-
Non-public health services	58	58	55	(3)
Telephone access lines	110	110	83	(27)
Pequot/Mohegan Grant	143	143	145	2
Telecommunications fund grant	200	200	88	(112)
Municipal video grant	15	15	14	(1)
FEMA reimbursements			87	87
Local capital improvement grant	284	284	278	(6)
In lieu of taxes:				
Hospital	145	145	146	1
Tax relief for elderly	290	290	298	8

(Continued on next page)

## TOWN OF SOUTHLINGTON, CONNECTICUT

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

**FOR THE YEAR ENDED JUNE 30, 2011**

**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Intergovernmental revenues (continued):				
Veterans' exemption	\$ 48	\$ 48	\$ 50	\$ 2
State properties	34	34	34	-
Disability exemption	5	5	5	-
Boats	7	7	11	4
Manufacturers machinery and equipment	800	800	659	(141)
Distressed municipalities	65	65	58	(7)
Miscellaneous	1	3	24	21
Traffic enforcement grant		4	4	-
Bioterrorism grant	64	64	63	(1)
Health plan flu grant	25	91	91	-
Total intergovernmental revenues	<u>23,281</u>	<u>23,487</u>	<u>23,233</u>	<u>(254)</u>
Investment Income	<u>296</u>	<u>296</u>	<u>131</u>	<u>(165)</u>
Charges for services:				
Town Clerk	1,025	1,025	977	(48)
Health department services	40	40	43	3
Recreation	200	200	183	(17)
Planning and zoning	45	45	35	(10)
Fire Department services	6	35	40	5
Police Department services	50	50	50	-
Engineering services	2	2	11	9
Assessors returns	1	1	1	-
School tuition and fees	575	711	695	(16)
School building rentals	14	98	63	(35)
Miscellaneous	10	23	39	16
Total charges for services	<u>1,968</u>	<u>2,230</u>	<u>2,137</u>	<u>(93)</u>

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## TOWN OF SOUTHTON, CONNECTICUT

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

**FOR THE YEAR ENDED JUNE 30, 2011**

**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Other revenues:				
Sale/lease of town property	\$ 2	\$ 2	\$ 9	\$ 7
Loss/damage to town property			17	17
Prior year appropriated funds returned	1	1	4	3
Miscellaneous	5	69	99	30
Fund balance utilized	425	425		(425)
Total other revenues	<u>433</u>	<u>497</u>	<u>129</u>	<u>(368)</u>
Transfers In			50	50
Total Revenues and Other Financing Sources	<u>\$ 123,053</u>	<u>\$ 123,608</u>	123,376	<u>\$ (232)</u>

Budgetary revenues are different than GAAP revenues because:

    State of Connecticut on-behalf contributions to the Connecticut State Teachers'

    Retirement System for Town teachers are not budgeted

6,287

    Proceeds from issuance of capital leases are not budgeted

614

    Refunding bonds and premiums issued that are not budgeted

9,961

Total Revenues and Other Financing Sources as Reported on the Statement of  
Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
Exhibit IV

\$ 140,238

## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General Government				
Town Council:				
Personnel service	\$ 9	\$ 9	\$ 9	\$ -
Contractual services	18	21	21	-
Materials and supplies	8	8	6	2
Fixed charges	30	30	30	-
Total	<u>65</u>	<u>68</u>	<u>66</u>	<u>2</u>
Town Manager:				
Personnel service	176	208	208	-
Contractual services	20	50	44	6
Materials and supplies	5	5	5	-
Fixed charges	5	5	5	-
Capital outlay		10		10
Total	<u>206</u>	<u>278</u>	<u>262</u>	<u>16</u>
Board of Finance:				
Personnel service	4	4	4	-
Contractual services	3	3	3	-
Fixed charges	1	1	1	-
Total	<u>8</u>	<u>8</u>	<u>8</u>	<u>-</u>
Finance Department:				
Personnel service	419	422	422	-
Materials and supplies	11	14	14	-
Fixed charges	1	1	1	-
Total	<u>431</u>	<u>437</u>	<u>437</u>	<u>-</u>
Town Treasurer:				
Personnel service	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>

(Continued on next page)

## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Town Clerk:				
Personnel service	\$ 245	\$ 243	\$ 243	\$ -
Contractual services	38	40	36	4
Materials and supplies	8	8	8	-
Fixed charges	2	2	2	-
Capital outlay	2			-
Total	<u>295</u>	<u>293</u>	<u>289</u>	<u>4</u>
Tax Department:				
Personnel service	234	234	234	-
Contractual services	16	12	12	-
Materials and supplies	45	45	41	4
Fixed charges	2	2	2	-
Capital outlay	2	2	2	-
Total	<u>299</u>	<u>295</u>	<u>291</u>	<u>4</u>
Assessor:				
Personnel service	271	270	269	1
Contractual services	267	265	125	140
Materials and supplies	12	11	11	-
Fixed charges	4	4	3	1
Capital outlay	4	1	1	-
Total	<u>558</u>	<u>551</u>	<u>409</u>	<u>142</u>
Board of Assessment Appeals:				
Personnel service	2	2	2	-
Contractual services	1	1		1
Total	<u>3</u>	<u>3</u>	<u>2</u>	<u>1</u>
Information Technology:				
Capital outlay	<u>116</u>	<u>116</u>	<u>115</u>	<u>1</u>
Probate Court:				
Contractual services	5	6	6	-
Materials and supplies	6	6	6	-
Total	<u>11</u>	<u>12</u>	<u>12</u>	<u>-</u>

(Continued on next page)



## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

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

**FOR THE YEAR ENDED JUNE 30, 2011**

**(In Thousands)**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Town Attorney/Legal:				
Personnel service	\$ 185	\$ 185	\$ 185	\$ -
Contractual services	54	48	48	-
Materials and supplies	4	3	3	-
Fixed charges	3	2	2	-
Total	<u>246</u>	<u>238</u>	<u>238</u>	<u>-</u>
Elections Department:				
Personnel service	105	109	103	6
Contractual services	7	6	6	-
Materials and supplies	31	25	21	4
Fixed charges	2	1	1	-
Capital outlay	2			-
Total	<u>147</u>	<u>141</u>	<u>131</u>	<u>10</u>
Insurance:				
Fixed charges	<u>1,051</u>	<u>955</u>	<u>908</u>	<u>47</u>
Annual Audit:				
Fixed charges	<u>34</u>	<u>34</u>	<u>34</u>	<u>-</u>
Total general government	<u>3,473</u>	<u>3,432</u>	<u>3,205</u>	<u>227</u>
Public Safety				
Police Department:				
Personnel service	5,766	5,638	5,626	12
Contractual services	274	353	239	114
Materials and supplies	362	391	372	19
Fixed charges	54	44	35	9
Capital outlay	211	202	184	18
Total	<u>6,667</u>	<u>6,628</u>	<u>6,456</u>	<u>172</u>
Central Dispatch:				
Personnel service	617	627	612	15
Contractual services	50	50	50	-
Total	<u>667</u>	<u>677</u>	<u>662</u>	<u>15</u>

(Continued on next page)

## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Fire Department:				
Personnel service	\$ 3,097	\$ 3,220	\$ 3,216	\$ 4
Contractual services	253	247	237	10
Materials and supplies	308	304	303	1
Fixed charges	48	47	46	1
Capital outlay	54	52	52	-
Continued appropriations		16	16	-
Total	<u>3,760</u>	<u>3,886</u>	<u>3,870</u>	<u>16</u>
Fire Hydrant rentals:				
Fixed charges	<u>410</u>	<u>410</u>	<u>409</u>	<u>1</u>
Safety Program:				
Contractual services	4	5	3	2
Materials and supplies	50	30	26	4
Capital outlay	5	4	4	-
Total	<u>59</u>	<u>39</u>	<u>33</u>	<u>6</u>
Parking Authority:				
Personnel service	1	1	1	-
Contractual services	13	12	6	6
Materials and supplies	1	2	1	1
Fixed charges	1	1	1	-
Continued appropriations		4	4	-
Total	<u>16</u>	<u>20</u>	<u>13</u>	<u>7</u>
Total public safety	<u>11,579</u>	<u>11,660</u>	<u>11,443</u>	<u>217</u>
Public Works:				
Town Hall and Annex:				
Contractual services	68	68	60	8
Materials and supplies	97	100	96	4
Total	<u>165</u>	<u>168</u>	<u>156</u>	<u>12</u>
Historical Buildings:				
Materials and supplies	6	6	5	1
Total	<u>6</u>	<u>6</u>	<u>5</u>	<u>1</u>

(Continued on next page)

