

TOWN OF SOUTH WINDSOR, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2010

TOWN OF SOUTH WINDSOR, CONNECTICUT

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Independent Auditors' Report

To the Town Council
Town of South Windsor
South Windsor, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of South Windsor, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town of South Windsor, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of South Windsor, Connecticut, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010 on our consideration of the Town of South Windsor, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 8, and the budgetary comparison information on pages 44 through 50, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Windsor, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

December 28, 2010

**TOWN OF SOUTH WINDSOR, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

This discussion and analysis of the Town of South Windsor, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

Financial Highlights

- Net assets of our governmental activities increased by \$5,053,382, or nearly 4.0%.
- During the year, the Town had expenses that were \$5,053,382 less than the \$113,301,552 generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$108,248,170, with no new programs added this year.
- The General Fund reported a fund balance this year of \$5,691,089.
- For the General Fund, expenditures were kept within spending limits.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

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

- *Governmental Activities* - The Town's basic services are reported here, including education, public safety, highways, sanitation, culture and recreation, debt service and general administration. Property taxes, charges for services and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Town Council establishes many other funds to help control and manage financial activities for particular purposes (like the Sewer Operating Fund) or to show that it is meeting legal responsibilities for using grants and other money

(like grants received for education from the State and Federal governments). The Town's funds are divided into two categories: governmental and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. The Town's proprietary fund consists of the Town's internal service fund and is used to report the Town's self insurance program.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans and other post employment benefit plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The Town's government-wide activities net assets changed from a year ago, increasing from \$127,093,536 to \$132,146,918. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**TABLE 1
NET ASSETS**

	Governmental Activities	
	2010	2009
Current assets	\$ 22,500,964	\$ 27,415,719
Capital assets, net of accumulated depreciation	168,423,860	147,223,172
Total assets	190,924,824	174,638,891
Long-term liabilities outstanding	41,437,404	43,352,960
Other liabilities	17,340,502	4,192,395
Total liabilities	58,777,906	47,545,355
Net Assets:		
Invested in capital assets, net of related debt	127,661,949	113,790,971
Unrestricted	4,484,969	13,302,565
Total Net Assets	\$ 132,146,918	\$ 127,093,536

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by \$8,817,596 at June 30, 2010.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 9,453,645	\$ 8,271,593
Operating grants and contributions	20,938,784	22,216,715
Capital grants and contributions	4,781,738	25,000
General revenues:		
Property taxes	76,241,912	73,058,873
Grants and contributions not restricted to specific purposes	1,501,594	1,300,566
Unrestricted investment earnings	133,579	430,234
Other general revenues	250,300	13,372
Total revenues	<u>113,301,552</u>	<u>105,316,353</u>
Expenses:		
General government	5,130,630	5,156,910
Public safety	11,024,674	8,926,160
Public works	13,513,891	15,027,502
Human services	1,267,152	1,425,909
Culture and recreation	4,790,717	3,038,581
Education	71,090,473	72,196,979
Debt service	1,430,633	1,122,272
Total expenses	<u>108,248,170</u>	<u>106,894,313</u>
Increase (Decrease) in Net Assets	<u>\$ 5,053,382</u>	<u>\$ (1,577,960)</u>

The Town's total revenues were \$113,301,552. The total cost of all programs and services was \$108,248,170. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

The Town's net assets increased by \$5,053,382 during the current fiscal year. Key elements of this increase are as follows:

- An increase in revenue from capital grants and contributions due to the Town's receipt of funds from the State of Connecticut's Clean Water Fund, Federal Government's American Recovery and Reinvestment Act of 2009 (ARRA), and State of Connecticut's Small Town Economic Assistance Program (STEAP).
- Decreases in Town expenditures due to a spending freeze instituted by the Town Council, in February 2010.
- Increases in revenues from charges for services, mostly due to the Police and Board of Education's Accommodations Special Revenue Funds.

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

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General government	\$ 5,130,630	\$ 5,156,910	\$ 753,108	\$ (3,225,434)
Public safety	11,024,674	8,926,160	(10,859,833)	(8,730,588)
Public works	13,513,891	15,027,502	(9,345,626)	(11,462,667)
Human services	1,267,152	1,425,909	(1,120,552)	(1,297,185)
Culture and recreation	4,790,717	3,038,581	(3,346,051)	(1,773,880)
Education	71,090,473	72,196,979	(47,823,100)	(48,925,659)
Debt service	<u>1,430,633</u>	<u>1,122,272</u>	<u>(1,331,949)</u>	<u>(965,592)</u>
Total	\$ <u>108,248,170</u>	\$ <u>106,894,313</u>	\$ <u>(73,074,003)</u>	\$ <u>(76,381,005)</u>

Town Funds Financial Analysis

Governmental Funds

The Town's governmental funds (as presented in the balance sheet - Exhibit III) reported combined ending fund balances of (\$125,085). The Town's unreserved fund balance was (\$2,327,446). The remainder of fund balance, \$2,202,361, is reserved to indicate that it is not available for new spending because it has already been committed to liquidate purchase orders of the prior period.

The general fund is the operating fund of the Town. Total fund balance of the Town's General Fund increased by \$370,319 during the current fiscal year. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$5,274,518, while total fund balance was \$5,691,089. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represented 5.8% of total General Fund expenditures (including transfers), while total fund balance represented 6.2% of that same amount.

The Town's collection rate in fiscal year 2009 was 98.5 %, which is consistent with the collection rate over the past five fiscal years.

General Fund Budgetary Highlights

The approved town budget (including education) for fiscal year 2009/2010 was \$94,040,441. Education expenses continued to be the largest component at 65.3%, followed by public works at 8.0%, and public safety at 7.3%.

The most significant changes from the adopted budget to the final budget were as follows:

- An increase, in Police Services, to cover overtime wages for police officers and dispatchers.
- An increase in the Town Manager's budget to provide funds for the Indoor Baseball and Softball facility pursuant to the Town's matching mini grant program.

Significant budget variances include:

- A positive variance of \$1,139,054 in Education expenditures due to a reduction in program and personnel costs.
- A positive variance of \$306,419 in Public Works expenditures due to a spending freeze instituted in February 2010.
- A negative variance of \$332,832 in Investment Earnings revenue due to economic conditions, which kept interest rates very low.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Town had \$168,423,860 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase (including additions and deductions) of \$21,200,688, over last year.

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

- Facility upgrade of the Waste Water Treatment Plant funded with loans and grants from the State of Connecticut Clean Water Fund, in the amount of \$13,019,267.
- Construction of the new Fire Station funded with bond proceeds, in the amount of \$4,924,046.
- Purchase of 765 Sullivan Avenue funded with bond proceeds and tax revenues, in the amount of \$1,800,000.

TABLE 4
CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$ 16,515,804	\$ 14,714,804
Buildings	66,270,098	67,755,387
Improvements other than buildings	13,984,384	13,513,319
Furniture and equipment	5,527,662	5,991,998
Infrastructure	41,542,091	40,584,066
Construction in progress	24,583,821	4,663,598
Total	<u>\$ 168,423,860</u>	<u>\$ 147,223,172</u>

Long-Term Debt

At June 30, 2010, the Town had \$28,848,045 in bonds and notes outstanding versus \$32,631,457 last year - a decrease of 11.6% - as shown in Table 5.

**TABLE 5
OUTSTANDING DEBT**

	Governmental Activities	
	2010	2009
General Obligation Bonds and Notes	\$ 28,848,045	\$ 32,631,457

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2010/2011 adopted budget for the General Fund is \$95,573,700, an increase of \$1,533,259 (1.63%). The Town's elected and appointed officials considered many factors when adopting the budget, including the following:

- **Unemployment Rate** - The unemployment rate was projected to remain unchanged during the 2010/2011 fiscal year. The Town's current rate is 6.3%, which compares favorably to the state's unemployment rate of 9.0% and the national rate of 9.8% (November 2010). The Town's 6.3% unemployment rate is slightly lower than its rate of 6.7% for October 2009.
- **Economic Conditions** - Budgeted revenues from charges for services were increased, for the 2010/2011 fiscal year, because Connecticut Studios, LLC was expected to file for building and fire marshal permits as it moved forward with its development of a motion picture studio in the I-291 Corridor.

Contacting the Town's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matthew B. Galligan, Town Manager, Town of South Windsor, 1540 Sullivan Avenue, South Windsor, Connecticut 06074.

