



July 18, 2017

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: TOWN OF SOUTHTON, CONNECTICUT
\$8,000,000 General Obligation Bond Anticipation Notes**

**Dated: August 1, 2017
Due: April 30, 2018**

**Date of Sale: Tuesday, July 25, 2017
Time of Sale: 12:00 Noon (Eastern Time)**

*****Telephone Number to Submit a Bid: (860) 276-6225*****

As per the Notice of Sale, proposals may be submitted electronically via *PARITY* or by telephone on Tuesday, July 25, 2017. Please note that a representative of Phoenix Advisors LLC, acting as a representative of the bidders and not as an agent of the Town, will be available until 12:00 Noon (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid electronically via *PARITY* or by telephone at **(860) 276-6225 no later than 12:00 Noon on Tuesday, July 25, 2017.**

An Official Statement has not been prepared by or on behalf of the Issuer for this sale. The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission.

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Town of Southington, Connecticut as of June 30, 2016. These excerpts are included in this package. Copies of the complete reports for June 30th are available upon request from Phoenix Advisors, LLC, Attention: Matthew Spoerndle, Senior Managing Director, 53 River Street, #1, Milford, Connecticut 06460, telephone (203) 878-4945.

We trust we may be of service.

PHOENIX ADVISORS, LLC



Note Sale Term Sheet
\$8,000,000
General Obligation Bond Anticipation Notes
Town of Southington, Connecticut

Date of Sale: Tuesday, July 25, 2017 at 12:00 Noon (EDT).

Location of Sale: Office of the Town Manager, Town Hall, 75 Main Street, Southington, Connecticut 06489. Telephone: (860) 276-6225.

Issuer: Town of Southington, Connecticut (the "Town").

Issue: \$8,000,000 General Obligation Bond Anticipation Notes, Issue of 2016 (the "Notes").

Dated Date: August 1, 2017

Principal Due: At maturity: April 30, 2018.

Interest Due: At maturity: April 30, 2018.

Purpose: The Note proceeds will be used to refinance maturing Notes originally issued to provide funds for various school and sewer projects.

Denominations: \$100,000 or integral multiples thereof.

Redemption: The Notes are NOT subject to redemption prior to maturity.

Security: The Notes 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 Notes when due.

Credit Rating: No application was made to any rating agency for a rating on the Notes. The Town's most recent General Obligation Bonds, Issue of 2016 were rated "AA+" rating from Standard & Poor's Corporation.

Bond Insurance: The Town does not expect to purchase a credit enhancement facility.

Basis of Award: Lowest Net Interest Cost (NIC), as of the dated date.

Tax Exemption: See "Opinion of Bond Counsel and Tax Exemption" herein.

Bank Qualification: The Notes 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 Notes.

Registrar, Transfer Agent, Certifying Agent, and Paying Agent: Unless the successful bidder is designated as such as provided under "Option for No Book Entry" in the Notice of Sale, U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

Financial Advisor: Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 878-4945.

Legal Opinion: Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.

Delivery and Payment: It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company, or if in non-book entry form, to the purchaser, on or about August 1, 2017. Delivery of the Notes will be made against payment in Federal Funds.

Option for No Book Entry: A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book entry form through the facilities of the Depository Trust Company. See "Option for No Book Entry" in the Notice of Sale.

Issuer Official: Questions should be addressed to Ms. Emilia C. Portelinha, Director of Finance, Town of Southington, Town Hall, 75 Main Street, Southington, Connecticut 06489. Telephone (860) 276-6225.

NOTICE OF TELEPHONE AND PARITY® SALE
\$8,000,000
Town of Southington, Connecticut
Bond Anticipation Notes
(BOOK-ENTRY)

TELEPHONE PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Southington, Connecticut until **12:00 Noon Eastern Time on TUESDAY,**

JULY 25, 2017

for the purchase of \$8,000,000 Bond Anticipation Notes of the Town of Southington, dated August 1, 2017, maturing on April 30, 2018 (the "Notes").

The Town will designate the Notes 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.

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except 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.

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Option For No Book Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form,

or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal, and, at the option of the bidder, may include a premium. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received on behalf of the Town by telephone call to Emilia Portelinha, Director of Finance, Town of Southington, Office of the Town Manager, Town Hall, 75 Main Street, Southington, Connecticut at (860) 276-6225.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021, email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of PARITY® is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. By submitting a bid for the Notes via PARITY®, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.**

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Basis of Award. As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town's Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's Municipal Advisor.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "Competitive Sale Requirements") because:

- (1) the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Notes (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The Town will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the Town the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Notes of that maturity or the sale of all Notes of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “Public” means any person other than an Underwriter or a Related Party,
- (ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),
- (iii) a purchaser of any of the Notes is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) "Sale Date" means the date that the Notes are awarded by the Town to the winning bidder.

Certifying and Paying Agent. Unless the successful bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book Entry" above, the Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut, which will also act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, 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, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes 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 the Notes are "qualified tax-exempt obligations"; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes 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.

No Continuing Disclosure or Official Statement. Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Town will not provide an official statement nor enter into a Continuing Disclosure Agreement with respect to the Notes.

CUSIP Numbers. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on August 1, 2017.

[Remainder of page intentionally left blank]

More Information. For more information regarding this issue and the Town reference is made to the Town's financial statements. Copies of the Town's financial statements may be obtained from Mr. Matthew A. Spoerndle, Phoenix Advisors, LLC (the Town's municipal advisor (the "Municipal Advisor")), 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 878-4945) or from Ms. Emilia Portelinha, Director of Finance, Town of Southington, Town Hall, 75 Main Street, Southington, Connecticut 06489 (telephone: (860) 276-6222).

GARRISON C. BRUMBACK,
Town Manager

EMILIA PORTELINHA,
Director of Finance

JOYCE WILLIAMS,
Treasurer

July 18, 2017

**APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE**

Competitive Sale Requirements Satisfied

**TOWN SOUTHTON, CONNECTICUT
\$8,000,000 BOND ANTICIPATION NOTES, DATED AUGUST 1, 2017**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter (“Underwriter Short Name”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Notes”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by Underwriter Short Name are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Notes used by Underwriter Short Name in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Notes.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Notes.

2. ***Defined Terms.***

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is July 25, 2017.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

(e) *Issuer* means the Town of Southington, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the

Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2017

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

[Remainder of page intentionally left blank]

Competitive Sale Requirements Not Satisfied - 10% Test Applied

**TOWN OF SOUTHLINGTON, CONNECTICUT
\$8,000,000 BOND ANTICIPATION NOTES, DATED AUGUST 1, 2017**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter (“Underwriter Short Name”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”).

1. **Sale of the Notes.** As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. **Defined Terms.**

(a) “*Issuer*” means the Town of Southington, Connecticut.

(b) “*Maturity*” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2017

Attachment:

**SCHEDULE A
SALE PRICES**

[Remainder of page intentionally left blank]

TOWN OF SOUTHLINGTON, CONNECTICUT
\$8,000,000 BOND ANTICIPATION NOTES
DATED AUGUST 1, 2017; MATURING APRIL 30, 2018
APPENDIX - OPINION OF BOND COUNSEL AND TAX EXEMPTION

The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in any information distributed in connection with the note issue (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 Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Notes 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 \$8,000,000 Bond Anticipation Notes, dated as of August 1, 2017.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that the Town of Southington is authorized to issue the Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes 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 Notes 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 Notes 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 Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Notes 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 Notes will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Notes 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 Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Notes are not "private activity bonds" and interest on the Notes 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 Notes 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 Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes 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 Notes 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 Notes. Failure to comply with any of these requirements may cause the interest on the Notes 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 Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Notes, 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 Notes 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 Notes are not "private activity bonds" so that interest on the Notes 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 Notes 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 Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, 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 Notes 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 Notes, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Notes 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 Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Notes 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 PREMIUM.

The initial public offering price of certain of the Notes may be greater than the amount payable on the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. An owner who purchases a note with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the note for federal income tax purposes. Owners of Notes having original issue premium, and especially any owner who is not an original owner of a note who bought the note 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 notes.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Notes will not have an effect on the federal tax status or the market price of the Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Notes, 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 Notes 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 Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, 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 Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

TOWN OF SOUTHLINGTON, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Annual Financial Report of
The Town of Southington, Connecticut
Year Ended June 30, 2016

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Southington, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Southington, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Southington, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southington, Connecticut, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2016, the Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note 13 to the financial statements, during the fiscal year ended June 30, 2016, prior period adjustments were made with respect to the Town's participation in the State of Connecticut Municipal Employees' Retirement System. The System changed its method of accounting for receivables and the Town recognized the amount payable to the System for prior service costs. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the budgetary comparison information on pages 60 through 72 and the pension schedules on pages 73 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Town of Southington, Connecticut as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 23, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2015 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016 on our consideration of the Town of Southington, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Southington, Connecticut's internal control over financial reporting and compliance.



West Hartford, Connecticut
December 23, 2016

**TOWN OF SOUTHLINGTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. 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 position at the close of the fiscal year of \$226.5 million. Total net position for governmental activities at fiscal year-end were \$173.6 million and total net position for business-type activities were \$52.8 million.
- On a government-wide basis, during the year, the Town's net position increased by \$16.2 million or 7.7% from \$210.2 million to \$226.5 million. Net position increased by \$10.9 million for governmental activities and increased by \$5.3 million for business-type activities. Governmental activities expenses and transfers out were \$158.7 million, while revenues were \$169.6 million.
- At the close of the year, the Town's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$35.7 million, an increase of \$6.5 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 \$20.5 million, an increase of \$1.4 million from the prior fiscal year. Of the total fund balance \$19.7 million represents unassigned fund balance. The unassigned General Fund balance at year-end represents 13.1% of total General Fund revenues (150.1 million), an increase of 0.7% from last year.
- The tax collection rate was 98.86% of the current levy, slightly higher than last year's rate of 98.84%.

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 position presents information on all of Southington's assets and liabilities, with the difference reported as net position. One can think of the Town's net position - the difference between assets and liabilities - as one way to measure the Town's financial health or financial position. Over time, increases or decreases in net position 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 position 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 position 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 31 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, Sewer Assessment Fund, and the Debt Service Fund all of which are considered to be major funds. Data from the other 27 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 an internal service fund 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 three agency funds: the Student Activity Fund, the Escrow Deposit Fund and the C-Pace Program 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 27 through 59 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 73 through 76 of this report.

Government-Wide Financial Analysis

As noted earlier, net position 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 \$226.5 million on June 30, 2016. Governmental activities assets exceeded liabilities by \$173.6 million.

Business-type activities assets exceeded liabilities by \$52.8 million.

TABLE 1
NET POSITION
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 67,347	\$ 68,446	\$ 5,017	\$ 3,109	\$ 72,364	\$ 71,555
Capital assets, net of accumulated depreciation	288,152	272,871	48,515	45,324	336,667	318,195
Total assets	<u>355,499</u>	<u>341,317</u>	<u>53,532</u>	<u>48,433</u>	<u>409,031</u>	<u>389,750</u>
Deferred outflows of resources	6,733	5,577	139	113	6,872	5,690
Long-term debt outstanding	171,696	162,375	556	394	172,252	162,769
Other liabilities	16,860	17,344	267	477	17,127	17,821
Total liabilities	<u>188,556</u>	<u>179,719</u>	<u>823</u>	<u>871</u>	<u>189,379</u>	<u>180,590</u>
Deferred inflows of resources	49	4,460	-	134	49	4,594
Net Position:						
Net Investment in capital asset	155,774	143,966	48,515	45,324	204,289	189,290
Restricted	114	705			114	705
Unrestricted	<u>17,739</u>	<u>18,044</u>	<u>4,333</u>	<u>2,217</u>	<u>22,072</u>	<u>20,261</u>
Total Net Position	<u>\$ 173,627</u>	<u>\$ 162,715</u>	<u>\$ 52,848</u>	<u>\$ 47,541</u>	<u>\$ 226,475</u>	<u>\$ 210,256</u>

By far the largest portion of the Town's net position 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.