## TOWN OF SOUTHTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Sylvia Bradley Historical Society:				
Contractual services	\$ 8	\$ 6	\$ 5	\$ 1
Materials and supplies	10	12	12	-
Total	<u>18</u>	<u>18</u>	<u>17</u>	<u>1</u>
Engineering Department:				
Personnel service	604	561	558	3
Contractual services	11	8	7	1
Materials and supplies	18	21	21	-
Fixed charges	2	2	1	1
Total	<u>635</u>	<u>592</u>	<u>587</u>	<u>5</u>
Highway Department:				
Personnel service	1,478	1,447	1,436	11
Contractual services	484	511	503	8
Materials and supplies	165	162	161	1
Fixed charges	31	30	30	-
Capital outlay	97	159	39	120
Total	<u>2,255</u>	<u>2,309</u>	<u>2,169</u>	<u>140</u>
Snow and Ice Removal:				
Personnel service	115	193	193	-
Contractual services	160	412	408	4
Materials and supplies	430	405	405	-
Total	<u>705</u>	<u>1,010</u>	<u>1,006</u>	<u>4</u>
Street Lighting:				
Contractual services	100	100	63	37
Materials and supplies	276	276	259	17
Total	<u>376</u>	<u>376</u>	<u>322</u>	<u>54</u>
Tree Maintenance:				
Contractual services	19	19	19	-
Bulky Waste Transfer Station:				
Personnel service	90	96	96	-
Contractual services	195	190	177	13
Capital outlay				
Total	<u>285</u>	<u>286</u>	<u>273</u>	<u>13</u>

(Continued on next page)

## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Environmental Problems:				
Contractual services	\$ 280	\$ 609	\$ 251	\$ 358
Total	<u>280</u>	<u>609</u>	<u>251</u>	<u>358</u>
Total Public Works	<u>4,744</u>	<u>5,393</u>	<u>4,805</u>	<u>588</u>
Health and Welfare:				
Community Services:				
Personnel service	150	150	150	-
Contractual services	21	21	20	1
Materials and supplies	21	21	21	-
Fixed charges	1	1		1
Capital outlay	8	45	14	31
Continued appropriations		20	18	2
Total	<u>201</u>	<u>258</u>	<u>223</u>	<u>35</u>
Health Department:				
Personnel service	294	296	296	-
Contractual services	142	205	183	22
Materials and supplies	16	14	14	-
Fixed charges	27	27	27	-
Capital outlay	1			-
Continued appropriations		24	15	9
Total	<u>480</u>	<u>566</u>	<u>535</u>	<u>31</u>
Mental Health:				
Fixed charges	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Nonpublic School Nurses:				
Contractual services	<u>105</u>	<u>107</u>	<u>107</u>	<u>-</u>
Drug Task Force:				
Contractual services	1	1	1	-
Materials and supplies	2	2	2	-
Total	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Total Health and Welfare	<u>792</u>	<u>937</u>	<u>871</u>	<u>66</u>

(Continued on next page)

## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Human Services:				
Youth Counseling:				
Personnel service	\$ 270	\$ 275	\$ 275	\$ -
Contractual services	6	5	5	-
Materials and supplies	1	1	1	-
Fixed charges	2	2	2	-
Capital outlay	2	1		1
Total	<u>281</u>	<u>284</u>	<u>283</u>	<u>1</u>
Commission on the Handicapped:				
Contractual services	9	9	7	2
Materials and supplies	1	1		1
Fixed charges	1	1		1
Total	<u>11</u>	<u>11</u>	<u>7</u>	<u>4</u>
Community Assistance:				
Contractual services	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>
Calendar House-Senior Citizens:				
Personnel service	313	308	307	1
Contractual services	92	83	82	1
Materials and supplies	67	65	56	9
Fixed charges	2	2	2	-
Capital outlay	2	10	1	9
Total	<u>476</u>	<u>468</u>	<u>448</u>	<u>20</u>
Southington Housing Authority:				
Materials and supplies	<u>25</u>	<u>25</u>	<u>21</u>	<u>4</u>
Total Human Services	<u>843</u>	<u>838</u>	<u>809</u>	<u>29</u>
Parks and Recreation:				
Parks Department:				
Personnel service	537	537	520	17
Contractual services	192	180	105	75
Materials and supplies	177	219	214	5
Fixed charges	1			-
Capital outlay	5	20	15	5
Total	<u>912</u>	<u>956</u>	<u>854</u>	<u>102</u>

(Continued on next page)