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 14,552,702
Investments	43,149
Receivables, net	7,596,923
Inventory	20,113
Prepaid items	27,158
Net OPEB asset	6,000
Deferred charges	254,919
Capital assets not being depreciated	41,099,625
Capital assets being depreciated, net of accumulated depreciation	<u>127,324,235</u>
Total assets	<u>190,924,824</u>
Liabilities:	
Accounts payable and accrued liabilities	6,718,632
Unearned revenue	565,121
Notes payable	10,056,749
Noncurrent liabilities:	
Due within one year	5,920,654
Due in more than one year	<u>35,516,750</u>
Total liabilities	<u>58,777,906</u>
Net Assets:	
Invested in capital assets, net of related debt	127,661,949
Unrestricted	<u>4,484,969</u>
Total Net Assets	<u><u>\$ 132,146,918</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 5,130,630	\$ 1,109,617	\$ 148,302	\$ 4,625,819	\$ 753,108
Public safety	11,024,674	59,505	105,336		(10,859,833)
Public works	13,513,891	3,817,089	195,257	155,919	(9,345,626)
Human services	1,267,152	42,241	104,359		(1,120,552)
Culture and recreation	4,790,717	1,409,056	35,610		(3,346,051)
Education	71,090,473	3,016,137	20,251,236		(47,823,100)
Interest on long-term debt	1,430,633		98,684		(1,331,949)
Total	<u>\$ 108,248,170</u>	<u>\$ 9,453,645</u>	<u>\$ 20,938,784</u>	<u>\$ 4,781,738</u>	<u>(73,074,003)</u>
General revenues:					
Property taxes					76,241,912
Grants and contributions not restricted to specific programs					1,501,594
Unrestricted investment earnings					133,579
Miscellaneous					250,300
Total general revenues					<u>78,127,385</u>
Change in net assets					5,053,382
Net Assets at Beginning of Year					<u>127,093,536</u>
Net Assets at End of Year					<u>\$ 132,146,918</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Sewer Operating Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,438,224	\$	\$ 2,743,888	\$ 2,386,889	\$ 13,569,001
Investments				43,149	43,149
Receivables, net	6,392,840	695,066	331,978	177,039	7,596,923
Due from other funds	997,454	4,547,634	482,238	885,983	6,913,309
Other assets	24,839	1,875		20,557	47,271
Total Assets	<u>\$ 15,853,357</u>	<u>\$ 5,244,575</u>	<u>\$ 3,558,104</u>	<u>\$ 3,513,617</u>	<u>\$ 28,169,653</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 2,029,403	\$ 3,140,723	\$ 72,386	\$ 215,298	\$ 5,457,810
Due to other funds	2,995,503		2,829,389	1,088,417	6,913,309
Notes payable		10,056,749			10,056,749
Deferred revenue	5,137,362		331,978	397,530	5,866,870
Total liabilities	<u>10,162,268</u>	<u>13,197,472</u>	<u>3,233,753</u>	<u>1,701,245</u>	<u>28,294,738</u>
Fund balances:					
Reserved for encumbrances	416,571	1,753,274	6,906	5,497	2,182,248
Reserved for inventory				20,113	20,113
Reserved for commitments					-
Unreserved, reported in:					
General Fund	5,274,518				5,274,518
Special Revenue Funds			317,445	1,786,762	2,104,207
Capital Projects Funds		(9,706,171)			(9,706,171)
Total fund balances	<u>5,691,089</u>	<u>(7,952,897)</u>	<u>324,351</u>	<u>1,812,372</u>	<u>(125,085)</u>
Total Liabilities and Fund Balances	<u>\$ 15,853,357</u>	<u>\$ 5,244,575</u>	<u>\$ 3,558,104</u>	<u>\$ 3,513,617</u>	<u>\$ 28,169,653</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2010

Reconciliation of the Balance Sheet - Governmental Funds

to the Statement of Net Assets:

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

Fund balances - total governmental funds	\$ (125,085)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 286,627,527	
Less accumulated depreciation	<u>(118,203,667)</u>	
Net capital assets		168,423,860

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

Property tax receivables greater than 60 days	2,115,981
Interest receivable on property taxes	1,900,952
Assessments and user fee receivable	312,349
Interest receivable on assessments and user fees	19,629
Bond issuance costs	254,919
Receivable from the state for school construction projects	952,838
Net OPEB asset	6,000

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

144,201

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

Net pension obligation	(3,892,209)
Bonds and notes payable	(30,033,038)
Interest payable on bonds and notes	(421,322)
Compensated absences	(6,840,033)
Capital lease	(971,779)
Bond premium	(532,647)
Deferred charges on refunding	<u>832,302</u>

Net Assets of Governmental Activities (Exhibit I)	<u>\$ 132,146,918</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2010

	General	Capital Projects Fund	Sewer Operating Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 75,463,071	\$	\$	\$	\$ 75,463,071
Intergovernmental	19,905,819	4,781,738		3,459,067	28,146,624
Charges for services	1,254,313	14,952	3,614,816	4,584,766	9,468,847
Investment earnings	52,168		65,866	2,981	121,015
Investment losses				5,519	5,519
Miscellaneous		250,000		128,570	378,570
Total revenues	<u>96,675,371</u>	<u>5,046,690</u>	<u>3,680,682</u>	<u>8,180,903</u>	<u>113,583,646</u>
Expenditures:					
Current:					
General government	3,112,219			9,959	3,122,178
Public safety	6,309,702			774,185	7,083,887
Public works	7,213,722		2,775,537	306,505	10,295,764
Human services	848,291			176,959	1,025,250
Culture and recreation	1,329,147			1,354,887	2,684,034
Insurance and sundry	5,322,359				5,322,359
Education	65,415,184			6,045,827	71,461,011
Debt service	4,938,502				4,938,502
Capital outlay		27,765,090			27,765,090
Total expenditures	<u>94,489,126</u>	<u>27,765,090</u>	<u>2,775,537</u>	<u>8,668,322</u>	<u>133,698,075</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,186,245</u>	<u>(22,718,400)</u>	<u>905,145</u>	<u>(487,419)</u>	<u>(20,114,429)</u>
Other Financing Sources (Uses):					
Issuance of notes		1,200,000			1,200,000
Issuance of leases	32,165				32,165
Transfers in	65,954	1,956,805		630,240	2,652,999
Transfers out	(1,914,045)		(710,240)	(28,714)	(2,652,999)
Total other financing sources (uses)	<u>(1,815,926)</u>	<u>3,156,805</u>	<u>(710,240)</u>	<u>601,526</u>	<u>1,232,165</u>
Net Change in Fund Balances	370,319	(19,561,595)	194,905	114,107	(18,882,264)
Fund Balances at Beginning of Year	<u>5,320,770</u>	<u>11,608,698</u>	<u>129,446</u>	<u>1,698,265</u>	<u>18,757,179</u>
Fund Balances at End of Year	<u>\$ 5,691,089</u>	<u>\$ (7,952,897)</u>	<u>\$ 324,351</u>	<u>\$ 1,812,372</u>	<u>\$ (125,085)</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2010

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)	\$ (18,882,264)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	25,806,060
Depreciation expense	(4,508,779)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources.

Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	(96,593)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

School building grant receipts	(767,844)
Property tax receivable - accrual basis change	66,576
Property tax interest and lien revenue - accrual basis change	712,265
Sewer user fees and assessment receivable - accrual basis change	66,865
Sewer assessment interest receivable - accrual basis change	2,097
Amortization of bond premiums	123,604

Change in OPEB assets	6,000
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	3,335,000
Note payments	463,419
Issuance of bonds and notes	(1,200,000)
Capital lease payments	173,567
Issuance of capital lease	(32,165)

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	(118,019)
Accrued interest	(194,818)
Amortization of deferred charge on refunding	(136,386)
Amortization of issuance costs and premiums, net	(60,889)
Net pension expense	(693,464)

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.

989,150

Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 5,053,382</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2010

	<u>Governmental Activities Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>983,701</u>
Liabilities:	
Accounts and other payables	<u>839,500</u>
Net Assets:	
Unrestricted	\$ <u><u>144,201</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities Internal Service Fund</u>
Operating Revenues:	
Charges for services	\$ <u>14,266,125</u>
Operating Expenses:	
Employee benefits	12,996,784
Administrative fees	<u>287,236</u>
Total operating expenses	<u>13,284,020</u>
Operating Income	982,105
Nonoperating Revenue:	
Income on investments	<u>7,045</u>
Change in Net Assets	989,150
Net Assets at Beginning of Year	<u>(844,949)</u>
Net Assets at End of Year	\$ <u><u>144,201</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from premiums - Town departments and agencies	\$ 14,266,125
Claims paid	(13,287,659)
Amount paid to contractor	(287,236)
Net cash provided by operating activities	<u>691,230</u>
Cash Flows from Investing Activities:	
Income from investments	<u>7,045</u>
Net Increase in Cash and Cash Equivalents	698,275
Cash and Cash Equivalents at Beginning of Year	<u>285,426</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 983,701</u></u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating income	\$ 982,105
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in due to other funds	(140,000)
Decrease in accounts and other payables	<u>(150,875)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 691,230</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2010

	Pension Trust Funds	Other Post Employment Benefit Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$	\$	\$ 1,035,144
Investments:			
Mutual funds	<u>20,219,099</u>	<u>329,094</u>	
Total assets	<u>20,219,099</u>	<u>329,094</u>	<u>\$ 1,035,144</u>
Liabilities:			
Due to others	<u> </u>	<u> </u>	<u>\$ 1,035,144</u>
Net Assets:			
Held in trust for pension benefits and other purposes	<u>\$ 20,219,099</u>	<u>\$ 329,094</u>	

NOTE: Pension trust funds are reported at December 31, 2009.

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS
PENSION TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Pension Trust Funds	Other Post Employment Benefit Trust Fund
	<hr/>	<hr/>
Additions:		
Contributions:		
Employer	\$ 1,395,744	\$ 671,000
Plan members	568,949	
Total contributions	<hr/> 1,964,693 <hr/>	<hr/> 671,000 <hr/>
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	3,125,022	(280)
Interest and dividends	561,794	10
Total investment gain (loss)	<hr/> 3,686,816 <hr/>	<hr/> (270) <hr/>
Less investment expenses	<hr/> 56,150 <hr/>	
Total additions	<hr/> 5,595,359 <hr/>	<hr/> 670,730 <hr/>
Deductions:		
Benefits	1,273,893	498,000
Administration	30,470	16,636
Total deductions	<hr/> 1,304,363 <hr/>	<hr/> 514,636 <hr/>
Change in Net Assets	4,290,996	156,094
Net Assets - Beginning of Year	<hr/> 15,928,103 <hr/>	<hr/> 173,000 <hr/>
Net Assets - End of Year	<hr/> \$ 20,219,099 <hr/>	<hr/> \$ 329,094 <hr/>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH WINDSOR, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1845. The Town operates under a Town Council/Town Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and social services, parks and recreation, and education.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, the proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current

fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, 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 major capital asset construction and/or purchases.

The *Sewer Operating Fund* accounts for sewer use and assessment fees used to maintain sewer operations within the Town.

Additionally, the Town reports the following fund types:

The *Internal Service Fund* accounts for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10.

The *Pension Trust Funds* account for the activities of the South Windsor Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Other Post Employment Benefit Trust Fund* accounts for the accumulated resources and payments associated with both Town and Board of Education health insurance benefits to former qualified employees.

