

**Town of New Canaan, Connecticut**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2012

# Town of New Canaan, Connecticut

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Year Ended June 30, 2012

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## Independent Auditors' Report

### **The Town Council Town of New Canaan, Connecticut**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of New Canaan, Connecticut ("Town") as of and for the year ended June 30, 2012, which collectively comprise the Town'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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Town has corrected errors in the previously issued financial statements. Our opinion is not modified with respect to that matter.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2013 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

## Independent Auditors Report (Continued)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying financial information listed as combining fund financial statements and supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as combining fund financial statements and supplementary schedules in the table of contents is fairly stated in all material respects in relation to the financial statements taken as a whole.

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
April 11, 2013

**Town of New Canaan, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

## **Town of New Canaan, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

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Our discussion and analysis of Town of New Canaan, Connecticut's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

### **FINANCIAL HIGHLIGHTS**

- A large portion of the Town's net assets is its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets still outstanding. The Town uses these capital assets to provide services to citizens.
- The Town has a strong governmental unrestricted net asset of \$35,294,704 which may be used to meet the Town's ongoing obligations to citizens and creditors. These net assets increased by \$4,465,020 from last year.
- The Town had an increase in net assets for business-type activities of \$239,564 bringing the ending net asset deficit from \$326,258 down to \$86,694.
- The net change in Fund Balance was \$2,306,315 for the general fund giving an end of year fund balance of \$23,256,418 an approximate 9.9% increase.
- More than \$114 million or 88% of the revenues were derived from property taxes, followed by \$21 million from program revenues. The Town received about \$2 million in capital grants contribution.
- For governmental activities, \$87 million of the Town's expenditures relate to education, \$10.6 million relate to public safety, \$12.7 million relate to general government, \$11.1 million relate to public works, \$1.6 million to parks and recreation, and \$4.5 million for interest on long-term debt.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) 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 start with Exhibit 3. 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 Town.

## Town of New Canaan, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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### Reporting the Town as a Whole

Our analysis of the Town as a whole begins with Exhibit 1. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. 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. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, the Town is divided into two kinds of activities:

- **Governmental activities**—Most of the Town's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.
- **Business-type activities**—The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins in the section titled "The Town's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- **Governmental funds**—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. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.

## Town of New Canaan, Connecticut

Management's Discussion and Analysis  
June 30, 2012

- *Proprietary funds*—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. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Town as Trustee

The Town is the trustee, or *fiduciary*, for the pension trust funds, private purpose trust funds and certain agency funds. These funds do not belong to the Town. The Town's fiduciary activities are reported in separate statements in Exhibits 8 and 9. We exclude these activities 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.

### THE TOWN AS A WHOLE

The Town's *combined* net assets increased by \$4,704,584 from a year ago—*increasing* from \$128,872,297 to \$133,576,881. Last year net assets *increased* by \$5,048,577. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the Town.

Table 1  
Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 57,022,581	\$ 52,491,682	\$ 745,000	\$ 512,161	\$ 57,767,581	\$ 53,003,843
Capital assets	226,064,992	224,716,873	1,556,574	1,600,845	227,621,566	226,317,718
Total assets	283,087,573	277,208,555	2,301,574	2,113,006	285,389,147	279,321,561
Long-term debt outstanding	134,919,928	135,241,816	1,960,119	2,159,000	136,880,047	137,400,816
Other liabilities	14,504,070	12,768,184	428,149	280,264	14,932,219	13,048,448
Total liabilities	149,423,998	148,010,000	2,388,268	2,439,264	151,812,266	150,449,264
Net assets:						
Invested in capital assets, net of related debt	97,372,387	94,987,577	(403,545)	(558,155)	96,968,842	94,429,422
Restricted						
Expendable	939,984	1,102,548	-	-	939,984	1,102,548
Nonexpendable	56,500	56,500	-	-	56,500	56,500
Unrestricted	35,294,704	33,051,930	316,851	231,897	35,611,555	33,283,827
Total net assets	\$ 133,663,575	\$ 129,198,555	\$ (86,694)	\$ (326,258)	\$ 133,576,881	\$ 128,872,297

Governmental activities - The Town made a profit of \$4,465,020 (Exhibit 2) on the full accrual basis for all the governmental activities. \$1,348,119 of this was used to increase the net capital assets. Another \$321,888 of this was used to pay down long term debt. The balance of the profit, approximately \$2,795,013 and a timing delay in paying off short term payables of \$1,735,886 was retained in cash, investments and other short term assets.