## TOWN OF SOUTHTON, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Recreation Department:				
Personnel service	\$ 321	\$ 309	\$ 298	\$ 11
Contractual services	221	203	100	103
Materials and supplies	23	24	24	-
Fixed charges	24	24	24	-
Total	<u>589</u>	<u>560</u>	<u>446</u>	<u>114</u>
Community Celebrations:				
Fixed charges	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Organized Recreation:				
Fixed charges	<u>88</u>	<u>88</u>	<u>88</u>	<u>-</u>
Total Parks and Recreation	<u>1,594</u>	<u>1,609</u>	<u>1,393</u>	<u>216</u>
Library:				
Public Library:				
Personnel service	912	914	905	9
Contractual services	95	126	99	27
Materials and supplies	226	231	228	3
Fixed charges	2	2	2	-
Capital outlay	60	54	54	-
Continued appropriations		1	1	-
Total	<u>1,295</u>	<u>1,328</u>	<u>1,289</u>	<u>39</u>
Barnes Museum:				
Personnel service	72	72	72	-
Contractual services	10	40	38	2
Materials and supplies	13	13	13	-
Total	<u>95</u>	<u>125</u>	<u>123</u>	<u>2</u>
Total Library	<u>1,390</u>	<u>1,453</u>	<u>1,412</u>	<u>41</u>
Planning and Development:				
Economic Development Commission:				
Personnel service	120	121	121	-
Contractual services	16	16	14	2
Materials and supplies	2	2	2	-
Fixed charges	2			-
Total	<u>140</u>	<u>139</u>	<u>137</u>	<u>2</u>

(Continued on next page)

## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

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

**FOR THE YEAR ENDED JUNE 30, 2011**

**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Building Department:</b>				
Personnel service	\$ 346	\$ 351	\$ 350	\$ 1
Contractual services	4	4	4	-
Materials and supplies	12	9	9	-
Fixed charges	4	4	3	1
Capital outlay	1			-
Total	<u>367</u>	<u>368</u>	<u>366</u>	<u>2</u>
<b>Planning and Zoning:</b>				
Personnel service	298	308	305	3
Contractual services	25	22	15	7
Materials and supplies	9	9	9	-
Fixed charges	20	20	20	-
Total	<u>352</u>	<u>359</u>	<u>349</u>	<u>10</u>
<b>Zoning Board of Appeals:</b>				
Personnel service	5	5	4	1
Contractual services	8	8	8	-
Materials and supplies	2	2	1	1
Fixed charges		1	1	-
Total	<u>15</u>	<u>16</u>	<u>14</u>	<u>2</u>
<b>Conservation Commission:</b>				
Personnel service	4	4	3	1
Contractual services	4	4	2	2
Materials and supplies	2	2	1	1
Fixed charges	1	1		1
Continued appropriations		6		6
Total	<u>11</u>	<u>17</u>	<u>6</u>	<u>11</u>
Total Planning and Development	<u>885</u>	<u>899</u>	<u>872</u>	<u>27</u>

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## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Miscellaneous:				
Land Lease:				
Fixed charges	\$ 1	\$ 1	\$ 1	\$ -
Nonlegal professional services:				
Contractual services	40	40	18	22
Continued appropriations		10	10	-
Total Miscellaneous	<u>41</u>	<u>51</u>	<u>29</u>	<u>22</u>
Employee Benefits:				
Medical and group insurance:				
Fixed charges	<u>3,492</u>	<u>3,317</u>	<u>3,317</u>	<u>-</u>
Heart and Hypertension:				
Personnel service	1,180	1,164	1,143	21
Contractual services	<u>26</u>	<u>26</u>	<u>22</u>	<u>4</u>
Total Heart and Hypertension	<u>1,206</u>	<u>1,190</u>	<u>1,165</u>	<u>25</u>
Employee Retirement:				
Municipal:				
Fixed charges	3,673	3,408	3,408	-
Police:				
Fixed charges	107	132	132	-
Unemployment Compensation:				
Fixed charges	<u>15</u>	<u>15</u>	<u>7</u>	<u>8</u>
Total	<u>3,795</u>	<u>3,555</u>	<u>3,547</u>	<u>8</u>
Accumulated Payout:				
Fixed charges	<u>90</u>	<u>90</u>	<u>82</u>	<u>8</u>
Tuition Reimbursement:				
Fixed charges	<u>11</u>	<u>2</u>	<u>2</u>	<u>-</u>
Medical Services:				
Fixed charges	<u>5</u>	<u>2</u>	<u>2</u>	<u>-</u>
Total Employee Benefits	<u>8,599</u>	<u>8,156</u>	<u>8,115</u>	<u>41</u>

(Continued on next page)