The *Agency Funds* account for monies held on behalf of students and amounts held for performance related activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

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

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

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." 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.

Property taxes are levied on all assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Assessed values are established by the Town Assessor's Office at 70% of appraised value. The tax bills are payable in two installments, July and January. In accordance with State Statutes, the oldest outstanding tax is collected first. Delinquent taxes are charged with interest at the rate of 1.5% per month. Outstanding real estate tax accounts are automatically lien-ed each year prior to June 30.

In the governmental fund financial statements property tax revenues are recognized when they become available. Available means due or past due and received within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue.

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 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 for equipment, \$50,000 for improvements, and \$100,000 for infrastructure and an estimated useful life in excess of two 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>
Roads	75
Bridges	50
Sewer collection pipes	75
Sewer collection manholes	75
Buildings	40
Improvements other than buildings	20
Machinery and equipment	5-20
Vehicles	6-20
Office equipment	10
Computer equipment	3

H. Compensated Absences

Town and noncertified Board of Education employees are granted vacation and sick leave and certified employees of the Board of Education are granted sick leave based upon length of employment. In the event of termination, employees are compensated for accumulated vacation and depending on the terms of their union contract, sick time.

I. Long-Term Obligations

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

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

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

- Prior to March 15, the Board of Education submits to the Town Council a proposed budget for the year commencing July 1. Prior to March 22, the Town Manager submits to the Town Council a proposed operating budget for the general government for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. By April 15, the Town Council must have the Board of Education budget ready for public hearing and by April 22, the Town Council must have the general government budget ready for public hearing.
- By April 30, public hearings are conducted on the Board of Education budget and by May 7, public hearings are conducted on the general government budget.
- By May 15, the Town Council shall adopt the Board of Education budget and by May 22, the Town Council shall adopt the general government budget.
- The Town Manager may transfer unencumbered funds within a department budget. The Town Council may transfer unencumbered funds between departments and is authorized to make additional appropriations. There were no additional appropriations approved during the year.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Town Council approval.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year, or no expenditure from or encumbrance of the appropriation has been made for three consecutive fiscal years.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) 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 deposits may not be returned to it. 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*, \$7,548,419 of the Town’s bank balance of \$8,841,324 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,777,119
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>771,300</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 7,548,419</u></u>

Cash Equivalents

At June 30, 2010, the Town's cash equivalents amounted to \$4,805,288. 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 and Poor's</u>
StateTax Exempt Proceeds Fund*	
State Short-Term Investment Fund (STIF)	AAAm
Cutwater Asset Management	AAAm

*Not rated

Investments

Investments as of June 30, 2010 (December 31, 2009 for Pension Trust Fund) in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Other investments:	
Mutual funds	\$20,591,342

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. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

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

Concentration of Credit Risk - The Town's investment policy does not specify a limit for an investment in any one issuer.

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. At June 30, 2010, the Town had no uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Operating Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 2,596,964	\$	\$ 19,576	\$	\$ 2,616,540
Taxes	3,095,502				3,095,502
Accounts	83,539		296,071	2,736	382,346
Intergovernmental	2,024,813	695,066		174,303	2,894,182
Special assessments			16,331		16,331
Gross receivables	<u>7,800,818</u>	<u>695,066</u>	<u>331,978</u>	<u>177,039</u>	<u>9,004,901</u>
Less allowance for uncollectibles:					
Taxes	(711,966)				(711,966)
Accrued interest on taxes	<u>(696,012)</u>				<u>(696,012)</u>
Net Total Receivables	<u>\$ 6,392,840</u>	<u>\$ 695,066</u>	<u>\$ 331,978</u>	<u>\$ 177,039</u>	<u>\$ 7,596,923</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes and interest receivable	\$ 4,016,933	\$
School building grant	952,838	
Sewer assessments and interest receivable	19,629	
Grants and other drawdowns prior to meeting all eligibility requirements		397,530
Advanced tax collections		167,591
Sewer operating user fees and interest receivable	<u>312,349</u>	
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 5,301,749</u>	<u>\$ 565,121</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 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	\$ 14,714,804	\$ 1,801,000	\$	\$ 16,515,804
Construction in progress	<u>4,663,598</u>	<u>20,633,362</u>	<u>(713,139)</u>	<u>24,583,821</u>
Total capital assets not being depreciated	<u>19,378,402</u>	<u>22,434,362</u>	<u>(713,139)</u>	<u>41,099,625</u>
Capital assets being depreciated:				
Buildings	120,508,152			120,508,152
Improvements other than buildings	18,217,188	957,274		19,174,462
Furniture and equipment	13,480,606	710,252	(321,454)	13,869,404
Infrastructure	<u>89,599,639</u>	<u>2,417,311</u>	<u>(41,066)</u>	<u>91,975,884</u>
Total capital assets being depreciated	<u>241,805,585</u>	<u>4,084,837</u>	<u>(362,520)</u>	<u>245,527,902</u>
Less accumulated depreciation for:				
Buildings	(52,752,765)	(1,485,289)		(54,238,054)
Improvements other than buildings	(4,703,869)	(486,209)		(5,190,078)
Furniture and equipment	(7,488,608)	(1,077,995)	224,861	(8,341,742)
Infrastructure	<u>(49,015,573)</u>	<u>(1,459,286)</u>	<u>41,066</u>	<u>(50,433,793)</u>
Total accumulated depreciation	<u>(113,960,815)</u>	<u>(4,508,779)</u>	<u>265,927</u>	<u>(118,203,667)</u>
Total capital assets being depreciated, net	<u>127,844,770</u>	<u>(423,942)</u>	<u>(96,593)</u>	<u>127,324,235</u>
Governmental Activities Capital Assets, Net	<u>\$ 147,223,172</u>	<u>\$ 22,010,420</u>	<u>\$ (809,732)</u>	<u>\$ 168,423,860</u>

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

Governmental activities:	
General government	\$ 127,813
Public safety	402,717
Public works	2,023,545
Culture and recreation	23,510
Human services	333,680
Education	<u>1,597,514</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,508,779</u>

Construction Commitments

The Town has active construction projects as of June 30, 2010. At year end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
New Fire House	\$ 5,194,781	\$ 1,753,274
Water Pollution Control Facility	8,408,013	22,124,194

The commitments are being financed by General Fund appropriations, permanent financing and participation in the State's Clean Water Fund Program.

6. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, transactions were processed through the General Fund on behalf of other funds. A summary of interfund balances as of June 30, 2010 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor funds	\$ 997,454
Sewer Fund	General Fund	482,238
Capital Projects Fund	General Fund	1,627,282
Capital Projects Fund	Nonmajor funds	90,963
Capital Projects Fund	Sewer Operating Fund	2,829,389
Nonmajor and other funds	General Fund	885,983
		<u>\$ 6,913,309</u>

Interfund receivables and payables generally represent temporary balances from reimbursement type transactions.

Interfund transfers:

<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	
Transfers:				
General Fund	\$ 37,240	\$ 1,283,805	\$ 630,240	\$ 1,914,045
Sewer Operating		673,000		710,240
Nonmajor				
Governmental	<u>28,714</u>			<u>28,714</u>
Total Transfers In	<u>\$ 65,954</u>	<u>\$ 1,956,805</u>	<u>\$ 630,240</u>	<u>\$ 2,652,999</u>

Transfers are for regularly reoccurring operational transactions.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

A schedule of long term liabilities outstanding at June 30, 2010 is presented below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Bonds and notes payable	\$ 32,631,457	\$	\$ (3,483,757)	\$ 29,147,700	\$ 3,606,761
Less deferred amounts on refunding	(968,688)		136,386	(832,302)	
Premiums on refunding	656,251		(123,604)	532,647	
	<u>32,319,020</u>	<u>-</u>	<u>(3,470,975)</u>	<u>28,848,045</u>	<u>3,606,761</u>
Other liabilities:					
Capital leases	1,113,181	32,165	(173,567)	971,779	154,511
Compensated absences	6,722,014	118,019		6,840,033	1,726,191
Note payable		1,200,000	(314,662)	885,338	433,191
Net pension obligation	<u>3,198,745</u>	<u>693,464</u>		<u>3,892,209</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 43,352,960</u>	<u>\$ 2,043,648</u>	<u>\$ (3,959,204)</u>	<u>\$ 41,437,404</u>	<u>\$ 5,920,654</u>

Bonds and notes payable at June 30, 2010 comprise of the following:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2010</u>
General Purpose:					
Improvement bond	8/15/2008	2/15/2028	3.5-5.0%	\$ 8,625,000	\$ 8,625,000
Refunding bond	6/4/2008	9/15/2011	1.85-1.99%	1,486,700	1,100,000
Refunding bond	5/12/2009	9/1/2018	3.0-5.0%	2,478,000	2,478,000
Schools:					
Improvement bond	11/15/1990	11/15/2010	6.6-7.1%	2,300,000	115,000
Improvement bond	5/15/1991	11/15/2010	6.3-6.4%	9,500,000	500,000
Refunding bond	6/4/2008	9/15/2011	1.85-1.99%	3,823,300	2,370,000
Improvement bond	2/15/2009	2/15/2024	3.00-5.00%	4,820,000	4,800,000
Refunding bond	5/12/2009	9/1/2018	3.0-5.0%	6,897,000	6,897,000
Sewer:					
Clean Water Note Vernon wastewater treatment plant upgrade	1/1/2002	7/1/2021	2%	800,000	477,930
	12/31/1997	12/31/2016	2%	482,056	176,569
Clean Water Note Pleasant Valley	11/30/2005	5/31/2025	2%	402,727	312,157
Clean Water Note Submersible pump station	12/28/2006	7/1/2026	2%	1,568,029	<u>1,296,044</u>
Total					<u>\$ 29,147,700</u>

The following is a schedule of future debt service requirements as of June 30, 2010:

Fiscal Year Ending	Principal Payments	Interest Payments	Total Debt Service
2011	\$ 3,606,761	\$ 974,502	\$ 4,581,263
2012	3,109,824	856,930	3,966,754
2013	2,537,949	751,955	3,289,904
2014	2,411,137	653,860	3,064,997
2015	2,439,389	555,639	2,995,029
2016-2020	8,538,063	1,793,804	10,331,867
2021-2025	4,753,597	834,715	5,588,312
2026-2028	1,750,980	135,245	1,886,225
	<u>\$ 29,147,700</u>	<u>\$ 6,556,650</u>	<u>\$ 35,704,350</u>

Debt service expenditures were funded by the General Fund and the Sewer Operating Fund.