## Town of New Canaan, Connecticut

### Management's Discussion and Analysis June 30, 2012

A number of corrections were made to the prior financial statements. These have increased the beginning net assets by a net amount of approximately \$10,000,000. There are three primary changes that caused this increase: (1) a reimbursement grant for excess special education costs was incorrectly reported as being unearned, (2) accumulated profits that were informally earmarked for future spending we incorrectly reported as a liability, and (3) debt attributable to the Waveny Pool Fund was incorrectly included in general governmental debt instead of with the business type activities. More information can be found in Note 1 section I.

Business-type activities – Business activities overall have not been covering their full costs. The accumulated net losses through June 30, 2011 totaled \$326,258. Because of profits in this fiscal year, the accumulated net losses through June 30, 2012 were reduced to \$86,694. This is expected to continue to improve as the Town continues to pay a portion of the debt service for the Waveny Pool Fund.

The Net Assets invested in capital assets, net of related debt, showed a deficit of \$403,545. This means that the debt on the capital assets is higher than the depreciated cost. This is expected to turn around in approximately three years as the debt is paid down faster than the asset is depreciated.

**Table 2  
Change in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 9,126,839	\$ 8,730,215	\$ 652,157	\$ 577,344	\$ 9,778,996	\$ 9,307,559
Operating grants and contributions	11,209,936	9,990,323	-	-	11,209,936	9,990,323
Capital grants and contributions	2,317,053	376,990	-	-	2,317,053	376,990
General revenues:						
Property taxes	114,023,534	112,101,990	-	-	114,023,534	112,101,990
Grants and contributions	164,298	39,768	-	-	164,298	39,768
Interest and investment earnings	304,237	276,480	2,572	2,556	306,809	279,036
Loss on disposal of equipment	19,880	-	-	-	19,880	-
	<u>137,165,777</u>	<u>131,515,766</u>	<u>654,729</u>	<u>579,900</u>	<u>137,820,506</u>	<u>132,095,666</u>
<b>Program expenses</b>						
General government	12,240,228	11,648,011	-	-	12,240,228	11,648,011
Public safety	10,632,106	9,776,583	-	-	10,632,106	9,776,583
Operation of plant	1,407,631	1,275,070	-	-	1,407,631	1,275,070
Public works	11,473,774	9,848,298	-	-	11,473,774	9,848,298
Public health	489,891	460,966	-	-	489,891	460,966
Education	87,273,547	85,129,121	-	-	87,273,547	85,129,121
Payments to other organizations	2,754,940	2,633,483	-	-	2,754,940	2,633,483
Parks and recreation	1,752,540	1,497,181	-	-	-	-
Interest on long-term debt	4,477,219	4,095,698	-	-	4,477,219	4,095,698
Railroad	-	-	173,931	136,076	173,931	136,076
Property rental	-	-	10,140	648	10,140	648
Waveny pool	-	-	387,095	511,226	387,095	511,226
Movie theater	-	-	42,880	34,728	42,880	34,728
Total expenses	<u>132,501,876</u>	<u>126,364,411</u>	<u>614,046</u>	<u>682,678</u>	<u>131,363,382</u>	<u>125,549,908</u>
Excess (deficiency) before transfers	4,663,901	5,151,355	40,683	(102,778)	6,457,124	6,545,758
Transfers	(198,881)	(138,881)	198,881	138,881	-	-
Increase (decrease) in net assets	<u>\$ 4,465,020</u>	<u>\$ 5,012,474</u>	<u>\$ 239,564</u>	<u>\$ 36,103</u>	<u>\$ 6,457,124</u>	<u>\$ 6,545,758</u>

## **Town of New Canaan, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

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Table 2 (shown above) reports the changes in the Net Assets for the governmental activities and the business type activities. The significant changes from last year to this year are discussed below:

### **Governmental Activities**

Total revenues have increased by \$5,650,011 from fiscal year 2011 to 2012. The primary causes of the increased revenues are:

- Operating grants and contributions increased due to a net increase of approximately one million dollars because of changes in education funding. The State's contribution on behalf of the Town increased, but the Town lost funding under the American Recovery and Reinvestment Act (ARRA) of 2009 when the act expired.
- Operating grants and contributions also increased by approximately six hundred thousand dollars due to funding received from the Federal Emergency Management Agency (FEMA) after two significant storms, Storm Irene and Storm Alfred, a hurricane and an unusual early snow storm.
- Capital grants and contributions have increased by approximately two million dollars due to significant new funding for various bridge projects.
- Property tax collections increased by approximately two million dollars, or approximately two percent, because of an increase in the mill rate.