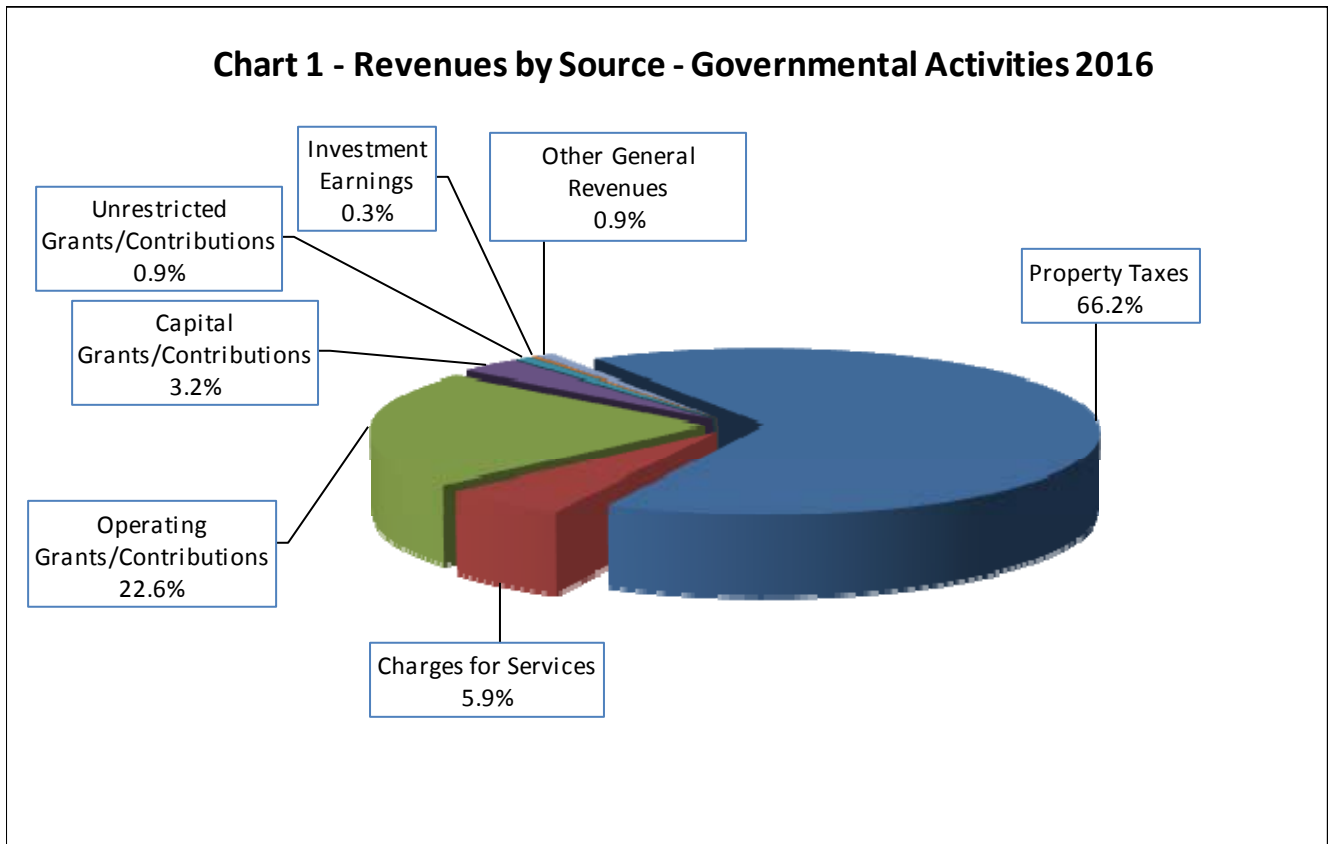
**TABLE 2
CHANGES IN NET POSITION
In Thousands**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 9,996	\$ 8,953	\$ 5,708	\$ 5,710	\$ 15,704	\$ 14,663
Operating grants and contributions	38,290	37,636			38,290	37,636
Capital grants and contributions	5,439	18,417	4,761	193	10,200	18,610
General revenues:						
Property taxes	112,320	107,729			112,320	107,729
Grants and contributions not restricted to specific purposes	1,509	1,626			1,509	1,626
Unrestricted investment earnings	521	351			521	351
Other general revenue	1,525	2,309			1,525	2,309
Total revenues	<u>169,600</u>	<u>177,021</u>	<u>10,469</u>	<u>5,903</u>	<u>180,069</u>	<u>182,924</u>
Program expenses:						
General government	3,236	4,911			3,236	4,911
Public safety	20,184	20,590			20,184	20,590
Public works	15,777	12,828			15,777	12,828
Health and welfare	749	804			749	804
Human services	1,388	1,699			1,388	1,699
Parks and recreation	2,073	2,468			2,073	2,468
Public library	2,105	2,012			2,105	2,012
Planning and development	1,454	1,399			1,454	1,399
Education	108,892	109,074			108,892	109,074
Interest on long-term debt	2,830	2,954			2,830	2,954
Sewer			5,162	5,500	5,162	5,500
Total program expenses	<u>158,688</u>	<u>158,739</u>	<u>5,162</u>	<u>5,500</u>	<u>163,850</u>	<u>164,239</u>
Excess (deficiency) before transfers	10,912	18,282	5,307	403	16,219	18,685
Transfers	-	(1,250)	-	1,250	-	-
Increase (Decrease) in Net Position	<u>\$ 10,912</u>	<u>\$ 17,032</u>	<u>\$ 5,307</u>	<u>\$ 1,653</u>	<u>\$ 16,219</u>	<u>\$ 18,685</u>

The Town's net position increased by \$16.2 million during the fiscal year, with net position of governmental activities increasing \$10.9 million and business-type activities increasing by \$5.3 million. The total cost of all programs and services was \$163.9 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

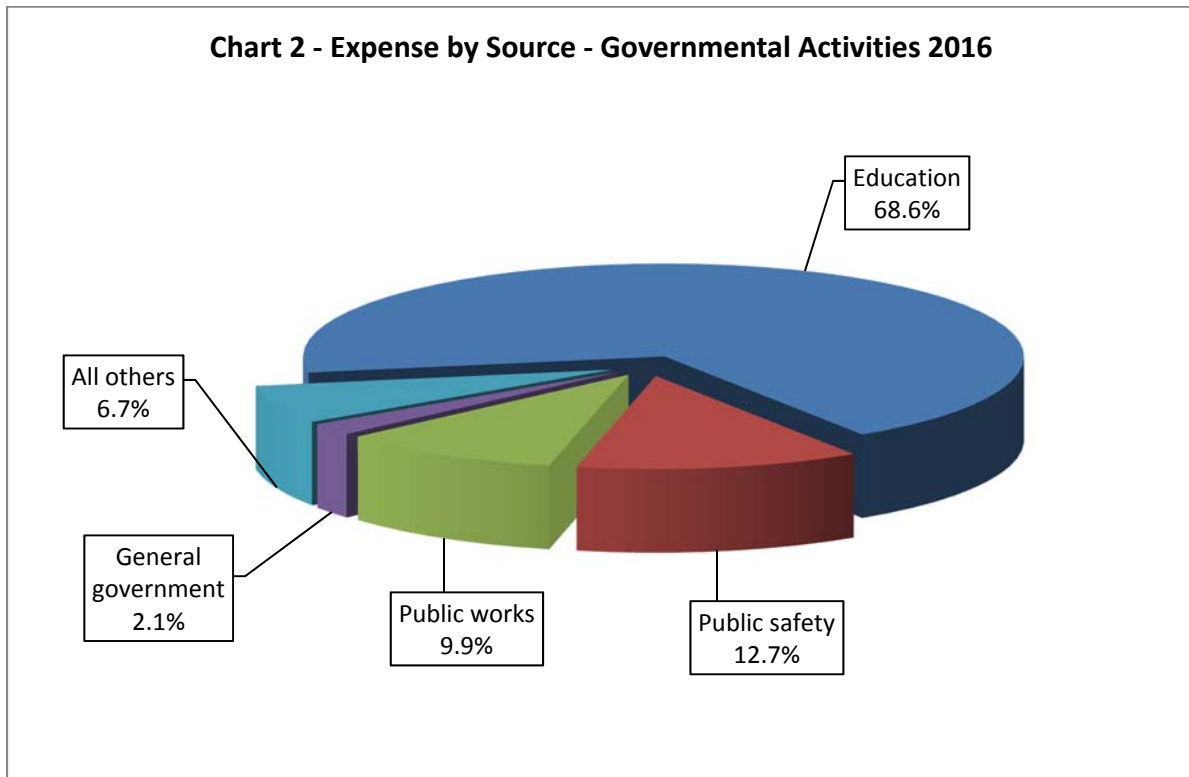
Approximately 66.2% of the revenues were derived from property taxes, followed by 22.6% from operating grants and contributions, 5.9% from charges for services, 3.2% from capital grants and contributions, 0.9% from unrestricted grants and contributions, 0.9% from miscellaneous revenue, and 0.3% from investment earnings.



Major revenue factors include:

- Property tax revenue increased by \$4.6 million or 4.3% over last year. The increase is attributable to a 1.46% increase in the grand list (\$54.9 million), an increase in the mill rate from 28.36 to 29.14 or 0.78, and an increase in prior year's tax collections and interest on taxes.
- Capital Grants and Contributions decreased by \$13 million from \$18.4 million in fiscal year 2015 to \$5.4 million in fiscal year 2016. This decrease is due to less school construction grants received from the State of Connecticut for the Middle Schools Renovation Project in fiscal year 2016 than in fiscal year 2015.
- Charges for Services increased by \$1 million or 11.7% mostly due to an increase of \$660 thousand in Police Extra Duty Services.

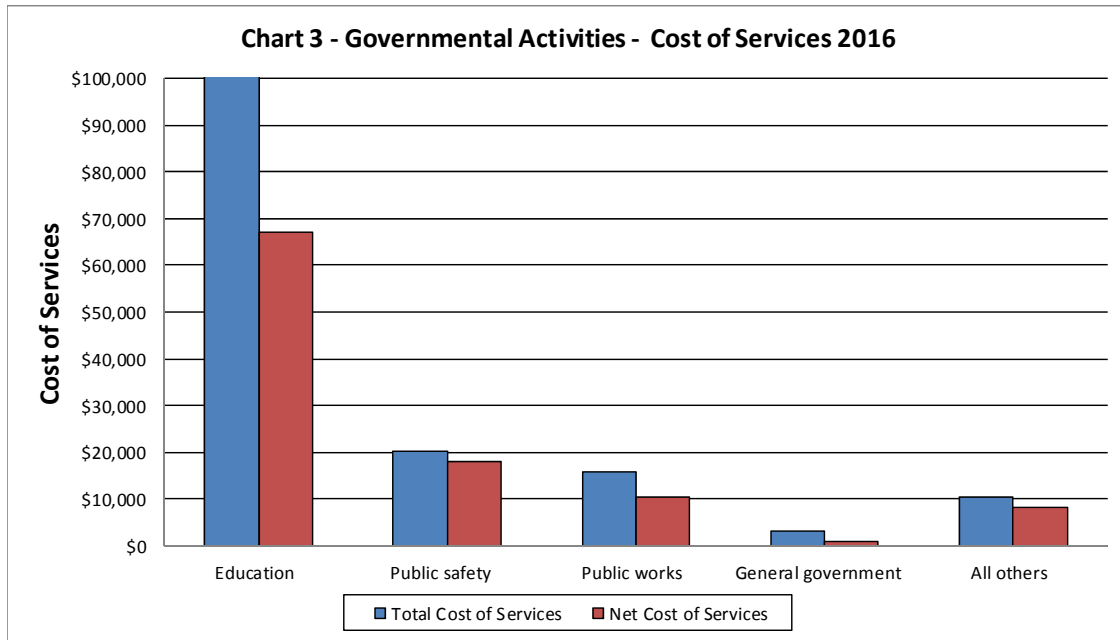
For governmental activities, 68.6% of the Town's expenses related to education. Public safety accounted for 12.7%, public works accounted for 9.9% and general government accounted for 2.1% of expenses. The remaining 6.7% related to health and welfare, human services, parks and recreation, public library, planning and development and interest on long-term debt.