Legal Debt Limit

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 169,364,175	\$ 26,517,000	\$ 142,847,175
Schools	338,728,350	9,065,162	329,663,188
Sewers	282,273,625	30,641,193	251,632,432
Urban renewal	244,637,142		244,637,142
Pension deficit	225,818,900		225,818,900

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$526,910,767. School indebtedness is net of \$952,838 of school building grants receivable.

Authorized and unissued debt is as follows:

	Authorized	Bonds and BANS Issued	Authorized but Unissued Debt
New Fire Department Facility	\$ 8,250,000	\$ 2,800,000	\$ 5,450,000
Open Space Acquisitions 2005	4,000,000	3,500,000	500,000
Road/Drainage Improvements	10,000,000	6,300,000	3,700,000

Net Pension Obligation

The accrued pension obligation represents the accumulated difference between actuarially determined contributions to the Pension Trust and the actual Town contributions.

Capital Leases

The Town has entered into lease agreements for the purchase of various data processing equipment and copiers, public works equipment, a voicemail system and a minibus. The annual payments for the agreements are provided for by annual general fund appropriations.

Capital leases that are currently capitalized under the category of machinery and equipment were as follows:

Cost	\$ 3,609,065
Accumulated depreciation	<u>(518,497)</u>
Net Leased Equipment	<u>\$ 3,090,568</u>

The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the lease, and the present value of the future minimum lease payments at June 30, 2010.

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 193,994
2012	184,145
2013	173,019
2014	173,020
2015	173,018
2016	112,211
2017	112,210
Less amount representing interest	<u>(149,838)</u>
Present Value of Minimum Lease Payments	<u>\$ 971,779</u>

Clean Water Fund Note Payable

The Town is currently participating in the State of Connecticut Clean Water Fund Loan Program. Currently, the Town has a temporary loan of 10,056,749 at June 30, 2010. The loan matures on December 3, 2011 at which time it will be converted to permanent financing. The loan currently bears interest at 2%.

Other Note Payable

The Town currently has a note payable outstanding of \$885,338 for the purchase of land on 765 Sullivan Avenue. The loan requires 36 consecutive monthly payments in the amount of \$36,099 until August 1, 2012. The interest rate on the loan is 5.25%.

8. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

The Town is the administrator of two single employer, defined benefit pension plans, the Town Plan and Board of Education Plan. Plan provisions are established and amended by the Town Council and Board of Education. The first plan includes the following groups of Town employees: management, police union, Town Hall union, highway union, pollution union, library and dispatchers' union. The second plan covers Board of Education management, custodians, secretaries and nurses. The two pension plans are part of the Town's financial reporting entity and are accounted for as pension trust funds. The plans do not issue separate, stand-alone financial reports.

As of January 1, 2009, the plans' membership consisted of:

	Town Plan	Board of Education Plan
Retirees and beneficiaries currently receiving benefits	59	42
Terminated members entitled to benefits but not yet receiving them	14	12
Inactive participants	5	6
Current active members	113	93
Total	191	153

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The pension trust funds' financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contractual requirements, and investment income is recognized when earned. Expenses (benefits and administration) are recognized when due and payable in accordance with the terms of each plan.

Valuation of Investments

Investments are valued at fair value, based upon quoted market prices. Securities traded on national exchanges are valued at the last reported sales price.

Benefit Provisions

Town Plan

Employees become eligible to participate in the plan upon completing one year of continuous service, attaining age 21 and agreeing in writing to make required employee contributions. Police officers are 100% vested after completing ten years of continuous service. Highway, dispatchers, pollution union, town hall, management and library employees are 100% vested after completing five years of continuous service.

Board of Education Plan

Employees become eligible to participate in the plan upon completing one year of continuous service, attaining age 21 and agreeing in writing to make required employee contributions. Employees are 100% vested after completing five years of continuous service.

C. Funding Policy

Employer Contributions

The Town is required to contribute amounts necessary to fund benefits. The Town's contributions to both plans are actuarially determined on an annual basis using the Entry Age Normal Cost Method. For both plans, administrative costs are generally financed through investment earnings.

Employee Contributions

Required employee contribution rates under the Town Plan are 7.75% of covered payroll for police employees and 4.5% for all other employees. Participants in the Board of Education Plan contribute 4.5% of covered payroll.

D. Annual Pension Cost and Net Pension Obligations

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

	<u>Town</u>	<u>Board of Education</u>
Annual required contribution	\$ 1,573,634	\$ 522,765
Interest on net pension obligation	168,003	87,897
Adjustment to annual required contribution	<u>(172,724)</u>	<u>(90,367)</u>
Annual pension cost	1,568,913	520,295
Contributions made	<u>963,169</u>	<u>432,575</u>
Increase in net pension obligation	605,744	87,720
Net Pension Obligation, Beginning of Year	<u>2,100,033</u>	<u>1,098,712</u>
Net Pension Obligation, End of Year	\$ <u><u>2,705,777</u></u>	\$ <u><u>1,186,432</u></u>

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

	Town	Board of Education
Valuation Date	1/1/2009	1/1/2009
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Dollar, Open	Level Dollar, Open
Remining Amortization Period	10 Years	10 Years
Asset Valuation Method	5 year smoothed Fair Value	5 year smoothed Fair Value
Actuarial Assesptions:		
Investment rate of return	8%	8%
Projected salary increases:		
Merit	2%	2%
Inflation	2%	2%

E. Trend Information

Town Pension Plan				
Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 672,153	\$		\$ 415,865
6/30/06	889,535	419,000	47.1%	886,400
6/30/07	996,876	606,632	60.7	1,276,644
6/30/08	1,102,367	668,914	60.8	1,710,097
6/30/09	1,216,274	826,338	67.94	2,100,033
6/30/10	1,568,913	963,169	61.39	2,705,777

Board of Education Plan				
Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 383,211	\$ 172,738	45.1%	\$ 1,280,055
6/30/06	416,360	321,299	77.2	1,375,116
6/30/07	461,135	457,461	99.2	1,378,790
6/30/08	480,621	833,712	173.5	1,025,699
6/30/09	427,013	354,000	82.90	1,098,712
6/30/10	520,295	432,575	83.14	1,186,432

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Town Pension Plan							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)	
1/1/04	\$ 11,232,682	\$ 15,140,108	\$ (3,907,426)	74.2%	\$ 4,350,189	(89.8)%	
1/1/05	11,056,100	16,544,600	(5,488,500)	66.8	4,629,455	(118.6)	
1/1/06	11,417,364	17,733,386	(6,316,022)	64.4	4,744,942	(133.1)	
1/1/07	12,287,046	19,562,764	(7,275,718)	62.8	4,771,476	(152.5)	
1/1/08	13,426,371	21,185,349	(7,758,978)	63.4	4,962,230	(156.36)	
1/1/09	12,424,948	23,350,652	(10,925,704)	53.2	5,239,328	(208.53)	

Board of Education							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)	
1/1/04	\$ 5,086,722	\$ 5,932,958	\$ (846,236)	85.7%	\$ 2,773,089	(30.5)%	
1/1/05	5,217,193	6,281,473	(1,064,280)	83.1	2,791,381	(38.1)	
1/1/06	5,436,787	6,813,845	(1,377,058)	79.8	2,764,749	(49.8)	
1/1/07	6,076,770	7,114,251	(1,037,481)	85.4	3,232,684	(32.1)	
1/1/08	7,209,802	7,697,888	(488,086)	93.7	3,321,753	(14.7)	
1/1/09	6,670,839	8,534,681	(1,863,842)	78.2	3,512,067	(53.07)	

Schedule of Employer Contributions

Town Pension Plan			Board of Education	
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
6/30/05	\$ 671,577		\$ 385,615	44.80%
6/30/06	890,470	47.10%	419,238	76.60
6/30/07	998,869	60.70	464,398	98.50
6/30/08	1,105,236	60.50	483,721	172.40
6/30/09	1,220,118	67.72	429,319	82.46
6/30/10	1,573,634	61.21	522,765	82.75

G. Combining Statements

Schedule of Plan Assets

	Town Plan	Board of Education Plan	Total
Assets:			
Investments, at fair value:			
Mutual funds	\$ 13,092,890	\$ 7,126,209	\$ 20,219,099
Net Assets Held in Trust for Pension Benefits	\$ 13,092,890	\$ 7,126,209	\$ 20,219,099

	Schedule of Changes in Plan Net Assets		
	Town Plan	Board of Education Plan	Total
Additions:			
Contributions:			
Employer	\$ 963,169	\$ 432,575	\$ 1,395,744
Employee	376,117	192,832	568,949
Total contributions	<u>1,339,286</u>	<u>625,407</u>	<u>1,964,693</u>
Investment income:			
Net investment gains	2,011,885	1,113,137	3,125,022
Interest and dividends	366,905	194,889	561,794
Total investment income	<u>2,378,790</u>	<u>1,308,026</u>	<u>3,686,816</u>
Less investment expenses	<u>33,437</u>	<u>22,713</u>	<u>56,150</u>
Net investment income	<u>2,345,353</u>	<u>1,285,313</u>	<u>3,630,666</u>
Total additions	<u>3,684,639</u>	<u>1,910,720</u>	<u>5,595,359</u>
Deductions:			
Benefits	938,825	335,068	1,273,893
Administration	21,994	8,476	30,470
Total deductions	<u>960,819</u>	<u>343,544</u>	<u>1,304,363</u>
Changes in Net Assets	2,723,820	1,567,176	4,290,996
Net Assets - January 1, 2009	<u>10,369,070</u>	<u>5,559,033</u>	<u>15,928,103</u>
Net Assets - December 31, 2009	<u>\$ 13,092,890</u>	<u>\$ 7,126,209</u>	<u>\$ 20,219,099</u>

Defined Contribution Plan

A. Plan Description

The Town is the administrator of a single employer, defined contribution pension plan, the Town of South Windsor Employee Benefit Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan covers Town nonbargaining unit employees, members of the Police Union hired after July 1, 2005 and members of the Public Works, Community Service officers, and Pollution Control unions hired after July 1, 2008.