## TOWN OF SOUTHLINGTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Debt Service				
Debt service - principal:	\$	\$	\$	\$
Town and Sewer	1,956	1,956	1,923	33
Schools	2,726	2,726	2,726	-
Total	<u>4,682</u>	<u>4,682</u>	<u>4,649</u>	<u>33</u>
Debt service - interest:				
Town and Sewer	847	847	844	3
Schools	981	981	981	-
Total	<u>1,828</u>	<u>1,828</u>	<u>1,825</u>	<u>3</u>
Total Debt Service	<u>6,510</u>	<u>6,510</u>	<u>6,474</u>	<u>36</u>
Board of Education:				
School operations	79,439	79,660	79,658	2
Building maintenance		9	6	3
Contractual services	<u>102</u>	<u>231</u>	<u>95</u>	<u>136</u>
Total Board of Education	<u>79,541</u>	<u>79,900</u>	<u>79,759</u>	<u>141</u>
Contingency	<u>850</u>	<u>64</u>		<u>64</u>
Total expenditures	<u>120,841</u>	<u>120,902</u>	<u>119,187</u>	<u>1,715</u>
Other Financing Uses:				
Transfers out	<u>2,212</u>	<u>2,795</u>	<u>2,795</u>	<u>-</u>
Total	<u>\$ 123,053</u>	<u>\$ 123,697</u>	121,982	<u>\$ 1,715</u>
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted				
			6,287	
Accrued payroll is reported as expenditure for GAAP purposes				
			(91)	
Issuance of capital leases are not budgeted				
			614	
Payment to refunded bond escrow agent and issue costs that are not budgeted				
			<u>9,632</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>\$ 138,424</u>	

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***Appendix B***

***Opinion of Bond Counsel and Tax Exemption***

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## APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

*The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

### BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Southington  
Southington, Connecticut

We have represented the Town of Southington, Connecticut as Bond Counsel in connection with the issuance by the Town of \$6,915,000 General Obligation Refunding Bonds, Issue of 2012, dated as of November 27, 2012.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Southington is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Bonds are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant

to Section 103 of the Code; (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) the Bonds are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

## **FEDERAL INCOME TAX.**

***Interest Excluded From Gross Income.*** The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for Federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for Federal income tax purposes.

***Alternative Minimum Tax.*** The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

***Financial Institutions.*** The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds will be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

***Additional Federal Income Tax Matters.*** In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt

obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

#### **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

#### **ORIGINAL ISSUE DISCOUNT.**

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for Federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

#### **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for Federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Owners of Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

#### **GENERAL.**

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. For example, on September 13, 2011, S.B. 1549, the "American Jobs Act of 2011" (the "Jobs Act"), was introduced into the United States Senate, which legislation, if enacted as introduced, would have subjected to federal income taxation a portion of the interest on all tax-exempt bonds (including the Bonds) received for taxable years beginning on or after January 1, 2013 by certain individuals with incomes above specified limits. The Jobs Act was not enacted; however, on February 13, 2012, President Obama released his fiscal 2013 Federal budget request, which includes a proposal to cap at 28% the value of tax preferences, including tax-exempt interest for municipal bonds. No assurance can be given that Federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Bonds and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed Federal or State of Connecticut tax legislation affecting municipal bonds.

The information above does not purport to deal with all aspects of Federal or State of Connecticut taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the Federal, state and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.



***Appendix C***

***Form of Continuing Disclosure Agreement***

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## APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.*

### Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of November 27, 2012 by the Town of Southington, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$6,915,000 General Obligation Refunding Bonds, Issue of 2012, dated as of November 27, 2012 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated November 13, 2012 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

### **Section 2. Annual Financial Information.**

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2012) as follows:

(i) Financial statements of the Issuer's general fund, and any special revenue, capital projects, permanent enterprise, internal service and trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt and total overall net debt as of the close of the fiscal year,
- (F) total direct debt and total overall net debt of the Issuer per capita,
- (G) ratios of the total direct debt and total overall net debt of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Issuer's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

**Section 3. Notice of Certain Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of holders of the Bonds, if material;

(h) Bond calls, if material, and tender offers;

(i) Bond defeasances;

(j) release, substitution, or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Issuer;

(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

#### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

#### **Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

#### **Section 6. Termination.**

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

#### **Section 7. Enforcement.**

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is Town Hall, 75 Main Street, Southington, Connecticut 06489.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and

agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

**Section 8. Miscellaneous.**

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF SOUTHTON

By \_\_\_\_\_  
Garry C. Brumback  
Town Manager

By \_\_\_\_\_  
Emilia Portelinha  
Director of Finance

By \_\_\_\_\_  
Christina Sivigny  
Treasurer