Major expense factors include:

- Although the cost of Public Works Services increased by \$2.9 million and the General Government Services decreased by \$1.7 million with other Town functions experiencing smaller decreases, this was mostly due to functionalizing capital outlay and the reclassification of un-depreciable assets. Overall the Total Cost of Services remained flat.
- The cost of Education Services increased \$1.1 million due to higher operating costs, benefit costs, and special education, but was offset by the \$1.3 million increase in the State of Connecticut's TRB Contribution netting a \$182 thousand decrease.

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Education	\$ 108,892	\$ 109,074	\$ (67,099)	\$ (56,290)
Public safety	20,184	20,590	(18,157)	(19,253)
Public works	15,777	12,828	(10,382)	(6,494)
General government	3,236	4,911	(941)	(2,414)
All others	10,599	11,336	(8,384)	(9,282)
Totals	\$ 158,688	\$ 158,739	\$ (104,963)	\$ (93,733)



Business-Type Activities

Business-type activities (see Table 2) increased the Town’s net position by \$5.3 million primarily due to a \$3.4 million increase in the capital assets paid for and transferred from the Governmental Activities in fiscal year 2016, which is now reflected on Table 2 as a Capital contribution to the Business - Type Activities.

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, 2016, the Town’s governmental funds reported combined ending fund balances of \$35.7 million, an increase of \$6.5 million from last year’s fund balance of \$29.2 million.

General Fund

The General Fund is the primary operating fund of the Town. As of June 30, 2016, unassigned fund balance increased by \$1.9 million to \$19.7 million in the General Fund, while total fund balance increased \$1.4 million to \$20.5 million.

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

- Property tax revenues exceeded budget estimates by approximately \$231 thousand. The surplus is due to the collection rate and the successful efforts of the Town to collect on delinquent taxes.

- Several departments had aggregate cost savings creating the \$1.3 million expenditure under budget. Of this amount, \$598 thousand was assigned to fiscal year 2017 for purchases on order.
- The Town had a balance available in contingency of \$606 thousand at the end of the fiscal year.

Capital Projects

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects. The major sources of revenues for this fund are capital grants and the proceeds from the issuance of general obligation bonds. As of June 30, 2016, the fund balance in the Capital Projects Fund increased by \$2.9 million to \$5.5 million. During the fiscal year \$22.6 million was expended for asset acquisition and improvements, mostly for major renovations to the Town's two middle schools, the WPC Sludge / Odor Control Process, road improvements and various other projects. The Town received intergovernmental grants of \$4.2 million, sold \$17.2 million of General Obligation Bonds and transferred \$3.5 million in from the General Fund to fund these projects.

Sewer Assessments Fund

The Sewer Assessment Fund accounts for the collection of sewer assessments levied against properties connected to the Town's sewer system. These funds are then utilized to pay the debt service on the capital projects that were assessed. As of June 30, 2016, committed fund balance in the Sewer Assessment Fund decreased by \$23 thousand to \$948 thousand, because the debt service paid was more than the revenue collected in this fiscal year.

Debt Service Fund

The Debt Reserve Fund is used to account for and report financial resources that are restricted, committed or assigned to pay principal and interest. As of June 30, 2016, committed fund balance increased by \$1.5 million to \$5.4 million because the settlements and rebates of \$1.5 million, and \$708 thousand of bond premium received in the fiscal year was more than the \$750 thousand expended on debt service.

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 position of the Sewer Fund at year-end totaled \$52.8 million. Unrestricted net position was \$4.3 million, an increase of \$2.1 million. The Sewer Fund experienced a gain of \$5.3 million mostly due to the \$4.7 million of capital assets contributed from the Capital Fund.

Net position of the Health Insurance Fund was \$4.5 million. The Internal Service Fund's unrestricted net position increased by \$728 thousand, from \$3.8 million. The Town's medical claims and fees came in \$983 lower than budgeted, and the IBNR came in \$255 thousand higher than at 2015 fiscal year-end.

General Fund Budgetary Highlights

The Town's adopted General Fund budget for 2015 - 2016 was \$138.3 million (\$137.4 million for expenditures plus \$868 thousand for contingency appropriations). In addition to the \$262 thousand which was appropriated from the Contingency Account, the Town appropriated \$1.7 million to the expenditure budget with corresponding revenue budget increases, and \$1.2 million was appropriated fiscal year 2015 purchases on order, for a total amended budget of \$141.3 million. The following lists the key changes to the budget during the year:

- \$1.2 million was appropriated for the amount of Fund Balance Assigned for Purchases on order at the end of fiscal year 2015.

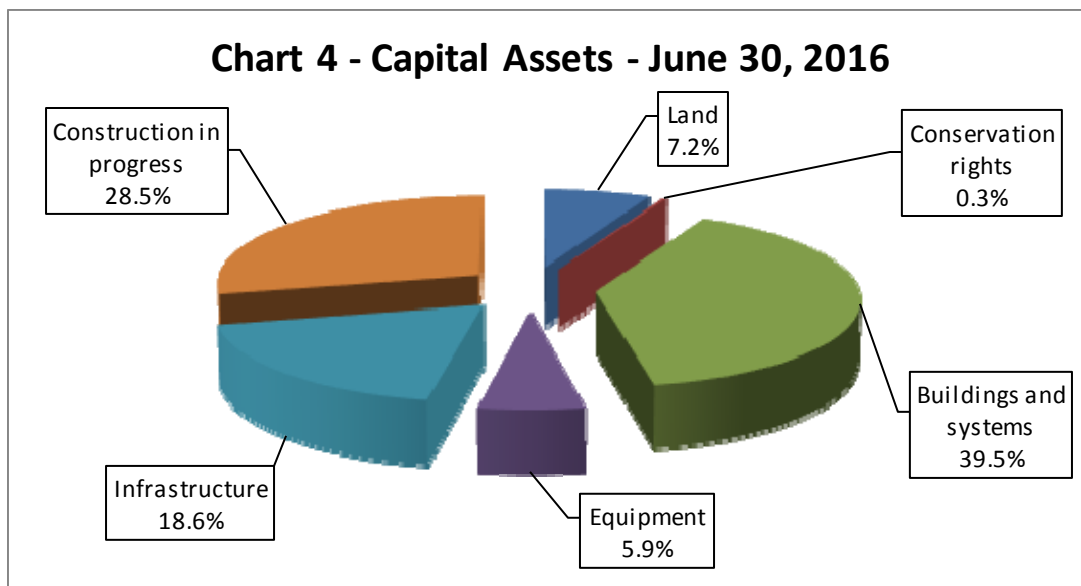
- \$92 thousand additional was appropriated to the Snow & Ice Department for overtime and program supplies due to the frequent icing events this winter season.
- \$410 thousand was appropriated to the Board of Education Operations for preschool and special education outside tuitions and rent revenues received.
- Savings from various departments and excess revenues were combined to cash fund \$1.8 million of future capital costs on the FY 2016-2017 CIP Plan:
 - \$200 thousand to Repair/Replace Sidewalks
 - \$200 thousand to enhance the Town GIS and Town-wide IT Infrastructure.
 - \$500 thousand to purchase Industrial Land
 - \$251 thousand for the Southington Library Roof and Engineering.
 - \$200 thousand to for Vehicle Replacements and a Highway Skid Loader.
 - \$414 thousand to continue the Parks Renovation Project.

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, 2016 totaled to \$336.5 million, net of accumulated depreciation. This investment in capital assets includes land, conservation rights, buildings, vehicles and equipment, roads and sewer lines. This amount represents a net increase (including additions and deductions) of \$18.2 million or a 5.7% increase over last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 24.1	\$ 23.1	\$	\$	\$ 24.1	\$ 23.1
Conservation rights	1.0				1.0	
Buildings and systems	85.2	61.2	47.8	44.6	133.0	105.8
Equipment	19.4	8.2	0.6	0.7	20.0	8.9
Infrastructure	62.5	54.4			62.5	54.4
Construction in progress	95.9	126.1			95.9	126.1
Totals	\$ 288.1	\$ 273.0	\$ 48.4	\$ 45.3	\$ 336.5	\$ 318.3



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

Governmental Activities:

- Construction in progress for DePaolo and Kennedy Middle Schools of \$7.5 million.
- Purchase of Open Space and Conservation Rights of \$2.0 million.
- Construction in progress for various Road Rehabilitation and Reconstruction Projects of \$5.5 million.

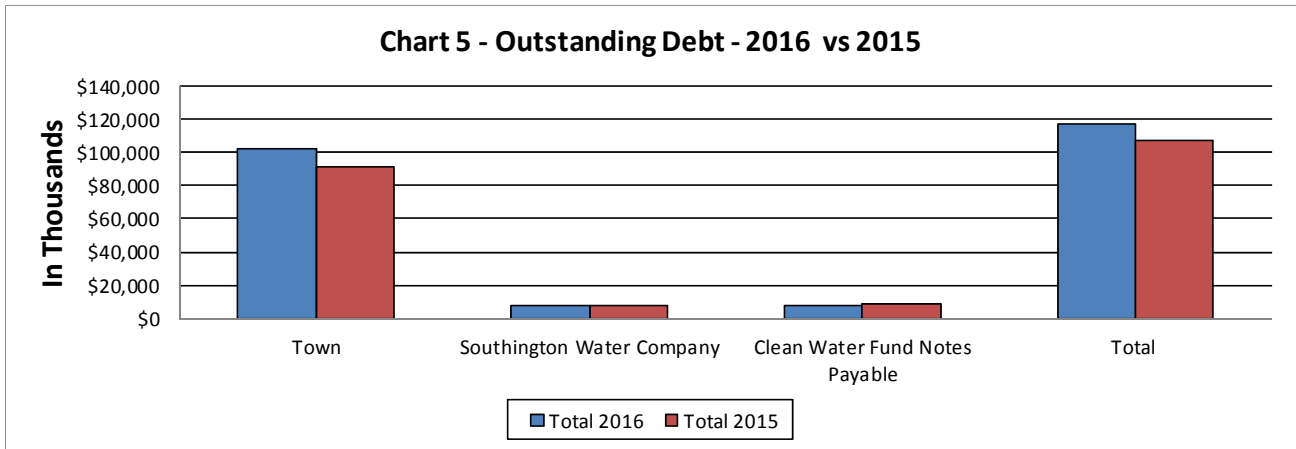
Business-Type Activities:

- Concluding construction of the WPC Sludge / Odor Control System for \$3.0 million.
- Partial design of WPC Upgrade and Renovation for \$911 thousand.

The Town’s fiscal year 2016 - 2017 Capital Budget includes another \$1.3 million for the following capital projects: Fire Equipment, Public Safety Radio System, and Road Projects paid through LOCIP and Town Aid Roads.

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 outstanding long-term debt of \$117.6, of which total Town bonded debt outstanding was \$102.4 million. All the bonded debt is backed by the full faith and credit of the Town government.



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

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds:						
Town	\$ 102,354	\$ 90,860	\$ -	\$ -	\$ 102,354	\$ 90,860
Southington Water Company	7,310	7,950	-	-	7,310	7,950
Clean Water Fund Notes Payable	7,958	8,526	-	-	7,958	8,526
Total	\$ 117,622	\$ 107,336	\$ -	\$ -	\$ 117,622	\$ 107,336

The Town of Southington’s total debt outstanding increased by \$10.3 million or 9.6% during the 2015 - 2016 fiscal year. The increase is due to a bond sale in January 2016 of \$17.2 million of General Obligation Bonds.

The projects bonded for the Town were: \$12 million for the Middle Schools Project, \$4.2 million for Road and Bridge Improvements (2014) and \$1.0 million for Land Acquisition and Development Rights. The Town's bond sale resulted in the Town receiving a bond premium of \$708 thousand that has been set-aside in the Debt Reserve Fund to smooth future debt payments.