B. Plan Provisions

Town nonbargaining unit employees, members of the Police Union hired after July 1, 2005 and members of the Public Works, Community Service Officers, and Pollution Control Unions hired after July 1, 2008 who have completed a 12-month period of service shall be eligible to participate in the Plan at the beginning of the payroll period next commencing thereafter. There is no minimum age requirement. For Police, Public Works, Community Service Officers and Pollution Control Union members, benefits vest 20% per year reaching 100% after five years of participation. For Town nonbargaining unit employees, benefits vest 100% upon eligibility of the employee. Plan provisions and the authority to amend the provisions are established by the Town Council.

C. Contribution Requirements and Contributions Made

The employer contribution for members of the Police Union hired after July 1, 2005 and Public Works, Community Service Officers, and Pollution Control Unions hired after July 1, 2008 is 6.0% of earnings. The total Town contribution during the year ended June 30, 2010 for these groups was \$26,484 and represented 6.0% of covered payroll. The employees' contributions were \$30,262 and represented the required 6.0% of covered payroll plus any additional contributions up to the IRS allowable maximum. The employer contribution for Town management group employees is 12.07% of earnings. The total Town contribution during the year ended June 30, 2010 for this group, was \$301,250 and represented 12.07% of covered payroll. The employees' required contributions were \$112,314.27 and represented 4.5% of covered payroll. The authority to establish and amend contribution requirements is by the Town Council.

D. Employer and Employee Obligations

Members are required to contribute between 4.5% and 6.0% of their annual earnings. The Town is required to contribute between 6.0% and 12.07% of the members' annual earnings.

E. Teachers' Retirement

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

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$29,284,049 or 72.79% of the total Board of Education professional payroll of \$40,231,471.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2010, the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$4,530,082 as payments made by the State of Connecticut on behalf of the Town.

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

9. FUND BALANCE DEFICITS

The Animal Control Fund had a fund balance deficit as of June 30, 2010 in the amount of \$39,568. This deficit will be funded with future charges for services and general fund contributions.

The Capital Projects fund showed a deficit fund balance at June 30, 2010 of \$7,952,897. This deficit will be funded through long-term debt and other contributions.

10. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts; public official liabilities; police liability; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain the risk for the Town and Board of Education employees' medical claims. This fund is reported as an Internal Service Fund. During the year, deductibles paid by the Town were insignificant. Settled claims have not exceeded insurance in any of the past three years. There were no significant reductions in insurance coverage from amounts held the prior year.

A third party administers the medical insurance plan for which the Town pays a fee. The Town has purchased a stop loss policy for total claims in any one year exceeding an aggregate of 120% of expected claims and for individual claims exceeding \$100,000.

The medical insurance fund is substantially funded by the Town's General Fund based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which includes past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

An analysis of the activity in the claims liability for the medical insurance fund is as follows:

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
Medical Insurance Fund:				
2008-2009	\$ 765,208	\$ 11,828,259	\$ 11,603,092	\$ 990,375
2009-2010	765,208	12,966,784	12,892,492	839,500

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, which 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 7-479a et seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

The Town is also a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence and purchases reinsurance above that amount to the limit of liability of \$10 million per occurrence.

11. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with various collective bargaining agreements, provides retiree medical benefits for the lifetime of the retired member and covered dependents. The plan is a single employer plan that covers Police, Town, Teachers, and Board of Education employees as further defined in collective bargaining agreements and other written materials. Eligibility and premium sharing information is detailed in the various collective bargaining agreements. The Town does not issue separate stand alone financial statements for the plan.

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

Active members	833
Retired members	94
Spouses of retired members	<u>54</u>
Total Participants	<u>981</u>

B. Funding Policy

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis. The Town has established a trust fund to irrevocably segregate assets to fund the liability associated with the postemployment benefits, which is reported as a trust fund in accordance with GASB guidelines. The contribution requirements of plan members and the Town have also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums. The funding strategy for postemployment obligations are based on the following:

Teachers and Administrators

- Those individuals retired under the Connecticut Sate Teachers Retirement system shall be eligible to receive health benefits for self and spouse.
- Earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earliest of age 60 with 10 years of service, and age with 25 years of service, or age 55 with 20 years of service.
- 100% of premium is paid by retiree.

Board of Education SWESS (Support Staff), BOE Non-Union, BOE Custodians/Maintenance, BOE Food-Service Staff and BOE Nurses

- A retired member shall be eligible to continue health benefits (medical only for Custodians/Maintenance and Nurses) for self and spouse.
- Retirement date is the later of age 62 or the completion of 10 years of service. Early retirement is the first of any month within 10 years of Normal Retirement Date.
- Nurses must be at least age 55 with 10 years of continuous service as a school nurse.
- 100% of premium is paid by retiree.

Police

- Completion of 25 years of service or attainment of age 50.
- The Town contributes 75% of the cost of the health insurance for members hired before July 1, 2006. Members hired after July 1, 2006 have the option of continuing medical benefits at their own expense. The retiree shall contribute the remainder of the cost. Coverage is pre-65 only.
- In the event of an employee's death in the line of duty, the Town shall contribute 100% of the health insurance cost coverage for spouse and dependents. Such contribution shall not exceed a period of 12 months.

Town Hall Union and Non-Bargaining (Management and Library)

- Retired employees with at least 10 years of service shall be eligible to continue health coverage at the Town's group rates.
- Retirement eligibility is age 62 for Town Hall and Management employees and age 65 for the Library.
- 100% of premium is paid by retiree.

Town (Pollution Union, Dispatchers, and Public Works)

- Retired employees with attainment of age 60 may continue health coverage at the Town group rates.
- 100% of premium is paid by retiree.

Annual OPEB Cost and Net OPEB Obligations

The Town of South Windsor's annual other post employment benefit (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, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 665,000
Interest on OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	665,000
Contributions made	671,000
	<hr/>
Decrease in net OPEB obligation	(6,000)
Net OPEB obligation (asset), beginning of year	-
	<hr/>
Net OPEB Obligation (Asset), End of Year	\$ <u>(6,000)</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2010 is presented below. Data is only presented for fiscal years ending June 30, 2010 and 2009 due to 2009 being the first year of implementation:

Fiscal Year Ended		Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2009	\$	631,000	\$ 631,000	100%	\$ -
6/30/2010		665,000	671,000	101%	(6,000)

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 the 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. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$	\$ 5,569,000	\$ 5,569,000	0.0 %	N/A	N/A
7/1/2009	-	5,906,000	5,906,000	0.0 %	N/A	N/A

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/2009	\$ 631,000	100%
6/30/2010	665,000	101%

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 cost 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.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used with level percentage amortization over 25 years for police and 30 years for all other employees. The actuarial assumptions include a 4.0% rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

13. CONTINGENT LIABILITIES

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by counsel to be likely to result in a judgment or judgments that would materially affect the Town's financial position.

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Property Taxes:				
Current taxes	\$ 74,677,334	\$ 74,677,334	\$ 73,788,899	\$ (888,435)
Delinquent taxes	550,000	550,000	696,985	146,985
Supplemental motor vehicles	575,000	575,000	467,754	(107,246)
Interest	300,000	300,000	418,014	118,014
Liens	4,000	4,000	5,820	1,820
Housing authority - PILOT (in lieu of taxes)	20,000	20,000	21,684	1,684
Telephone access relief	86,566	86,566	63,915	(22,651)
Total property taxes	<u>76,212,900</u>	<u>76,212,900</u>	<u>75,463,071</u>	<u>(749,829)</u>
Intergovernmental:				
State assistance - education:				
School building grants	866,524	866,524	866,530	6
Education equalization	13,167,780	11,333,276	11,130,797	(202,479)
Other assistance:				
Recovery Act - Board of Education		1,834,504	1,834,504	-
Elderly tax freeze	3,000	3,000	3,573	573
State in lieu of taxes	92,788	92,788	70,636	(22,152)
DOT Elderly Transportation			30,345	30,345
Elderly tax relief	125,300	125,300	135,165	9,865
State sundry grants	53,736	53,736	19,727	(34,009)
Youth service grants	20,000	20,000	22,585	2,585
Manufacturer's equipment and machinery	983,956	983,956	1,246,062	262,106
Veterans' exemption	16,000	16,000	15,813	(187)
Total intergovernmental	<u>15,329,084</u>	<u>15,329,084</u>	<u>15,375,737</u>	<u>46,653</u>
Charges for services:				
Building permits	500,000	500,000	265,535	(234,465)
Town Manager's rents	3,300	3,300	17,052	13,752
Probate court rentals	1,180	1,180	1,180	-
Town Clerk fees	450,000	450,000	472,127	22,127
Planning and zoning fees	10,000	10,000	4,647	(5,353)
General government sundry	125,005	125,005	325,602	200,597
Police	26,000	26,000	25,852	(148)
Educational rentals	10,000	10,000	17,707	7,707
Engineering permits	2,000	2,000	5,280	3,280
Zoning board of appeals	2,000	2,000	870	(1,130)
Refuse and recycling	103,732	103,732	113,079	9,347
Fire Marshall fees	25,000	25,000	5,382	(19,618)
Total charges for services	<u>1,258,217</u>	<u>1,258,217</u>	<u>1,254,313</u>	<u>(3,904)</u>
Investment Earnings	<u>385,000</u>	<u>385,000</u>	<u>52,168</u>	<u>(332,832)</u>
Other revenues:				
Cancellation of prior year encumbrances			129,728	129,728
Total revenues	<u>93,185,201</u>	<u>93,185,201</u>	<u>92,275,017</u>	<u>(910,184)</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Other Financing Sources:				
Transfers in:				
Sewer Operating	\$ 37,240	\$ 37,240	\$ 37,240	\$ -
Library funds	<u>18,000</u>	<u>18,000</u>	<u>28,714</u>	<u>10,714</u>
Total other financing sources	<u>55,240</u>	<u>55,240</u>	<u>65,954</u>	<u>10,714</u>
Total Revenues and Other Financing Sources	<u>\$ 93,240,441</u>	<u>\$ 93,240,441</u>	92,340,971	<u>\$ (899,470)</u>
Budgetary revenues are different from GAAP revenues because:				
Cancellation of prior year encumbrances are recognized as budgetary revenue			(129,728)	
State on-behalf payments			4,530,082	
Proceeds from capital lease			<u>32,165</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 96,773,490</u>	