Expenditures increased by a total of \$6,137,465. The major causes are discussed below:

- Besides routine increases, general government expenditures have increased due to an increase in spending for special projects of approximately \$200,000.
- Public safety expenditures have increased due to an increase in insurance of approximately \$250,000 and an increase in salaries of \$350,000.
- Cost for the operation of the sewer plan increased by \$150,000 due to increased spending on zinc remediation.
- The costs of clean up of the two large and unusual storms, Irene and Alfred, added nearly \$1,000,000 to public works costs. More than half of this was reimbursed by FEMA and included in the revenues as discussed above.
- Education costs increased by approximately \$1,250,000 due to general cost increases. In addition, the cost of insurance increased by approximately \$850,000.

## Town of New Canaan, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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### THE TOWN'S FUNDS

#### Governmental Funds

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Educational Grants Fund, which are considered to be a major funds. Seven (7) Special Revenue Funds, nine (9) Capital Project Funds and one (1) Permanent Fund are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the back of this report.

Government Funds in total show an overall balance increase. The year showed an increase in net assets as well as an increase in fund balance in the governmental funds as presented in Exhibits 3 and 4 while the total net assets for government activities increased \$4,463,720 over the prior year as shown in Exhibit 4. The total fund balance only increased by \$2,280,517. The differences are reconciled in Exhibit 4a and are summarized as follows:

- A total of \$9,025,786 of capital outlays are treated as expenditures in Exhibit 4, but are not on Exhibit 2. Instead, on the government wide statements (Exhibit 2), the capital assets are capitalized and depreciated. The depreciation totaled \$7,675,341 this year. The difference in treatment of capital assets resulted in the funds showing \$1,348,120 less of an increase.
- Issuing new debt and paying off existing debt are reported as revenue and expenditures in Exhibit 4, but are treated as changes in liabilities on the government wide statements. This resulted in the funds showing \$683,777 less of an increase.

## Town of New Canaan, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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Significant changes in the fund balances were as follows:

- The General fund's Fund Balance increased by a total of \$2,306,315. Although the Town budgeted for a reduction in fund balance, revenues were higher than expected and expenditures were lower than expected. This is discussed further in the next section.
- The School Energy Efficiency Fund's Fund balance decreased by \$692,477. Expenditures were made as planned, but not all the debt that was approved had been taken out.
- The Capital Nonrecurring Fund's Fund Balance decreased by \$1,324,681 as the accumulated beginning balances on the various projects was paid down. Details, by project can be found in Schedule 2 in the back of the financial statement.
- A total of \$4,000,000 in debt was taken out for the Road Paving Fund. Only \$2,330,000 was spent during the year. This added to the increase in Fund Balance of \$1,669,998.
- Similarly a total of \$1,300,000 of debt was taken out for the Small Bonded Capital Projects, but only \$100,572 was spent. This resulted in an increase in Fund Balance of \$1,199,428.

### Proprietary Funds

The Town maintains four enterprise funds to account for the activities. These funds account for the activities of the Waveny Pool, the operations of the railroad station, certain rental properties and the operation of the movie theater.

Unlike governmental funds, the measurement focus of proprietary funds is on total economic resources. Accordingly, the individual fund statements (Exhibits 5 through 7) will reflect transactions and events that increase or decrease net assets just like the government wide statements did (Exhibit 1 and 2). Significant changes (shown on Exhibit 6) by fund are as follows:

- The Waveny Pool Fund showed an increase in Net Assets of \$160,754, however, this was after the Town paid \$198,881 of the debt service on behalf of this fund. Without that, the Waveny Pool Fund would have reduced its Net Assets by \$38,127.
- The Movie Theater Fund showed an increase in Net Assets of \$65,493. This resulted in ending Net Asset of \$250,319. This will be used in the future for repairs work needed at the movie theater.

Additionally, the Town has one internal service fund is used to account for the Board of Education's medical insurance. The internal service fund held strong with a net asset of \$4,483,307. Revenues in the internal service fund were slightly lower than expenses resulting in a net loss from operations of \$596,837 including non-operating revenues. Internal service funds are an accounting device used to accumulate and allocate intra-governmental costs. Because these activities serve the governmental entity itself, rather than external parties, they have been included within governmental activities in the government-wide financial statements.

## Town of New Canaan, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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### General Fund Budgetary Highlights

Over the course of the year, collectively the Board of Finance and Town Council can revise the Town budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. Line item transfers do not increase the total budget, but instead pull appropriations from one department line to another department line. The Town Charter allows these transfers to be made by the Board of Finance alone.

During the 2012 fiscal year, the Town faced a number of concurrent challenges in monitoring the budget as closely as desired because of (1) a change in accounting software, (2) a nearly 100% change in the members of management, and (3) significant corrections to the previous accounting procedures. Each of these caused delays in providing information and significant changes to the original accounting.