In January 2016, Standard and Poor's Rating Agency reaffirmed Southington's rating at AA+/Stable Outlook. Within the report, S&P referenced the Towns "Strong management conditions...with good financial policies and practices", "Strong budget flexibility", "Very strong economy" and "Very strong liquidity" among the factors influencing the Town's high credit rating. The "AA+" rating is only one notch away from the highest bond rating (AAA) awarded by S&P.

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 \$784.0 million. As of June 30, 2016, the Town recorded long-term debt of \$141.0 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, 2016 was 5.0%, a .7% increase from the same time last year. After six years ranging from 6.4% to 8%, the Town's unemployment rate has finally dropped to closer to the fiscal year 2008 level of 4.7% the Town experienced before the start of this recession.

The Town's unemployment rate compares favorably to the 5.9% for the State of Connecticut and is slightly higher than the 4.9% national rate. The unemployment rates continue to be a major concern nationwide as we draw out of this recessionary environment.

Elected and appointed officials considered these factors, among others, when setting the fiscal year 2016 - 2017 General Fund budget and tax rates.

As previously stated, the General Fund total fund balance increased from \$19.1 million at June 30, 2015 to \$20.5 million at June 30, 2016. Of this \$20.5 million General Fund balance, \$33 thousand was nonspendable due to form (inventory accounts), \$146 thousand was committed for Farm Heritage start-up costs, and \$598 thousand was assigned for purchases on order, leaving an unassigned fund balance of \$19.7 million in the General Fund at June 30, 2016. The Town feels that the \$19.7 million in the unassigned fund balance places the Town in a strong position to withstand unexpected events, and still have flexibility to cash fund additional Capital Projects.

The Town adopted a General Fund budget of \$141.4 million for 2016 - 2017 compared to an adopted budget of \$138.3 million for 2015-2016. This budget is \$3.1 million or 2.3% higher than the fiscal year 2015 - 2016 budget. Of this amount, the Board of Education budget increased \$2.1 million or 2.4%, the Town operating budget increased \$1.0 million or 2.1%.

Costs of the Town's business-type activities, accounted for in the Sewer Operating Fund, are expected to decrease by 4.1% to \$5.5 million by 4.1% for fiscal year 2016 - 2017. After the sewer rate changes of July 2014, the fund is generating sufficient revenue to cover the expenditures of the fund, so the sewer fixed rates were slightly decreased for fiscal year 2016 - 2017.

The Town hired Tighe & Bond Inc. to put together a Facilities Plan to review the current systems in an effort to gain better efficiencies in the Sewer's Operations. This project includes upgrade possibilities at the plant, as well as process improvements such as phosphorus removal and sludge digestion, as well as a sewer rate plan.

Town residents approved the \$57.1 million dollar Bond Ordinance for Water Pollution Control Facility Upgrade at referendum on November 2016.

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, P.O. Box 610, 75 Main Street, Southington, Connecticut 06489 or visit Southington's website at www.Southington.org

Basic Financial Statements

TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2016
(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 39,462	\$ 3,694	\$ 43,156
Investments	10,858		10,858
Receivables, net	16,933	1,323	18,256
Inventory	94		94
Capital assets:			
Assets not being depreciated	120,966	39	121,005
Assets being depreciated, net	167,186	48,476	215,662
Total assets	<u>355,499</u>	<u>53,532</u>	<u>409,031</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	1,492		1,492
Pension contributions made subsequent to the measurement date	3,953	97	4,050
Changes in projected pension investment earnings	1,288	42	1,330
Total deferred outflows of resources	<u>6,733</u>	<u>139</u>	<u>6,872</u>
Liabilities:			
Accounts and other payables	10,639	230	10,869
Other current liabilities		37	37
Bond anticipation notes	6,000		6,000
Unearned revenue	221		221
Noncurrent liabilities:			
Due within one year	11,903		11,903
Due in more than one year	159,793	556	160,349
Total liabilities	<u>188,556</u>	<u>823</u>	<u>189,379</u>
Deferred Inflows of Resources:			
Advance tax collections	49		49
Net Position:			
Net investment in capital assets	155,774	48,515	204,289
Restricted for:			
Trust purposes:			
Expendable	89		89
Nonexpendable	25		25
Unrestricted	17,739	4,333	22,072
Total Net Position	<u>\$ 173,627</u>	<u>\$ 52,848</u>	<u>\$ 226,475</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHBINGTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 3,236	\$ 2,269	\$ 26	\$	\$ (941)	\$	\$ (941)
Public safety	20,184	1,887	140		(18,157)		(18,157)
Public works	15,777	2,197	1,037	2,161	(10,382)		(10,382)
Health and welfare	749	4	571		(174)		(174)
Human services	1,388	93	191	41	(1,063)		(1,063)
Parks and recreation	2,073	328	37		(1,708)		(1,708)
Public library	2,105	26	13		(2,066)		(2,066)
Planning and development	1,454	911			(543)		(543)
Education	108,892	2,281	36,275	3,237	(67,099)		(67,099)
Interest on long-term debt	2,830				(2,830)		(2,830)
Total governmental activities	<u>158,688</u>	<u>9,996</u>	<u>38,290</u>	<u>5,439</u>	<u>(104,963)</u>	<u>-</u>	<u>(104,963)</u>
Business-type activities:							
Sewer	5,162	5,708		4,761		5,307	5,307
Total	<u>\$ 163,850</u>	<u>\$ 15,704</u>	<u>\$ 38,290</u>	<u>\$ 10,200</u>	<u>(104,963)</u>	<u>5,307</u>	<u>(99,656)</u>
General revenues:							
Property taxes					112,320		112,320
Grants and contributions not restricted to specific programs					1,509		1,509
Unrestricted investment earnings					521		521
Miscellaneous revenue					1,525		1,525
Total general revenues					<u>115,875</u>	<u>-</u>	<u>115,875</u>
Change in net position					10,912	5,307	16,219
Net Position at Beginning of Year, as Restated					<u>162,715</u>	<u>47,541</u>	<u>210,256</u>
Net Position at End of Year					<u>\$ 173,627</u>	<u>\$ 52,848</u>	<u>\$ 226,475</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHLINGTON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(In Thousands)

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessments</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 12,310	\$ 11,207	\$ 958	\$ 5,369	\$ 3,426	\$ 33,270
Investments	10,534				324	10,858
Receivables, net	3,262	3,424	1,441		617	8,744
Due from other funds					46	46
Inventories	33				59	92
Total Assets	<u>\$ 26,139</u>	<u>\$ 14,631</u>	<u>\$ 2,399</u>	<u>\$ 5,369</u>	<u>\$ 4,472</u>	<u>\$ 53,010</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 3,343	\$ 3,137	\$ 14		\$ 856	\$ 7,350
Bond anticipation notes payable		6,000				6,000
Due to other funds	46					46
Unearned revenue					221	221
Total liabilities	<u>3,389</u>	<u>9,137</u>	<u>14</u>	<u>-</u>	<u>1,077</u>	<u>13,617</u>
Deferred Inflows of Resources:						
Advance property tax collections	49					49
Unavailable revenue - property taxes	2,186					2,186
Unavailable revenue - special assessments			1,437			1,437
Total deferred inflows of resources	<u>2,235</u>	<u>-</u>	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>3,672</u>
Fund balances:						
Nonspendable	33				84	117
Restricted					783	783
Committed	146	5,494	948	5,369	2,528	14,485
Assigned	598					598
Unassigned	19,738					19,738
Total fund balances	<u>20,515</u>	<u>5,494</u>	<u>948</u>	<u>5,369</u>	<u>3,395</u>	<u>35,721</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,139</u>	<u>\$ 14,631</u>	<u>\$ 2,399</u>	<u>\$ 5,369</u>	<u>\$ 4,472</u>	<u>\$ 53,010</u>

(Continued on next page)

TOWN OF SOUTHTON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016
(In Thousands)

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

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

Fund balances - total governmental funds	\$	35,721
--	----	--------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	408,220	
Less accumulated depreciation		<u>(120,068)</u>	
Net capital assets			288,152

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

Property tax receivables greater than 60 days	2,186
Interest receivable on property taxes	834
Assessments receivable greater than 60 days	1,437
Interest receivable on assessments	47
Deferred amount in refunding	1,492
Long term receivable	7,310
Deferred outflows related to projected pension investment earnings	1,288
Deferred outflows related to pension contributions subsequent to the measurement date	3,953

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

4,501

Long-term liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(117,622)
MERS prior service costs	(21)
Premium on issuance	(4,300)
Interest payable on bonds and notes	(1,598)
Compensated absences	(7,477)
Capital lease	(13,258)
OPEB liability	(11,314)
Heart and Hypertension	(7,379)
Net pension liability	(10,270)
Landfill closure	<u>(55)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>173,627</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, 2016
(In Thousands)

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessments</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 111,979	\$	\$	\$	\$	\$ 111,979
Intergovernmental	33,321	4,229			6,537	44,087
Charges for services	3,491		223		5,608	9,322
Income on investments	491		27		2	520
Other revenues	825	550		1,524	248	3,147
Total revenues	<u>150,107</u>	<u>4,779</u>	<u>250</u>	<u>1,524</u>	<u>12,395</u>	<u>169,055</u>
Expenditures:						
Current:						
General government	4,545				8	4,553
Public safety	12,278				1,932	14,210
Public works	4,693				2,451	7,144
Health and welfare	643				9	652
Human services	876				150	1,026
Parks and recreation	1,917				372	2,289
Public library	1,517				39	1,556
Planning and development	1,037					1,037
Employee fringe benefits	9,519					9,519
Education	99,479				7,024	106,503
Debt and sundry	8,405		273	750		9,428
Capital outlay	493	22,557				23,050
Total expenditures	<u>145,402</u>	<u>22,557</u>	<u>273</u>	<u>750</u>	<u>11,985</u>	<u>180,967</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,705</u>	<u>(17,778)</u>	<u>(23)</u>	<u>774</u>	<u>410</u>	<u>(11,912)</u>
Other Financing Sources (Uses):						
Issuance of general obligation bonds		17,200				17,200
Premium on general obligation bonds				708		708
Issuance of capital leases	493					493
Transfers in	40	3,534		64	296	3,934
Transfers out	(3,830)	(64)			(40)	(3,934)
Total other financing sources (uses)	<u>(3,297)</u>	<u>20,670</u>	<u>-</u>	<u>772</u>	<u>256</u>	<u>18,401</u>
Net Change in Fund Balances	1,408	2,892	(23)	1,546	666	6,489
Fund Balances at Beginning of Year	<u>19,107</u>	<u>2,602</u>	<u>971</u>	<u>3,823</u>	<u>2,729</u>	<u>29,232</u>
Fund Balances at End of Year	<u>\$ 20,515</u>	<u>\$ 5,494</u>	<u>\$ 948</u>	<u>\$ 5,369</u>	<u>\$ 3,395</u>	<u>\$ 35,721</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, 2016
(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)	\$ 6,489
---	----------

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	26,060
Depreciation expense	(10,742)

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.	(37)
--	------

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:

Long term receivable receipts	(640)
Property tax receivable - accrual basis change	196
Property tax interest and lien revenue - accrual basis change	144
Sewer assessment receivable-accrual basis change	(104)
Sewer assessment interest and lien revenue - accrual basis change	3
Changes to deferred outflows related to projected investment returns	1,288
Change in deferred outflows related to contributions made subsequent to the measurement date	(89)

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

Issuance of general obligation bonds	(17,200)
Premiums on long term debt	(708)
Bond principal payments	6,346
Note principal payments	568
Issuance of capital leases	(493)
Capital lease principal payments	832
Accrued interest	(235)
Amortization of prior service costs	3
Amortization of deferred charge on refunding	(43)
Amortization of bond premiums	330