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over)Under</u>
General Government:				
Legislative:				
Town Council	\$ 154,117	\$ 159,317	\$ 142,876	\$ 16,441
Boards and Commissions:				
Human relations commission	2,500	2,500	2,343	157
Historic district commission	1,000	1,000	502	498
Public building commission	520	520		520
Housing authority	4,476	4,476	3,580	896
South Windsor redevelopment	1,000	1,000	180	820
Inland/wetlands - conservation	5,525	5,525	3,935	1,590
Land preservation advisory	300	300		300
Open space task force	750	970	678	292
Park and recreation commission	4,500	4,510	4,508	2
Planning and zoning	7,250	7,250	6,238	1,012
Zoning board of appeals	2,500	2,500	1,878	622
Juvenile fire setter commission	1,500	1,500		1,500
Economic development coordinator	4,000	4,000	1,615	2,385
Total Boards and Commissions	<u>35,821</u>	<u>36,051</u>	<u>25,457</u>	<u>10,594</u>
Judicial:				
Probate court	<u>11,277</u>	<u>11,277</u>	<u>10,086</u>	<u>1,191</u>
Elections:				
Registrar of voters	<u>131,502</u>	<u>131,502</u>	<u>105,131</u>	<u>26,371</u>
Executive:				
Town manager	246,340	303,853	300,252	3,601
Human resources	<u>168,722</u>	<u>168,722</u>	<u>154,841</u>	<u>13,881</u>
Total Executive	<u>415,062</u>	<u>472,575</u>	<u>455,093</u>	<u>17,482</u>
Community Development:				
Planning department	292,707	292,408	284,355	8,053
Building department	<u>237,452</u>	<u>237,453</u>	<u>192,985</u>	<u>44,468</u>
Total Community Development	<u>530,159</u>	<u>529,861</u>	<u>477,340</u>	<u>52,521</u>
Finance:				
Assessor	261,240	259,068	240,587	18,481
Board of tax review	255	255		255
Collector of revenue	185,739	187,911	185,352	2,559
Finance office	<u>312,831</u>	<u>312,831</u>	<u>308,808</u>	<u>4,023</u>
Total Finance	<u>760,065</u>	<u>760,065</u>	<u>734,747</u>	<u>25,318</u>
Recording and Reporting:				
Town clerk	<u>201,226</u>	<u>232,326</u>	<u>224,280</u>	<u>8,046</u>
Law:				
Town attorney	<u>175,000</u>	<u>175,000</u>	<u>168,810</u>	<u>6,190</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over) Under</u>
Central Services:				
Town hall	\$ 290,235	\$ 290,235	\$ 278,648	\$ 11,587
Data processing	461,965	461,965	437,641	24,324
Total quality management implementation	19,000	19,000	5,501	13,499
Media	12,025	12,025	11,603	422
Total Central Services	<u>783,225</u>	<u>783,225</u>	<u>733,393</u>	<u>49,832</u>
Total General Government	<u>3,197,454</u>	<u>3,291,199</u>	<u>3,077,213</u>	<u>213,986</u>
Public Safety:				
Police Protection:				
Police administration	423,772	401,290	404,859	(3,569)
Operations	2,767,691	3,091,296	3,063,165	28,131
Support services	1,689,179	1,529,658	1,530,782	(1,124)
Community services	131,975	136,125	128,951	7,174
Total Police Protection	<u>5,012,617</u>	<u>5,158,369</u>	<u>5,127,757</u>	<u>30,612</u>
Fire Protection:				
Fire marshal	146,716	148,916	141,247	7,669
Hydrants and water lines	688,928	665,728	660,108	5,620
Total Fire Protection	<u>835,644</u>	<u>814,644</u>	<u>801,355</u>	<u>13,289</u>
Other protection:				
Street lights	409,500	380,749	380,131	618
Total Public Safety	<u>6,257,761</u>	<u>6,353,762</u>	<u>6,309,243</u>	<u>44,519</u>
Public Works:				
Administration:				
Management	131,121	131,121	128,190	2,931
Engineering:				
Technical support	360,511	360,511	356,545	3,966
Street services:				
Highway maintenance	2,012,805	2,080,660	1,988,910	91,750
Motor equipment repair	759,860	693,218	644,091	49,127
Total Street Services	<u>2,772,665</u>	<u>2,773,878</u>	<u>2,633,001</u>	<u>140,877</u>
Parks and grounds:				
Property maintenance	1,214,612	1,152,309	1,022,891	129,418
Public Buildings:				
Building maintenance	1,204,139	1,204,438	1,175,211	29,227
Pollution Control:				
Refuse disposal	1,850,751	1,869,862	1,869,862	-
Total Public Works	<u>7,533,799</u>	<u>7,492,119</u>	<u>7,185,700</u>	<u>306,419</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over) Under</u>
Human Services:				
Conservation of Health:				
Environmental health	\$ 110,481	\$ 110,481	\$ 103,770	\$ 6,711
Visiting nurse community care	17,825	17,825	8,245	9,580
Total Conservation of Health	128,306	128,306	112,015	16,291
Human service programs:				
Administration	168,778	172,552	171,407	1,145
Youth and family services	239,462	235,688	223,738	11,950
Adult and senior services	307,782	305,282	279,188	26,094
Mini-bus service	50,815	57,815	57,203	612.00
Sheltered workshops	4,624	4,624	4,624	-
Total Human Services Programs	771,461	775,961	736,160	39,801
Total Human Services	899,767	904,267	848,175	56,092
Culture and Recreation:				
Recreation administration	376,619	376,620	368,548	8,072
Library	958,764	958,764	961,520	(2,756)
Total Culture and Recreation	1,335,383	1,335,384	1,330,068	5,316
Education	61,393,056	61,393,056	60,254,002	1,139,054
Insurance and benefits:				
Municipal insurance:				
Insurance - casualty	196,968	205,200	205,200	-
Pension Contribution:				
Pension	1,230,149	1,210,188	1,196,744	13,444
Social security	882,822	860,548	869,181	(8,633)
Total Pension Contributions	2,112,971	2,070,736	2,065,925	4,811
Health and life insurance	2,605,234	2,605,234	2,598,920	6,314
Workers' compensation	380,352	407,607	407,605	2.00
Unemployment compensation	68,136	32,081	22,859	9,222
Salary contingency	40,000			-
Total Insurance and Benefits	5,403,661	5,320,858	5,300,509	20,349
Other:				
Fund Balance Replenishment	1,000,000	1,000,000		1,000,000
Contingency	205,000	72,562		72,562
South Windsor patriotic commission	13,500	13,500	11,350	2,150
Cemeteries	3,000	3,000	3,000	-
Wood Memorial Library	7,500	7,500	7,500	-
Total Other	1,229,000	1,096,562	21,850	1,074,712

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TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over) Under</u>
Debt Service:				
Principal	\$ 3,266,000	\$ 3,335,000	\$ 3,335,000	\$ -
Interest	<u>1,667,715</u>	<u>1,604,189</u>	<u>1,603,502</u>	<u>687</u>
Total Debt service	<u>4,933,715</u>	<u>4,939,189</u>	<u>4,938,502</u>	<u>687</u>
Total expenditures	<u>92,183,596</u>	<u>92,126,396</u>	<u>89,265,262</u>	<u>2,861,134</u>
Other Financing Uses:				
Transfers out:				
Capital projects fund	1,271,605	1,283,805	1,283,805	-
Volunteer fire department	<u>585,240</u>	<u>630,240</u>	<u>630,240</u>	<u>-</u>
Total other financing uses	<u>1,856,845</u>	<u>1,914,045</u>	<u>1,914,045</u>	<u>-</u>
Total	<u>\$ 94,040,441</u>	<u>\$ 94,040,441</u>	91,179,307	<u>\$ 2,861,134</u>
Budgetary expenditures are different from GAAP expenditures because:				
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			661,617	
State on-behalf payments			4,530,082	
Lease Purchase			32,165	
Bond issuance costs on refunding				
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 96,403,171</u>	

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - SEWER OPERATING FUND**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 4,041,797	\$ 4,041,797	\$ 3,673,895	\$ (367,902)
Investment income	5,000	5,000	6,787	1,787
Miscellaneous			33,902	33,902
Total revenues	<u>4,046,797</u>	<u>4,046,797</u>	<u>3,714,584</u>	<u>(332,213)</u>
Expenditures:				
Full time salaries	704,704	704,704	700,694	4,010
Overtime	99,326	86,240	81,100	5,140
Longevity	1,820	1,820	925	895
Employee benefits	329,733	336,748	337,107	(359)
Office supplies	1,050	1,199	1,114	85
Operating material	162,500	230,456	230,456	-
Motor vehicle supplies	15,170	22,870	20,546	2,324
Uniforms and clothing	6,450	6,340	4,364	1,976
Fleet and equipment repair	91,920	61,920	55,162	6,758
Advertising		142	142	-
Professional	190,000	190,088	189,446	642
Rental and leases	8,600	6,592	2,902	3,690
Utilities	368,700	362,985	362,984	1
Maintenance contracts	105,250	105,566	105,565	1
Repair and maintenance equipment	11,100	7,400	6,193	1,207
Contracted Services	600	600	394	206
Fees and memberships	1,840	2,386	2,386	-
Recruitment and training	3,500	3,978	3,963	15
Other purchased services	497,000	476,185	476,185	-
Department equipment	12,000	3,044	1,167	1,877
Debt service	195,630	195,630	195,629	1
Total expenditures	<u>2,806,893</u>	<u>2,806,893</u>	<u>2,778,424</u>	<u>28,469</u>
Excess (Deficiency) of Revenues over Expenditures	1,239,904	1,239,904	936,160	(303,744)
Other Financing Uses:				
Transfers in	19,000	19,000		(19,000)
Transfers out	<u>(1,258,904)</u>	<u>(1,258,904)</u>	<u>(710,240)</u>	<u>548,664</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	225,920	<u>\$ 225,920</u>
Fund Balance - July 1, 2009			<u>91,526</u>	
Fund Balance - June 30, 2010			<u>\$ 317,446</u>	

Reconciliation to GAAP Basis

	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis - June 30, 2010	\$ 3,714,584	\$ 2,778,424
Underliquidations of prior year encumbrances	(33,902)	
Encumbrances charged to budgetary expenditures during the year ended June 30, 2010		<u>(2,887)</u>
Balance, GAAP Basis - June 30, 2010	<u>\$ 3,680,682</u>	<u>\$ 2,775,537</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT**GENERAL FUND****COMPARATIVE BALANCE SHEET****JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 8,438,224	\$ 15,277,092
Property taxes receivable, net of allowance	2,383,536	2,210,457
Intergovernmental	2,024,813	2,717,680
Other accounts receivable	1,984,491	1,360,199
Due from other funds	997,454	1,558,369
Prepaid items	<u>24,839</u>	<u>13,750</u>
Total Assets	<u>\$ 15,853,357</u>	<u>\$ 23,137,547</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,029,403	\$ 2,019,621
Due to other funds	2,995,503	10,654,172
Deferred revenues	<u>5,137,362</u>	<u>5,142,984</u>
Total liabilities	<u>10,162,268</u>	<u>17,816,777</u>
Fund balance:		
Reserved for encumbrances	416,571	1,207,916
Unreserved:		
Designated for subsequent year's budget	800,000	800,000
Undesignated	<u>4,474,518</u>	<u>3,312,854</u>
Total fund balance	<u>5,691,089</u>	<u>5,320,770</u>
Total Liabilities and Fund Balance	<u>\$ 15,853,357</u>	<u>\$ 23,137,547</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2010

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Grand List	Uncollected Taxes		Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes								
	July 1, 2009		Additions	Deductions			Taxes	Interest	Total		June 30, 2010							
2008	\$	76,255,211	\$	94,063	\$	987,760	\$	75,361,514	\$	74,256,653	\$	249,243	\$	74,505,897	\$	1,104,861		
2007		986,560		302,684		343,601		945,643		487,028		106,242		593,270		458,615		
2006		382,938		125,504		128,860		379,582		57,997		23,905		81,902		321,585		
2005		186,615		744		820		186,539		15,652		11,224		26,876		170,887		
2004		174,745				543		174,202		10,400		8,481		18,881		163,802		
2003		160,658				1,023		159,635		5,641		6,016		11,657		153,994		
2002		145,531				157	64,639	80,735		4,853		6,429		11,282		75,882		
2001		172,007				265	82,036	89,706		4,035		5,413		9,448		85,671		
2000		172,808				592	88,537	83,679		3,711		3,909		7,620		79,968		
1999		144,021				270		143,751		957		1,689		2,646		142,794		
1998		84,969		230		283		84,916		201		1,289		1,490		84,715		
1997		68,699						68,699						-		68,699		
1996		63,291						63,291						-		63,291		
1995		60,758						60,758						-		60,758		
1994		59,979						59,979						-		59,979		
	\$	79,118,790	\$	523,226	\$	1,464,173	\$	235,212	\$	77,942,630	\$	74,847,129	\$	423,838		75,270,967	\$	3,095,502

Property taxes receivable considered available:

June 30, 2009

(161,052)

June 30, 2010

267,557

Total Property Tax Revenue

\$ 75,377,472

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Special Revenue Funds						
	Town Aid Road	Volunteer Fire Department	Animal Control	Town Hall Grants	Public Works Funds	Police Funds	Fees in Lieu of Open Space
ASSETS							
Cash and cash equivalents	\$	\$ 56,651	\$	\$	\$	\$ 379	\$
Investments							
Receivables:							
Accounts receivable							
Grants and contracts receivable							
Due from other funds	266,381			28,712	130,433	86,711	257,533
Other assets		444					
Total Assets	\$ 266,381	\$ 57,095	\$ -	\$ 28,712	\$ 130,433	\$ 87,090	\$ 257,533
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$	\$ 15,099	\$ 3,059	\$ 5,094	\$ 1,696	\$
Due to other funds			24,469				
Unearned/deferred revenue							
Total liabilities	-	-	39,568	3,059	5,094	1,696	-
Fund Balances:							
Reserved for:							
Encumbrances							
Inventories							
Unreserved:							
Undesignated	266,381	57,095	(39,568)	25,653	125,339	85,394	257,533
Total fund balance	266,381	57,095	(39,568)	25,653	125,339	85,394	257,533
Total Liabilities and Fund Balances	\$ 266,381	\$ 57,095	\$ -	\$ 28,712	\$ 130,433	\$ 87,090	\$ 257,533

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Special Revenue Funds						
	Health Benefits Reserve	Library	Recreation	BOE	Education Grants	Cafeteria	BOE Accommodations
ASSETS							
Cash and cash equivalents	\$ 116,202	\$ 70,279	\$ 959,194	\$ 88,017	\$ 608,674	\$ 382,732	\$ 104,761
Investments		43,149					
Receivables:							
Accounts receivable							
Grants and contracts receivable					132,938	41,365	
Due from other funds							
Other assets						20,113	
Total Assets	<u>\$ 116,202</u>	<u>\$ 113,428</u>	<u>\$ 959,194</u>	<u>\$ 88,017</u>	<u>\$ 741,612</u>	<u>\$ 444,210</u>	<u>\$ 104,761</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$	\$ 10,064	\$	\$ 164,481	\$ 11,055	\$ 658
Due to other funds			352,186	36,040	559,048	154,179	
Unearned/deferred revenue			330,475		13,055	45,881	
Total liabilities	<u>-</u>	<u>-</u>	<u>692,725</u>	<u>36,040</u>	<u>736,584</u>	<u>211,115</u>	<u>658</u>
Fund Balances:							
Reserved for:							
Encumbrances			5,497				
Inventories						20,113	
Unreserved:							
Undesignated	<u>116,202</u>	<u>113,428</u>	<u>260,972</u>	<u>51,977</u>	<u>5,028</u>	<u>212,982</u>	<u>104,103</u>
Total fund balance	<u>116,202</u>	<u>113,428</u>	<u>266,469</u>	<u>51,977</u>	<u>5,028</u>	<u>233,095</u>	<u>104,103</u>
Total Liabilities and Fund Balances	<u>\$ 116,202</u>	<u>\$ 113,428</u>	<u>\$ 959,194</u>	<u>\$ 88,017</u>	<u>\$ 741,612</u>	<u>\$ 444,210</u>	<u>\$ 104,761</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	High School Athletic Association	Human Services Fund	Community Use of Buildings	Sanitarian Per Capital Grant Fund	Interfund Eliminations	
ASSETS						
Cash and cash equivalents	\$	\$	\$	\$	\$	\$ 2,386,889
Investments						43,149
Receivables:						
Accounts receivable			2,736			2,736
Grants and contracts receivable						174,303
Due from other funds	32,223	90,144	31,351		(37,505)	885,983
Other assets						20,557
Total Assets	<u>\$ 32,223</u>	<u>\$ 90,144</u>	<u>\$ 34,087</u>	<u>\$ -</u>	<u>\$ (37,505)</u>	<u>\$ 3,513,617</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$ 2,977	\$ 1,115	\$	\$	\$ 215,298
Due to other funds					(37,505)	1,088,417
Unearned/deferred revenue		8,119				397,530
Total liabilities	<u>-</u>	<u>11,096</u>	<u>1,115</u>	<u>-</u>	<u>(37,505)</u>	<u>1,701,245</u>
Fund Balances:						
Reserved for:						
Encumbrances						5,497
Inventories						20,113
Unreserved:						
Undesignated	<u>32,223</u>	<u>79,048</u>	<u>32,972</u>	<u>-</u>	<u>-</u>	<u>1,786,762</u>
Total fund balance	<u>32,223</u>	<u>79,048</u>	<u>32,972</u>	<u>-</u>	<u>-</u>	<u>1,812,372</u>
Total Liabilities and Fund Balances	<u>\$ 32,223</u>	<u>\$ 90,144</u>	<u>\$ 34,087</u>	<u>\$ -</u>	<u>\$ (37,505)</u>	<u>\$ 3,513,617</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						
	<u>Town Aid Road</u>	<u>Volunteer Fire Department</u>	<u>Animal Control</u>	<u>Town Hall Grants</u>	<u>Public Works Funds</u>	<u>Police</u>	<u>Fees in Lieu of Open Space</u>
Revenues:							
Intergovernmental	\$ 193,307	\$	\$	\$ 14,785	\$	\$ 71,927	\$
Charges for services and assessments			28,273			103,658	3,109
Investment earnings		2,175				1	
Investment losses							
Miscellaneous		9,300		13,134	31,110	200	
Total revenues	<u>193,307</u>	<u>11,475</u>	<u>28,273</u>	<u>27,919</u>	<u>31,110</u>	<u>175,786</u>	<u>3,109</u>
Expenditures:							
Current:							
General government				9,959			
Public safety		633,126	15,414			125,645	
Public works	229,118			7,111	64,488		
Human services							
Culture and recreation							
Education							
Capital outlays							
Total expenditures	<u>229,118</u>	<u>633,126</u>	<u>15,414</u>	<u>17,070</u>	<u>64,488</u>	<u>125,645</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(35,811)</u>	<u>(621,651)</u>	<u>12,859</u>	<u>10,849</u>	<u>(33,378)</u>	<u>50,141</u>	<u>3,109</u>
Other Financing Source (Uses):							
Transfer in		630,240					
Transfer out							
Total other financing sources (uses)	<u>-</u>	<u>630,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(35,811)	8,589	12,859	10,849	(33,378)	50,141	3,109
Fund Balances at Beginning of Year	<u>302,192</u>	<u>48,506</u>	<u>(52,427)</u>	<u>14,804</u>	<u>158,717</u>	<u>35,253</u>	<u>254,424</u>
Fund Balances at End of Year	<u>\$ 266,381</u>	<u>\$ 57,095</u>	<u>\$ (39,568)</u>	<u>\$ 25,653</u>	<u>\$ 125,339</u>	<u>\$ 85,394</u>	<u>\$ 257,533</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					
	<u>Health Benefits Reserve</u>	<u>Library</u>	<u>Recreation</u>	<u>BOE</u>	<u>Education Grants</u>	<u>BOE Accommodations</u>
Revenues:						
Intergovernmental	\$	\$ 20,942	\$	\$	\$ 2,731,978	\$ 361,440
Charges for services and assessments		28,870	1,380,185	113,970	1,445,381	1,302,240
Investment earnings	52		753			
Investment losses		5,519				
Miscellaneous		14,668				
Total revenues	<u>52</u>	<u>69,999</u>	<u>1,380,938</u>	<u>113,970</u>	<u>2,731,978</u>	<u>1,806,821</u>
Expenditures:						
Current:						
General government						
Public safety						
Public works						
Human services						
Culture and recreation		31,147	1,323,740			
Education				139,004	2,731,978	1,725,537
Capital outlays						
Total expenditures	<u>-</u>	<u>31,147</u>	<u>1,323,740</u>	<u>139,004</u>	<u>2,731,978</u>	<u>1,725,537</u>
Excess (Deficiency) of Revenues over Expenditures	<u>52</u>	<u>38,852</u>	<u>57,198</u>	<u>(25,034)</u>	<u>-</u>	<u>81,284</u>
Other Financing Source (Uses):						
Transfer in						
Transfer out		(28,714)				
Total other financing sources (uses)	<u>-</u>	<u>(28,714)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	52	10,138	57,198	(25,034)	-	81,284
Fund Balances at Beginning of Year	<u>116,150</u>	<u>103,290</u>	<u>209,271</u>	<u>77,011</u>	<u>5,028</u>	<u>151,811</u>
Fund Balances at End of Year	<u>\$ 116,202</u>	<u>\$ 113,428</u>	<u>\$ 266,469</u>	<u>\$ 51,977</u>	<u>\$ 5,028</u>	<u>\$ 233,095</u>