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	43
Net pension liability	(4,772)
OPEB obligation	(1,617)
Heart and hypertension	313
Landfill post closure care and settlement	25
Changes to deferred inflows related to projected investment returns	4,224

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.	<u>728</u>
---	------------

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 10,912</u>
--	------------------

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016
(In Thousands)

	Business-Type Activities	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Assets:		
Current:		
Cash and cash equivalents	\$ 3,694	\$ 6,192
Accounts and other receivables	1,323	
Total current assets	<u>5,017</u>	<u>6,192</u>
Capital assets, net	48,515	
Total assets	<u>53,532</u>	<u>6,192</u>
Deferred Outflows of Resources:		
Changes related to projected investment earnings	42	
Pension contributions made subsequent to the measurement date	97	
Total deferred outflows of resources	<u>139</u>	<u>-</u>
Liabilities:		
Current:		
Accounts and other payables	230	1,691
Other accrued liabilities	37	
Noncurrent liabilities:		
Net pension liability	556	
Total liabilities	<u>823</u>	<u>1,691</u>
Net Position:		
Investment in capital assets	48,515	
Unrestricted	4,333	4,501
Total Net Position	<u>\$ 52,848</u>	<u>\$ 4,501</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)**

	Business-Type Activities	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Fund premiums	\$	\$ 25,100
Charges for services	5,705	
Fines, penalties and interest	3	
Total operating revenues	<u>5,708</u>	<u>25,100</u>
Operating Expenses:		
Plant	2,967	
Benefits	259	23,199
Depreciation	1,666	
Administration and other	270	1,173
Total operating expenses	<u>5,162</u>	<u>24,372</u>
Income before Capital Grants and Contributions	546	728
Capital Grants and Contributions	<u>4,761</u>	
Change in Net Position	5,307	728
Net Position at Beginning of Year, as restated	<u>47,541</u>	<u>3,773</u>
Net Position at End of Year	<u>\$ 52,848</u>	<u>\$ 4,501</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHTON, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	<u>Business-Type Activities Sewer Enterprise Fund</u>	<u>Governmental Activities Internal Service Fund</u>
Cash Flows from Operating Activities:		
Cash received from customers and granting agencies	\$ 5,859	\$ 25,104
Cash received for premiums - Town departments and agencies		
Cash payments to suppliers for goods and services	(3,445)	
Cash payments to employees for services		
Cash payments to providers of benefits	(259)	(22,944)
Cash payments for service fees		(1,173)
Net cash provided by (used in) operating activities	<u>2,155</u>	<u>987</u>
Cash Flows from Capital Financing Activities:		
Capital Contributions	4,761	
Acquisition of capital assets	(4,857)	
Net cash provided by (used in) capital financing activities	<u>(96)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,059	987
Cash and Cash Equivalents at Beginning of Year	<u>1,635</u>	<u>5,205</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,694</u>	<u>\$ 6,192</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 546	\$ 728
Depreciation	1,666	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Increase in accounts receivable	151	4
Increase in due to other funds		
Increase (decrease) in accounts payable and accrued liabilities	(210)	255
Change in net pension liability and related deferrals	<u>2</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,155</u>	<u>\$ 987</u>
Noncash Capital Financing Activities:		
Capital assets transferred from governmental funds	<u>\$ 4,691</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016
(In Thousands)

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 1,619
Investments	<u>98</u>
Total assets	<u>\$ 1,717</u>
Liabilities:	
Fiduciary Deposits	<u>\$ 1,717</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(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 (the Water Company) operates the only water system in the Town. The operations of the Water Company benefit primarily Town residents. The 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 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 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 position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. 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.

TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(In Thousands)

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 sewer line extension projects within the Town. The major source of revenue is sewer assessments. The Town issues general obligation debt to fund capital improvements to sewer lines.

The Debt Service Fund accounts for the financial resources to be used to pay the interest and principal of long-term debt.

The Town reports the following as a major proprietary fund:

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

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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 and C-Pace program. They are custodial in nature and do not involve measurement of results of operation.

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.

TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(In Thousands)

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 statistical revaluation as of October 1, 2011. The Town's next revaluation with full inspections will be October 1, 2015. The assessed value for the Grand List of October 1, 2014, upon which the fiscal 2016 levy was based, was \$3.8 billion. A 29.14 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, 2016 and 2015 were 98.86% and 98.84%, 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

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

H. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources for advance property tax collections in the government-wide statement of net position and in the governmental funds. The advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. 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.

J. Net Pension Liability

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

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

K. Net OPEB Obligation

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the Town's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent assets and/or noncurrent liabilities, accordingly, in the government-wide financial statements.

L. 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 position. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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.

M. Fund Equity and Net Position

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

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. 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 Position

This category represents the net position of the Town which is restricted by externally imposed constraints placed on net position by grantors, contributors or laws and regulations of other governments.

Unrestricted Net Position

This category represents the net position of the Town which is 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).

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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). A resolution approved by the Board of Finance is required to modify or rescind a fund balance commitment.

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter. The Finance Director is authorized to assign fund balances through the carry forward of appropriations to a subsequent year pending approval from the Board of Finance.

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 unassigned fund balance, also known as accumulated surplus or the rainy day fund at 10% of actual year end general fund revenues. The 10% shall be known as the Town's "floor".

N. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 Town 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.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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. Through a charter revision question passed on November 5, 2013, the Town Manager has authorization to transfer within a department, not to exceed \$1,000. During the last three months of the fiscal year, the Town 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 Town 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 assignments of fund balance 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, \$2,990 of supplemental budgetary appropriations from the General Fund were made, \$1,745 from revised revenue estimates, and \$1,245 from continued appropriations from the prior year. Also, at year end \$598 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.”

**TOWN OF SOUTHLINGTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

(In Thousands)

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*, \$44,745 of the Town’s bank balance of \$46,088 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 40,151
Uninsured and collateral held by the pledging trust department, not in the Town’s name	<u>4,594</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 44,745</u></u>

**TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

Cash Equivalents

At June 30, 2016, the Town's cash equivalents amounted to \$57. 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 & Poor's</u>
National Financial Services* State Short-Term Investment Fund (STIF)	AAAm

Investments

As of June 30, 2016, 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>
Interest-bearing investments:				
Certificates of deposit	*	\$ 10,366	\$ 3,429	\$ 6,937
US Government backed securities	Aaa	<u>520</u>		<u>520</u>
Total		10,886	<u>\$ 3,429</u>	<u>\$ 7,457</u>
Other investments:				
Mutual funds	N/A	62		
Common stock	N/A	3		
Alternative Investments		<u>5</u>		
Total Investments		<u>\$ 10,956</u>		

*Subject to coverage by Federal Depository Insurance and collateralization.

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.

TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(In Thousands)

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, 2016, the Town had \$3 of uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

The Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. The new disclosure is presented below:

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2016:

	June 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. Government agencies	\$ 520	\$ 520	\$	
Common stock	3	3		
Mutual funds	62	62		
Alternative investments	5			5
Total investments by fair value level	\$ 590	\$ 585	\$ -	\$ 5

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Venture capital investments classified in Level 3 are valued using either a discounted cash flow or market comparable companies technique.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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>Debt Service</u>	<u>Sewer Enterprise</u>	<u>Internal Service</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Taxes *	\$ 2,575	\$	\$	\$	\$	\$	\$	\$ 2,575
Accounts	40				1,316		484	1,840
Special assessments			1,441					1,441
Intergovernmental	760	3,424			7		133	4,324
Interest **								-
Gross receivables	<u>3,375</u>	<u>3,424</u>	<u>1,441</u>	<u>-</u>	<u>1,323</u>	<u>-</u>	<u>617</u>	<u>10,180</u>
Less allowance for uncollectibles	<u>113</u>							<u>113</u>
Net Total Receivables	<u>\$ 3,262</u>	<u>\$ 3,424</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 1,323</u>	<u>\$ -</u>	<u>\$ 617</u>	<u>\$ 10,067</u>

* Does not include amount due from Southington Water Company for bonds \$7,310

** Does not include accrued interest on property taxes and assessments receivable of \$834 and \$47, respectively.

TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(In Thousands)

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 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	\$ 23,052	\$ 1,070	\$ -	\$ 24,122
Conservation Restrictions & Development Rights		975		975
Construction in progress	126,083	14,887	45,101	95,869
Total capital assets not being depreciated	<u>149,135</u>	<u>16,932</u>	<u>45,101</u>	<u>120,966</u>
Capital assets being depreciated:				
Buildings	119,459	31,934	136	151,257
Machinery and equipment	23,671	12,361	1,181	34,851
Infrastructure	91,212	9,934		101,146
Total capital assets being depreciated	<u>234,342</u>	<u>54,229</u>	<u>1,317</u>	<u>287,254</u>
Less accumulated depreciation for:				
Buildings	58,287	7,835	105	66,017
Machinery and equipment	15,485	1,131	1,175	15,441
Infrastructure	36,834	1,776		38,610
Total accumulated depreciation	<u>110,606</u>	<u>10,742</u>	<u>1,280</u>	<u>120,068</u>
Total capital assets being depreciated, net	<u>123,736</u>	<u>43,487</u>	<u>37</u>	<u>167,186</u>
Governmental Activities Capital Assets, Net	<u>\$ 272,871</u>	<u>\$ 60,419</u>	<u>\$ 45,138</u>	<u>\$ 288,152</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 39	\$ -	\$ -	\$ 39
Capital assets being depreciated:				
Buildings and system	77,562	4,792		82,354
Machinery and equipment	1,881	65		1,946
Total capital assets being depreciated	<u>79,443</u>	<u>4,857</u>	<u>-</u>	<u>84,300</u>
Less accumulated depreciation for:				
Buildings and system	32,979	1,533		34,512
Machinery and equipment	1,179	133		1,312
Total accumulated depreciation	<u>34,158</u>	<u>1,666</u>	<u>-</u>	<u>35,824</u>
Total capital assets being depreciated, net	<u>45,285</u>	<u>3,191</u>	<u>-</u>	<u>48,476</u>
Business-Type Activities Capital Assets, Net	<u>\$ 45,324</u>	<u>\$ 3,191</u>	<u>\$ -</u>	<u>\$ 48,515</u>

TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(In Thousands)

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

Governmental activities:	
General government	\$ 346
Public safety	784
Public works	1,803
Human services	60
Planning and development	10
Parks and recreation	224
Library	39
Education	<u>7,476</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>10,742</u></u>
 Business-type activities:	
Sewer Enterprise Fund	\$ <u><u>1,666</u></u>

Construction Commitments

The Town has active construction projects as of June 30, 2016. 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:

Construction Commitments

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
West Queen Street Bridge	\$ 968	\$ 22
Queen Street Pump Station	810	73
TH Improvements - Elevator	93	5
Energy Conservation (Noresco)	12,587	614
Old Mountain Road Culvert	663	35
WPC Sludge Odor	3,714	249
Southington High School Atrium Roof	128	71
DePaolo Middle School	38,846	230
Kennedy Middle School	<u>38,697</u>	<u>149</u>
 Total	 \$ <u><u>96,506</u></u>	 \$ <u><u>1,448</u></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.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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>
Nonmajor Governmental Funds	General Fund	\$ <u>46</u>

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

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	
Transfers out:					
General Fund	\$	\$ 3,534	\$	\$ 296	\$ 3,830
Capital Projects			64		64
Nonmajor governmental	<u>40</u>				<u>40</u>
Total Transfers In	<u>\$ 40</u>	<u>\$ 3,534</u>	<u>\$ 64</u>	<u>\$ 296</u>	<u>\$ 3,934</u>

**TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds:					
Town	\$ 90,860	\$ 17,200	\$ 5,706	\$ 102,354	\$ 7,580
Southington Water Company	7,950		640	7,310	640
Premium on bonds	3,922	708	330	4,300	
State of Connecticut - serial note	8,526		568	7,958	568
Total bonds and notes payable	<u>111,258</u>	<u>17,908</u>	<u>7,244</u>	<u>121,922</u>	<u>8,788</u>
Compensated absences	7,520	1,689	1,732	7,477	1,734
Capital leases	13,597	493	832	13,258	832
OPEB obligation	9,697	2,748	1,131	11,314	
Net pension liability	5,498	4,772		10,270	
Prior service costs	24		3	21	3
Heart and hypertension	7,692	20	333	7,379	519
Landfill closure and postclosure	80		25	55	27
Total Governmental Activities Long-Term Liabilities	<u>\$ 155,366</u>	<u>\$ 27,630</u>	<u>\$ 11,300</u>	<u>\$ 171,696</u>	<u>\$ 11,903</u>
Business Type Activities:					
Net pension liability	<u>\$ 394</u>	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ 556</u>	<u>\$ -</u>

In prior years, the General Fund has typically been used to liquidate the net pension liability and the net OPEB obligation.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

Bonds payable at June 30, 2016 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, 2016</u>
<u>General Purpose Bonds:</u>					
General Purpose	2009	2,175	3.00-4.00	08/01/27	\$ 260
Refunding (General Purpose)	2010	2,098	2.00-5.00	05/15/21	915
General Purpose	2011	1,713	2.50-4.25	08/01/30	875
Refunding (General Purpose)	2011	6,042	2.00-5.00	02/01/24	3,806
Refunding (General Purpose)	2012	3,106	2.00-4.00	11/01/25	2,286
General Purpose	2014	7,705	3.00-4.00	01/15/34	7,000
General Purpose	2015	6,720	2.00-4.00	01/15/35	6,720
Refunding (General Purpose)	2015	2,408	1.00-5.00	09/01/28	2,208
General Purpose	2016	5,200	2.00-4.00	01/15/36	5,200
					<u>29,270</u>
<u>School Bonds:</u>					
Schools	2009	12,965	3.00-4.00	08/01/27	1,380
Refunding (Schools)	2010	8,008	2.00-5.00	05/15/21	3,606
Schools	2011	6,902	2.50-4.25	08/01/30	5,155
Refunding (Schools)	2011	745	2.00-5.00	02/01/24	472
Refunding (Schools)	2012	1,958	2.00-4.00	11/01/25	1,613
Schools	2014	15,000	3.00-4.00	01/15/34	14,210
Schools	2015	15,000	2.00-4.00	01/15/35	15,000
Refunding (Schools)	2015	8,036	1.00-5.00	09/01/28	7,486
Schools	2016	12,000	2.00-4.00	01/15/36	12,000
					<u>60,922</u>
<u>Sewer Bonds:</u>					
Refunding (Sewers)					
Sewers	2010	959	2.00-5.00	05/15/21	204
Refunding (Sewers)	2011	3,330	2.50-4.25	08/01/30	2,290
Refunding (Sewers)	2011	1,958	2.00-5.00	02/01/24	1,237
Sewers	2012	1,851	2.00-4.00	11/01/25	1,506
Refunding (Sewers)	2015	5,200	2.00-4.00	01/15/35	5,200
	2015	1,841	1.00-5.00	09/01/28	1,726
State of Connecticut serial notes payable:					
Clean Water Fund Loan 590-C	2011	11,068	2.00	06/30/30	7,957
					<u>20,120</u>
<u>Water Bonds:</u>					
Water					
Water	2011	3,410	2.50-4.25	08/01/21	2,030
	2014	5,870	3.00-4.00	01/15/34	5,280
					<u>7,310</u>
Total					\$ <u>117,622</u>

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 8,788	\$ 3,905
2018	9,758	3,617
2019	9,478	3,284
2020	9,413	2,936
2021	8,618	2,575
2022-2026	34,507	8,506
2027-2031	24,544	4,108
2032-2036	<u>12,516</u>	<u>1,020</u>
Total	<u>\$ 117,622</u>	<u>\$ 29,951</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, 2016, \$7,310 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, 2016. In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum debt amount permitted under this formula would be approximately \$784.0 million. Bonds authorized but unissued are \$31,103 as of June 30, 2016.

General Obligation Bonds Issue

On January 15, 2016, the Town issued \$17,200 of general obligation bonds with interest rates ranging from 2% to 4%.

Prior Year Defeasance of Debt

In prior years, the Town had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town’s financial statements. As of June 30, 2016, the amount of defeased debt outstanding was \$11,165 and the escrow balance was \$8,272.

Compensated Absences

Employees can accumulate additional amounts of unused vacation and sick leave time (as determined by individual union contracts) until termination of their employment. At termination, pay-out provisions as determined by individual union contract provides for payments to vested employees.

**TOWN OF SOUTHLINGTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

(In Thousands)

The following is a summary of management's estimate of the vested liability for lump-sum payments to employees as of June 30, 2016:

Town	\$ 1,569
Board of Education	<u>5,908</u>
Total	<u>\$ 7,477</u>

Capital Leases

The Board of Education has entered into a several lease agreement as lessee for financing the acquisition of computer equipment and the Town has entered into an equipment lease purchase agreement for energy improvements made to Town and Board of Education buildings. 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 \$13,258 at June 30, 2016. The following is a summary of capital lease commitments as of June 30, 2016.

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 1,349
2018	1,125
2019	982
2020	1,004
2021	1,017
Thereafter	<u>10,525</u>
Subtotal	16,002
Less interest	<u>(2,744)</u>
Principal Balance	<u>\$ 13,258</u>

Bond Anticipation Notes

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of bonds at the completion of the project. The Town has issued the following bond anticipation notes during the year ended June 30, 2016:

Outstanding July 1, 2015	\$ 12,000
Repayments	(12,000)
New Borrowings	<u>6,000</u>
Outstanding June 30, 2016	<u>\$ 6,000</u>

The bond anticipation notes outstanding on June 30, 2016 mature of January, 27, 2017 and bear interest at 2%.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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, 2016, 2015 or 2014. 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, 2016 of \$1,691.

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, 2016 and 2015, is presented below:

<u>Fiscal Year</u>	<u>Accrued Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Accrued Liability Claim Payments</u>	<u>Accrued Liability End of Fiscal Year</u>
2015-16	\$ 1,436	\$ 23,454	\$ 23,199	\$ 1,691
2014-15	1,361	21,391	21,316	1,436

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 2015-16 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid during fiscal year ended June 30, 2016 for the Town and Board of Education was \$1,337. 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.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

9. FUND EQUITY

The components of fund balance at June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Sewer Assessments</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Inventory	\$ 33				\$ 59	\$ 92
Trust					25	25
Restricted for:						
Grants					50	50
Trust					89	89
Scholarships					644	644
Committed to:						
Debt service			948	5,369		6,317
Cafeteria operations					664	664
Animal control					53	53
Police services					596	596
Town services					385	385
Apple Harvest Festival					180	180
Community services					149	149
Drive in Theater					84	84
Brownfield Project					63	63
Turf field					88	88
Museum restoration					102	102
Recreation					164	164
Farm Heritage Initiative	146					146
Capital Projects		5,494				5,494
Assigned to:						
Purchases on order	598					598
Unassigned	19,738					19,738
Total Fund Balances	<u>\$ 20,515</u>	<u>\$ 5,494</u>	<u>\$ 948</u>	<u>\$ 5,369</u>	<u>\$ 3,395</u>	<u>\$ 35,721</u>

Encumbrances are being reported as assigned fund balance in the general fund at \$1,265.

10. 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.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

At July 1, 2015, plan participation consisted of the following:

	Participants <i>(not rounded)</i>
Active participants	1,202
Retirees	<u>145</u>
Total Participants	<u><u>1,347</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, 2016, 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, 2016, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

		Other Post Employment Benefits (OPEB)
Annual required contribution (ARC)	\$	2,864
Interest on net OPEB obligation		485
Adjustment to annual required contribution		<u>(601)</u>
Annual OPEB cost		2,748
Contributions made		<u>1,131</u>
Change in net OPEB obligation		1,617
Net OPEB obligation, beginning of year		<u>9,697</u>
Net OPEB Obligation, End of Year	\$	<u><u>11,314</u></u>

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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, 2016, 2015 and 2014 are presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 2,748	\$ 1,131	41.2%	\$ 11,314
6/30/15	2,730	1,444	52.9%	9,697
6/30/14	2,766	1,535	55.5%	8,411

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/16	\$ 2,864	\$ 1,131	39.5%
6/30/15	2,831	1,444	51.0%
6/30/14	2,852	1,535	53.8%

D. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
7/1/2015	\$ -	\$ 39,963	- %	\$ 64,672	61.79%
7/1/2013	-	34,262	- %	61,069	56.10%
7/1/2011	-	33,693	-	60,233	55.94%

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.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

In the July 1, 2015 actuarial valuation, the entry age normal (level of percentage of salary) method was used. The annual required contribution (ARC) reflects a constant 30-year amortization of the unfunded actuarial accrued liability (AAL) over a level dollar basis. The actuarial assumptions include a 4% investment rate of return and an inflation rate of 3%. The annual healthcare cost trend rate is 8% for 2015 decreasing by .5% per year to 5% for 2021 and later.

11. EMPLOYEE RETIREMENT SYSTEMS

Municipal Employees' Retirement System

A. Plan Description

All full-time employees except teachers who are eligible to participate in the State of Connecticut Teachers' Retirement System, participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes MERS benefits, member contribution rates and other plan provisions. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at www.ct.gov.

B. Benefit Provisions

The plan provides retirement, disability and death benefits and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 year of active aggregate service, or 25 years of aggregate service. In addition, compulsory retirement is at age 65 for police and fire members.

Normal Retirement

For members not covered by social security, retirement benefits are calculated as 2% of the average of the three highest paid years of service times the years of service. For members covered by social security, retirement benefits are calculated as 1 1/2% of the average of the three highest paid years of service not in excess of the year's breakpoint plus 2% of average of the three highest paid years of service in excess of the year's breakpoint, times years of service. The year's breakpoint is defined as \$10,700 increased by 6.0% each year after 1982, rounded to the nearest multiple of \$100. Maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually.

Early Retirement

Members must have 5 years of continuous or 15 years of active aggregate service. Benefits are calculated as a service retirement allowance on the basis of the average of the three highest paid years of service to the date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

Disability Retirement - Service Connected

Employees who are totally and permanently disabled and such disability has arisen out of an in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police, is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50% of compensation at the time of disability. Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement - Non-Service Connected

Employees who have 10 years of service and are totally and permanently disabled. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability.

Death Benefit

Employees who are eligible for service, disability or early retirement and married for at least 12 months preceding death. Benefits are calculated based on the average of the three highest paid years of service and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and reduced 50% joint and survivor allowance.

C. Contributions

Member - Contributions for members not covered by social security are 5% of compensation; for members covered by social security, 2 ¼% of compensation up to the social security taxable wage base plus 5%, if any, in excess of such base.

Employer - Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions.

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

At June 30, 2016, the Town reports a total liability of \$10,825 (\$10,270 for government wide in Exhibit I and \$556 for the Sewer Fund in Exhibit V) for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2016, the Town's proportion was 5.62 percent. The decrease in proportion from June 30, 2014 is .35%.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

For the year ended June 30, 2016, the Town recognized pension expense of \$653 (\$651 in Exhibit II and \$2 in Exhibit VI). At June 30, 2016, the Town reported deferred inflow of resources and deferred outflows of resources related to pension from the following sources:

Governmental Activities	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	\$ 3,935
Net difference between projected and actual earnings on pension plan investments	<u>1,288</u>
Total	<u>\$ 5,223</u>
Business Type Activities	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	\$ 97
Net difference between projected and actual earnings on pension plan investments	<u>42</u>
Total	<u>\$ 139</u>

Amounts reported as deferred outflows of resources related to Town contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

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

Governmental Activities	
2017	\$ 85
2018	85
2019	85
2020	<u>1,033</u>
Total	<u>\$ 1,288</u>
Business Type Activities	
2017	\$ 2
2018	2
2019	2
2020	<u>36</u>
Total	<u>\$ 42</u>

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increase	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

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

E. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (Non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	.4%
Total	<u>100.0%</u>	

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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

The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Government Wide:			
Town's proportionate share of the net pension liability	\$ 25,060	\$ 10,270	\$ (3,935)
Sewer Fund:			
Town's proportionate share of the net pension liability	\$ 1,001	\$ 556	\$ 179

G. Plan Fiduciary Net Position

For the fiscal year ended June 30, 2015, the fiduciary net position of the MERS plan was restated to change the method of accounting for contributions receivable from a present value method to a gross method. The result of the restatement was to decrease the net pension liability and increase the July 1, 2014 fiduciary net position of the MERS plan by \$139,565,000. The effect on the Town of Southington's financial statements was to decrease the net pension liability and increase the government activities' net position as shown in Note 14.

H. Payable to MERS

The Town has also recorded \$21 as a long-term payable to MERS at June 30, 2016. This amount represents prior service costs calculated when the Town entered the plan, as such, the Town has restated beginning net position. The effect of the restatement was to decrease beginning net position and increase accounts payable to MERS as shown in Note 13.

Teachers Retirement

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

B. Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

C. Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

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

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**TOWN OF SOUTHLINGTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

(In Thousands)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>115,998</u>
Total	<u>\$ 115,998</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. At June 30, 2016, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2016, the Town recognized pension expense and revenue of \$9,294 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (Non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.4%
Total	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

I. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

12. 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.

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, 2016 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.

**TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(In Thousands)

13. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded as described in Note 9:

	<u>Net Position</u>	<u>Net Pension Liability</u>	<u>Payable to MERS</u>
Governmental Activities:			
Balance at June 30, 2015, as previously reported	\$ 155,706	\$ 12,531	\$
Adjustments:			
Change in method of accounting for contributions	7,033	(7,033)	
Payable related to prior service costs	<u>(24)</u>		<u>24</u>
Balance at July 1, 2015, as Restated	<u>\$ 162,715</u>	<u>\$ 5,498</u>	<u>\$ 24</u>
Business Type Activities (Sewer Enterprise Fund):			
Balance at June 30, 2015, as previously reported	\$ 47,517	\$ 418	\$
Adjustments:			
Change in method of accounting for contributions	<u>24</u>	<u>(24)</u>	
Balance at July 1, 2015, as Restated	<u>\$ 47,541</u>	<u>\$ 394</u>	<u>\$ -</u>

**Required Supplementary
Information**

**TOWN OF SOUTHTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)**

	Budgeted Amounts			Variance
	Original	Final	Actual	
Property taxes, interest and lien fees:				
Taxes	\$ 111,061	\$ 111,061	\$ 111,334	\$ 273
Suspense taxes	30	30	40	10
Interest and lien fees	657	657	605	(52)
Total property taxes, interest and lien fees	<u>111,748</u>	<u>111,748</u>	<u>111,979</u>	<u>231</u>
Licenses, fees and permits:				
Building	825	825	818	(7)
Police	26	26	52	26
Library	25	25	26	1
Parking	3	3	3	-
Miscellaneous	16	33	35	2
Total licenses, fees and permits	<u>895</u>	<u>912</u>	<u>934</u>	<u>22</u>
Intergovernmental revenues:				
Educational cost sharing	20,347	20,347	20,548	201
Non-public school transportation	38	38	39	1
Public school transportation	164	164	152	(12)
Vocational agriculture	370	370	373	3
Children/youth services	26	26	26	-
Youth service/drug free	44	48	48	-
Town aid road transportation grant	523	523	524	1
Non-public health services	60	60	56	(4)
Calendar Bus	49	49	49	-
Telephone access lines	65	65	68	3
Pequot/Mohegan grant	148	148	137	(11)
Telecommunications fund grant	72	72	73	1
Local capital improvement grant	281	561	621	60
In lieu of taxes:				
Hospital	141	141		(141)
Tax relief for elderly	330	330	341	11
Veterans' exemption	56	56	57	1
State properties	27	27		(27)
Disability exemption	6	6	5	(1)
Distressed municipalities	52	52	53	1
Miscellaneous	2	5	28	23
Traffic enforcement grant		5	8	3
Municipal revenue sharing	772	772	821	49
Total intergovernmental revenues	<u>23,573</u>	<u>23,865</u>	<u>24,027</u>	<u>162</u>

(Continued on next page)

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, 2016
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Investment Income	\$ 218	\$ 418	\$ 491	\$ 73
Charges for services:				
Town Clerk	1,250	1,250	1,323	73
Recreation	80	80	76	(4)
Planning and zoning	50	50	57	7
Fire Department services	20	20	32	12
Engineering services	4	4	13	9
Assessors returns	1	1	1	-
School tuition and fees	333	483	564	81
School building rentals	14	424	424	-
Miscellaneous	10	14	67	53
Total charges for services	<u>1,762</u>	<u>2,326</u>	<u>2,557</u>	<u>231</u>
Other revenues:				
Sale/lease of town property	2	2	32	30
Loss/damage to town property	1	18	22	4
Prior year appropriated funds returned	2	2	4	2
BRRFOC/TROC rebate		643	643	-
Open space donations		11	15	4
Recycling rebates	12	12	73	61
Miscellaneous	20	21	36	15
Fund balance utilized				-
Total other revenues	<u>37</u>	<u>709</u>	<u>825</u>	<u>116</u>
Transfers In	<u>50</u>	<u>50</u>	<u>40</u>	<u>(10)</u>
Total Revenues and Other Financing Sources	\$ <u>138,283</u>	\$ <u>140,028</u>	140,853	\$ <u>825</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