(Continued on next page)

TOWN OF SOUTH WINDSOR, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	High School Athletics Association	Human Services Fund	Community Use of Buildings	Sanitarian Per Capital Grant Fund	Interfund Eliminations	
Revenues:						
Intergovernmental	\$	\$ 64,688	\$	\$	\$	\$ 3,459,067
Charges for services and assessments	21,868	42,241	114,971			4,584,766
Investment earnings						2,981
Investment losses						5,519
Miscellaneous		60,158				128,570
Total revenues	<u>21,868</u>	<u>167,087</u>	<u>114,971</u>	<u>-</u>	<u>-</u>	<u>8,180,903</u>
Expenditures:						
Current:						
General government						9,959
Public safety						774,185
Public works				5,788		306,505
Human services		176,959				176,959
Culture and recreation						1,354,887
Education	19,695		120,273			6,045,827
Capital outlays						
Total expenditures	<u>19,695</u>	<u>176,959</u>	<u>120,273</u>	<u>5,788</u>	<u>-</u>	<u>8,668,322</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,173</u>	<u>(9,872)</u>	<u>(5,302)</u>	<u>(5,788)</u>	<u>-</u>	<u>(487,419)</u>
Other Financing Source (Uses):						
Transfer in						630,240
Transfer out						(28,714)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>601,526</u>
Net Change in Fund Balance	2,173	(9,872)	(5,302)	(5,788)		114,107
Fund Balances at Beginning of Year	<u>30,050</u>	<u>88,920</u>	<u>38,274</u>	<u>5,788</u>		<u>1,698,265</u>
Fund Balances at End of Year	<u>\$ 32,223</u>	<u>\$ 79,048</u>	<u>\$ 32,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,812,372</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - RECREATION FUND**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services:				
Day camp	\$ 278,958	\$ 278,958	\$ 293,813	\$ 14,855
Veterans' memorial park	262,700	262,700	289,374	26,674
4th R Revenue	580,850	580,850	429,127	
Outdoor	33,223	33,223	24,925	(8,298)
Indoor	164,094	164,094	163,435	(659)
Social/cultural	133,455	133,455	136,469	3,014
Recreation facilities	30,200	30,200	43,042	12,842
Investment income			753	753
Miscellaneous			6,211	6,211
	<u>1,483,480</u>	<u>1,483,480</u>	<u>1,387,149</u>	<u>55,392</u>
Total revenues				
Expenditures:				
Current:				
Day camp	271,251	332,433	291,188	41,245
4th R Personal Services	574,056	512,874	390,560	122,314
Veterans' memorial park	288,108	288,108	232,144	55,964
Outdoor	33,911	33,911	27,414	6,497
Indoor	177,318	177,318	170,657	6,661
Social/cultural	157,369	157,369	148,942	8,427
Recreation facilities	60,293	60,293	57,233	3,060
Contingency	30,000	30,000		30,000
	<u>1,592,306</u>	<u>1,592,306</u>	<u>1,318,138</u>	<u>274,168</u>
Total expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>(108,826)</u>	<u>(108,826)</u>	<u>69,011</u>	<u>329,560</u>
Net Change in Fund Balance	\$ <u>(108,826)</u>	\$ <u>(108,826)</u>	69,011	\$ <u>329,560</u>
Fund Balance - June 30, 2009			<u>191,961</u>	
Fund Balance - June 30, 2010			<u>\$ 260,972</u>	

Reconciliation to GAAP Basis

	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis - June 30, 2010	\$ (1,387,149)	\$ 1,318,138
Encumbrances outstanding at June 30, 2009 liquidated during the year ended June 30, 2010	6,211	11,099
Encumbrances charged to budgetary expenditures during the year ended June 30, 2010		<u>(5,497)</u>
Balance, GAAP Basis - June 30, 2010	\$ <u>(1,380,938)</u>	\$ <u>1,323,740</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

JUNE 30, 2010

	<u>Student Activities</u>	<u>Performance Bonds</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ <u>375,872</u>	\$ <u>659,272</u>	\$ <u>1,035,144</u>
Liabilities:			
Due to others	\$ <u>375,872</u>	\$ <u>659,272</u>	\$ <u>1,035,144</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
School Activities Fund				
Assets:				
Cash and cash equivalents	\$ <u>341,773</u>	\$ <u>1,129,235</u>	\$ <u>1,095,136</u>	\$ <u>375,872</u>
Liabilities:				
Due to others	\$ <u>341,773</u>	\$ <u>1,129,235</u>	\$ <u>1,095,136</u>	\$ <u>375,872</u>
Performance Bond Fund				
Assets:				
Cash and cash equivalents	\$ <u>656,966</u>	\$ <u>171,610</u>	\$ <u>169,304</u>	\$ <u>659,272</u>
Liabilities:				
Due to others	\$ <u>656,966</u>	\$ <u>171,610</u>	\$ <u>169,304</u>	\$ <u>659,272</u>
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>998,739</u>	\$ <u>1,300,845</u>	\$ <u>1,264,440</u>	\$ <u>1,035,144</u>
Liabilities:				
Due to other groups	\$ <u>998,739</u>	\$ <u>1,300,845</u>	\$ <u>1,264,440</u>	\$ <u>1,035,144</u>

TOWN OF SOUTH WINDSOR, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

FOR THE YEAR ENDED JUNE 30, 2010

Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2010	\$ 75,270,967
Tax relief for the elderly	<u>2,000</u>
BASE	<u><u>\$ 75,272,967</u></u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 169,364,175	\$	\$	\$	\$
4-1/2 times base		338,728,350			
3-3/4 times base			282,273,625		
3-1/4 times base				244,637,142	
3 times base					225,818,900
Total debt limitation	<u>169,364,175</u>	<u>338,728,350</u>	<u>282,273,625</u>	<u>244,637,142</u>	<u>225,818,900</u>
Indebtedness:					
Bonds and notes payable	16,867,000	10,018,000	2,262,700		
CWF short term notes			28,378,493		
Authorized, unissued bonds	<u>9,650,000</u>				
Total indebtedness	<u>26,517,000</u>	<u>10,018,000</u>	<u>30,641,193</u>	<u>-</u>	<u>-</u>
Less amounts to be provided by the state and other		(952,838)			
Net indebtedness	<u>26,517,000</u>	<u>9,065,162</u>	<u>30,641,193</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u><u>\$ 142,847,175</u></u>	<u><u>\$ 329,663,188</u></u>	<u><u>\$ 251,632,432</u></u>	<u><u>\$ 244,637,142</u></u>	<u><u>\$ 225,818,900</u></u>

Note 1: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$526,910,767).