9,294

Proceeds from issuance of capital leases are not budgeted

493

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

\$ 150,640

**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, 2016
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
General Government				
Town Council:				
Personnel service	\$ 10	\$ 10	\$ 9	\$ 1
Contractual services	20	20	12	8
Program supplies	7	7	5	2
Professional charges	27	27	27	-
Total	<u>64</u>	<u>64</u>	<u>53</u>	<u>11</u>
Town Manager:				
Personnel service	227	233	232	1
Contractual services	24	16	9	7
Materials and supplies	4	3	3	-
Fixed charges	7	6	4	2
Continued appropriations		2	1	1
Total	<u>262</u>	<u>260</u>	<u>249</u>	<u>11</u>
Board of Finance:				
Personnel service	4	4	3	1
Contractual services	2	2	1	1
Fixed charges	1	1	1	-
Total	<u>7</u>	<u>7</u>	<u>5</u>	<u>2</u>
Finance Department:				
Personnel service	491	478	478	-
Materials and supplies	13	13	11	2
Fixed charges	1	1	1	-
Total	<u>505</u>	<u>492</u>	<u>490</u>	<u>2</u>
Town Clerk:				
Personnel service	283	280	279	1
Contractual services	23	20	20	-
Materials and supplies	11	8	8	-
Fixed charges	3	3	3	-
Total	<u>320</u>	<u>311</u>	<u>310</u>	<u>1</u>
Human Resources Department:				
Personnel service	67	67	67	-
Contractual services	50	51	43	8
Materials and supplies	3	3	2	1
Fixed charges	3	3	2	1
Total	<u>123</u>	<u>124</u>	<u>114</u>	<u>10</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, 2016
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Tax Department:				
Personnel service	\$ 219	\$ 212	\$ 209	\$ 3
Contractual services	16	7	4	3
Materials and supplies	48	48	41	7
Fixed charges	2	1	1	-
Total	<u>285</u>	<u>268</u>	<u>255</u>	<u>13</u>
Assessor:				
Personnel service	311	311	308	3
Contractual services	5	1		1
Materials and supplies	13	13	11	2
Fixed charges	5	5	4	1
Continued appropriations		279	258	21
Total	<u>334</u>	<u>609</u>	<u>581</u>	<u>28</u>
Board of Assessment Appeals:				
Personnel service	15	15	15	-
Contractual services	1	1	1	-
Total	<u>16</u>	<u>16</u>	<u>16</u>	<u>-</u>
Information Technology:				
Personnel service	168	168	168	-
Contractual services	684	667	637	30
Fixed charges	42	41	37	4
Capital outlay	83	98	83	15
Continued Appropriation				-
Total	<u>977</u>	<u>974</u>	<u>925</u>	<u>49</u>
Probate Court:				
Fixed charges	<u>11</u>	<u>11</u>	<u>11</u>	<u>-</u>
Town Attorney/Legal:				
Personnel service	212	212	212	-
Contractual services	82	97	83	14
Materials and supplies	3	2	2	-
Fixed charges	6	6	5	1
Total	<u>303</u>	<u>317</u>	<u>302</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, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Elections Department:				
Personnel service	\$ 124	\$ 109	\$ 106	\$ 3
Contractual services	11	9	9	-
Materials and supplies	25	19	18	1
Fixed charges	6	5	5	-
Total	<u>166</u>	<u>142</u>	<u>138</u>	<u>4</u>
Insurance:				
Fixed charges	<u>1,059</u>	<u>1,059</u>	<u>1,041</u>	<u>18</u>
Annual Audit:				
Fixed charges	<u>34</u>	<u>34</u>	<u>34</u>	<u>-</u>
Total general government	<u>4,466</u>	<u>4,688</u>	<u>4,524</u>	<u>164</u>
Public Safety:				
Police Department:				
Personnel service	6,397	6,264	6,258	6
Contractual services	228	210	198	12
Materials and supplies	213	211	179	32
Fixed charges	229	204	173	31
Equipment	209	207	207	-
Total	<u>7,276</u>	<u>7,096</u>	<u>7,015</u>	<u>81</u>
Emergency Management:				
Contractual services	2	1	1	-
Materials and supplies	8	3		3
Capital outlay	15	15	15	-
Total	<u>25</u>	<u>19</u>	<u>16</u>	<u>3</u>
Central Dispatch:				
Personnel service	707	741	739	2
Contractual services	18	8	5	3
Total	<u>725</u>	<u>749</u>	<u>744</u>	<u>5</u>
Fire Department:				
Personnel service	3,543	3,496	3,452	44
Contractual services	302	318	282	36
Materials and supplies	214	214	201	13
Fixed charges	154	154	144	10
Equipment	45	44	44	-
Total	<u>4,258</u>	<u>4,226</u>	<u>4,123</u>	<u>103</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, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Fire Hydrant rentals:				
Fixed charges	\$ 236	\$ 236	\$ 236	\$ -
Safety Program:				
Contractual services	12	9	6	3
Materials and supplies	38	38	38	-
Fixed Charges	17	17	13	4
Total	<u>67</u>	<u>64</u>	<u>57</u>	<u>7</u>
Parking Authority:				
Personnel service	1	1		1
Contractual services	18	18	2	16
Materials and supplies	2	4		4
Fixed charges	1	1	1	-
Continued appropriations		7		7
Total	<u>22</u>	<u>31</u>	<u>3</u>	<u>28</u>
Total public safety	<u>12,609</u>	<u>12,421</u>	<u>12,194</u>	<u>227</u>
Public Works:				
Town Hall and Annex:				
Contractual services	46	46	32	14
Materials and supplies	17	17	17	-
Fixed Charges	52	51	43	8
Total	<u>115</u>	<u>114</u>	<u>92</u>	<u>22</u>
Town Owned Property:				
Contractual services	15	15	9	6
Fixed Charges	10	10	7	3
Total	<u>25</u>	<u>25</u>	<u>16</u>	<u>9</u>
Sylvia Bradley Historical Society:				
Contractual services	6	6	4	2
Fixed Charges	10	10	8	2
Continued appropriations		51	4	47
Total	<u>16</u>	<u>67</u>	<u>16</u>	<u>51</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Engineering Department:				
Personnel service	\$ 671	\$ 663	\$ 658	\$ 5
Contractual services	10	8	2	6
Materials and supplies	16	13	12	1
Fixed charges	5	3	2	1
Total	<u>702</u>	<u>687</u>	<u>674</u>	<u>13</u>
Highway Department:				
Personnel service	1,583	1,513	1,505	8
Contractual services	499	507	503	4
Materials and supplies	122	94	91	3
Fixed charges	47	37	35	2
Capital outlay	32	32	32	-
Continued appropriations		53	43	10
Total	<u>2,283</u>	<u>2,236</u>	<u>2,209</u>	<u>27</u>
Snow and Ice Removal:				
Personnel service	115	167	167	-
Contractual services	145	145	139	6
Materials and supplies	350	390	379	11
Total	<u>610</u>	<u>702</u>	<u>685</u>	<u>17</u>
Street Lighting:				
Contractual services	94	71	58	13
Fixed Charges	317	314	272	42
Total	<u>411</u>	<u>385</u>	<u>330</u>	<u>55</u>
Tree Maintenance:				
Contractual services	<u>23</u>	<u>24</u>	<u>23</u>	<u>1</u>
Bulky Waste Transfer Station:				
Personnel service	84	84	84	-
Contractual services	164	163	153	10
Materials & Supplies	2	3	2	1
Total	<u>250</u>	<u>250</u>	<u>239</u>	<u>11</u>
Environmental Problems:				
Contractual services	128	98	77	21
Continued appropriations		144	50	94
Total	<u>128</u>	<u>242</u>	<u>127</u>	<u>115</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
North Center Facility:				
Contractual services	\$ 235	\$ 235	\$ 230	\$ 5
Materials and supplies	12	12	7	5
Fixed charges	25	25	21	4
Total	<u>272</u>	<u>272</u>	<u>258</u>	<u>14</u>
Total Public Works	<u>4,835</u>	<u>5,004</u>	<u>4,669</u>	<u>335</u>
Health and Welfare:				
Community Services:				
Personnel service	217	217	217	-
Contractual services	19	13	13	-
Materials and supplies	5	5	5	-
Fixed charges	16	16	14	2
Total	<u>257</u>	<u>251</u>	<u>249</u>	<u>2</u>
Health Department:				
Fixed charges	<u>329</u>	<u>329</u>	<u>329</u>	<u>-</u>
Mental Health:				
Fixed charges	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Nonpublic School Nurses:				
Contractual services	<u>62</u>	<u>62</u>	<u>60</u>	<u>2</u>
Total Health and Welfare	<u>651</u>	<u>645</u>	<u>641</u>	<u>4</u>
Human Services:				
Youth Counseling:				
Personnel service	311	314	314	-
Contractual services	5	4	4	-
Materials and supplies	1	1	1	-
Fixed charges	2	2	2	-
Total	<u>319</u>	<u>321</u>	<u>321</u>	<u>-</u>
Commission on the Handicapped:				
Contractual services	7	7	5	2
Materials and supplies	1	1	1	-
Total	<u>8</u>	<u>8</u>	<u>6</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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Community Assistance:				
Contractual services	\$ 53	\$ 53	\$ 53	\$ -
Calendar House-Senior Citizens:				
Personnel service	370	371	366	5
Contractual services	93	81	60	21
Materials and supplies	24	18	15	3
Fixed charges	47	47	28	19
Capital outlay	1	1		1
Total	<u>535</u>	<u>518</u>	<u>469</u>	<u>49</u>
Southington Housing Authority:				
Materials and supplies	<u>24</u>	<u>24</u>	<u>21</u>	<u>3</u>
Total Human Services	<u>939</u>	<u>924</u>	<u>870</u>	<u>54</u>
Parks and Recreation:				
Parks Department:				
Personnel service	661	630	630	-
Contractual services	158	149	145	4
Materials and supplies	54	48	47	1
Fixed Charges	166	195	195	-
Capital outlay	25	25	1	24
Continued appropriations		658	452	206
Total	<u>1,064</u>	<u>1,705</u>	<u>1,470</u>	<u>235</u>
Recreation Department:				
Personnel service	269	268	266	2
Contractual services	59	57	51	6
Materials and supplies	21	19	15	4
Fixed charges	16	14	14	-
Total	<u>365</u>	<u>358</u>	<u>346</u>	<u>12</u>
Community Celebrations:				
Fixed charges	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
Organized Recreation:				
Fixed charges	<u>100</u>	<u>92</u>	<u>92</u>	<u>-</u>
Total Parks and Recreation	<u>1,533</u>	<u>2,159</u>	<u>1,912</u>	<u>247</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Library:				
Public Library:				
Personnel service	\$ 1,045	\$ 1,059	\$ 1,057	\$ 2
Contractual services	66	69	62	7
Materials and supplies	157	151	149	2
Fixed charges	81	68	61	7
Capital outlay	56	60	60	-
Continued appropriations		6	6	-
Total	<u>1,405</u>	<u>1,413</u>	<u>1,395</u>	<u>18</u>
Barnes Museum:				
Personnel service	81	85	85	-
Contractual services	11	11	11	-
Materials and supplies	4	4	4	-
Fixed Charges	11	11	9	2
Total	<u>107</u>	<u>111</u>	<u>109</u>	<u>2</u>
Total Library	<u>1,512</u>	<u>1,524</u>	<u>1,504</u>	<u>20</u>
Planning and Development:				
Economic Development Commission:				
Personnel service	145	145	145	-
Contractual services	35	35	10	25
Materials and supplies	2	2	2	-
Fixed charges	5	5	1	4
Continued appropriations		16		16
Total	<u>187</u>	<u>203</u>	<u>158</u>	<u>45</u>
Building Department:				
Personnel service	401	398	394	4
Contractual services	6	6	6	-
Materials and supplies	10	8	8	-
Fixed charges	5	5	5	-
Total	<u>422</u>	<u>417</u>	<u>413</u>	<u>4</u>
Planning and Zoning:				
Personnel service	372	369	366	3
Contractual services	40	37	6	31
Materials and supplies	8	6	4	2
Fixed charges	36	36	35	1
Continued appropriations		25	25	-
Total	<u>456</u>	<u>473</u>	<u>436</u>	<u>37</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, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Zoning Board of Appeals:				
Personnel service	\$ 5	\$ 7	\$ 7	\$ -
Contractual services	8	8	8	-
Materials and supplies	1	1	1	-
Total	<u>14</u>	<u>16</u>	<u>16</u>	<u>-</u>
Conservation Commission:				
Personnel service	4	3	3	-
Contractual services	5	3	2	1
Materials and supplies	2	1	1	-
Total	<u>11</u>	<u>7</u>	<u>6</u>	<u>1</u>
Total Planning and Development	<u>1,090</u>	<u>1,116</u>	<u>1,029</u>	<u>87</u>
Miscellaneous:				
Land Lease:				
Fixed charges	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Employee Benefits:				
Medical and group insurance:				
Fixed charges	<u>4,055</u>	<u>4,055</u>	<u>4,055</u>	<u>-</u>
Heart and Hypertension:				
Personnel service	1,308	1,125	1,125	-
Contractual services	27	26	25	1
Total Heart and Hypertension	<u>1,335</u>	<u>1,151</u>	<u>1,150</u>	<u>1</u>
Employee Retirement:				
Municipal:				
Fixed charges	4,062	4,052	4,031	21
Police:				
Fixed charges	165	155	155	-
Unemployment Compensation:				
Fixed charges	15	42	42	-
Total	<u>4,242</u>	<u>4,249</u>	<u>4,228</u>	<u>21</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, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Accumulated Payout:				
Fixed charges	\$ 150	\$ 80	\$ 78	\$ 2
Tuition Reimbursement:				
Fixed charges	8	8	7	1
Total Employee Benefits	9,790	9,543	9,518	25
Debt Service				
Debt service - principal:				
Town and Sewer	3,228	3,228	3,228	-
Schools	2,772	2,772	2,772	-
Total	6,000	6,000	6,000	-
Debt service - interest:				
Town and Sewer	879	879	879	-
Schools	1,526	1,526	1,526	-
Total	2,405	2,405	2,405	-
Total Debt Service	8,405	8,405	8,405	-
Board of Education:				
School operations	89,667	90,078	90,074	4
Contractual services		18	18	-
Capital outlay	160	160	54	106
Total Board of Education	89,827	90,256	90,146	110
Contingency	868	606		606
Total expenditures	136,526	137,292	135,413	1,879

(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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Uses:				
Transfers out	\$ <u>1,757</u>	\$ <u>3,980</u>	\$ <u>3,980</u>	\$ <u>-</u>
Total	\$ <u>138,283</u>	\$ <u>141,272</u>	139,393	\$ <u>1,879</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	9,294
Accrued payroll is reported as expenditure for GAAP purposes	198
Farm Heritage transfer netted in General Fund for GAAP purposes, but included for budgetary purposes	(150)
Farm Heritage expenditures included in General Fund for GAAP purposes, but separate for budgetary purposes	4
Issuance of capital leases are not budgeted	<u>493</u>

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

\$ 149,232

**TOWN OF SOUTHLINGTON, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS***

	<u>2015, as Restated</u>	<u>2016</u>
Town's proportion of the net pension liability	5.97%	5.62%
Town's proportionate share of the net pension liability	\$ 5,892	\$ 10,825
Town's covered-employee payroll	\$ 31,051	\$ 31,789
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	18.98%	34.05%
Plan fiduciary net position as a percentage of the total pension liability	90.48%	92.72%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2012.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market

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

**TOWN OF SOUTHTON, CONNECTICUT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - GOVERNMENTAL ACTIVITIES
 LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,431	\$ 2,506	\$ 2,439	\$ 2,704	\$ 3,488	\$ 4,096	\$ 4,194	\$ 4,400	\$ 4,592	\$ 4,680
Contributions in relation to the actuarially determined contribution	1,431	2,506	2,439	2,704	3,488	4,096	4,194	4,400	4,592	4,680
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 19,342	\$ 25,085	\$ 25,816	\$ 26,169	\$ 27,006	\$ 27,081	\$ 27,618	\$ 28,694	\$ 30,111	\$ 30,944
Contributions as a percentage of covered employee payroll	7.40%	9.99%	9.45%	10.33%	12.92%	15.12%	15.19%	15.33%	15.25%	15.12%

Notes to Schedule

Valuation date: June 30, 2014
 Measurement date: June 30, 2015
 Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age
 Amortization method: Level dollar, closed
 Single equivalent amortization period: 27 years
 Asset valuation method: 5 years smoothed market (20% write up)
 Inflation: 3.25%
 Salary increases: 4.25% - 11%, including inflation
 Investment rate of return: 8%, net of investment related expense
 Changes in assumptions: In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.

TOWN OF SOUTHLINGTON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - BUSINESS TYPE ACTIVITIES
LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 50	\$ 56	\$ 58	\$ 64	\$ 88	\$ 109	\$ 104	\$ 108	\$ 113	\$ 96
Contributions in relation to the actuarially determined contribution	50	56	58	64	88	109	104	108	113	96
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 736	\$ 797	\$ 825	\$ 852	\$ 930	\$ 940	\$ 884	\$ 901	\$ 940	\$ 845
Contributions as a percentage of covered employee payroll	6.79%	7.03%	7.03%	7.51%	9.46%	11.60%	11.76%	11.99%	12.02%	11.36%

Notes to Schedule

Valuation date: June 30, 2014
Measurement date: June 30, 2015
Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age
Amortization method: Level dollar, closed
Single equivalent amortization period: 27 years
Asset valuation method: 5 years smoothed market (20% write up)
Inflation: 3.25%
Salary increases: 4.25% - 11%, including inflation
Investment rate of return: 8%, net of investment related expense
Changes in assumptions: In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.

**TOWN OF SOUTHTON, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST TWO FISCAL YEARS***

	<u>2015</u>	<u>2016</u>
Town's proportion of the net pension liability	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>107,078</u>	<u>115,998</u>
Total	<u>\$ 107,078</u>	<u>\$ 115,998</u>
Town's covered-employee payroll	\$ 33,621	\$ 34,262
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	59.50%

Notes to Schedule

Changes in benefit terms None
Changes of assumptions During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.

Actuarial cost method Entry age
Amortization method Level percent of salary, closed
Remaining amortization period 22.4 years
Asset valuation method 4-year smoothed market

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