Below is a summarized view of the final budget and actual results for the General Fund:

**Table 3**  
**General Fund - Budget Summary**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Tax - current year	\$ 111,160,523	\$ 113,216,853	\$ 2,056,330
Tax - other than levy	1,150,000	1,086,201	(63,799)
Intergovernmental	1,971,706	2,036,609	64,903
Licenses and permits	897,750	1,023,438	125,688
Investment earnings	200,000	255,450	55,450
Fines and forfeitures	272,500	298,051	25,551
Use of money and property	884,500	950,219	65,719
Charges for services	2,304,761	3,405,717	1,100,956
Reimbursements and refunds	216,263	179,304	(36,959)
	<u>119,058,003</u>	<u>122,451,842</u>	<u>3,393,839</u>
<b>Expenditures</b>			
General government	11,206,231	10,776,852	429,379
Public safety and protection	9,730,777	9,702,199	28,578
Public works	7,445,747	7,656,338	(210,591)
Social services	497,612	489,891	7,721
Recreation	1,436,530	1,224,286	212,244
Board of education	73,122,500	72,860,659	261,841
Other agencies	2,575,320	2,583,467	(8,147)
Human services agencies	179,000	171,473	7,527
Capital outlay	2,844,460	2,502,399	342,061
Debt service	13,556,739	12,972,134	584,605
	<u>122,594,916</u>	<u>120,939,698</u>	<u>1,655,218</u>
<b>Increase (Decrease) in Fund Balance - Budget Basis</b>	<u>\$ (3,536,913)</u>	<u>\$ 1,512,144</u>	<u>\$ 5,049,057</u>

## **Town of New Canaan, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

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Three revenue accounts make up 90% of the budget variance in revenues:

- Tax collections exceeded budget by \$2,056,330. The taxes were budgeted assuming that 97.5% of the total tax levy would be collected. The actual tax collections were 99.5% of the total tax levy.
- Miscellaneous income showed \$699,011 more revenue than was anticipated. This was primarily the result of \$371,558 being transferred in from the unrestricted Fund Balance in the Educational Grants fund and \$119,609 in a new municipal revenue sharing grant from the State.
- Conveyance fees were \$281,174 higher than budgeted due to strong property transfers.

Significant variances are summarized as follows:

- General government was under budget by \$429,379. This is primarily due to a decrease in health and security benefits which were \$355,822 under budget. This was the result of the implementation of a health savings account ("HSA") high deductible plan to keep health insurance costs down.
- Public works was \$210,591 over budget. This department took the brunt of the costs of the two major storms discussed earlier.
- Recreation did not spend \$212,244 of its budget. Most of these savings were in the area of administration and programs.
- After committing \$1,947,129 of their budget with formal encumbrances, the Board of Education did not spend \$261,841 of its budget.
- Capital outlay was under budget by \$342,061. The Town Charter allows capital improvement budgets to be continued for one year for the same purposes with the approval of the Board of Finance.
- Debt service was under budget by \$584,605 because the Town refinanced some of the existing debt for new debt at lower interest rates and a different payment schedule.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of this year, the Town had \$319,096,468 invested government activity capital assets before depreciation. This amount represents a net increase (including additions and deductions) of \$8,979,286 from last year. This is primarily due to building improvements and infrastructure. More detailed information about the Town's capital assets is presented in Note 3 section D to the financial statements.

## **Town of New Canaan, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

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### **Debt**

At year end, the Town had \$125,410,995 in bonds and notes outstanding. This is a net decrease of \$956,403 from last year. The Town's general obligation bond rating continues to carry an 'AAA' rating from Moody's Investors Service. More detailed information about the Town's long-term liabilities is presented in Note 3 section E to the financial statements.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times its annual tax collections. At June 30, 2012 debt limitation for the Town is \$800,037,980, which is significantly in excess of the Town's outstanding general obligation debt.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The net taxable grand list of October 1, 2011 is used for the 2012-2013 annual budget. The grand list increased .47% from \$1,961,483,821 to \$1,952,283,785. The Board of Finance did not change the mill rate from 2011-2012, instead, they increased the estimated percent that will be collected from 97.5% of the levy to 98% of the tax levy.

The Town receives relatively little state aid in comparison to other Connecticut municipalities. As a result, the Town is considerably insulated from the impact of State revenue shortfalls and corresponding cuts in state grants to municipalities.

Primarily a residential community, wealth and income indicators for the Town are among the strongest in the state. Based on 2010 census figures, median family income and per capita income for the Town are approximately twice that of the same categories for Fairfield County as a whole.

All of these factors were considered in preparing the Town of New Canaan's fiscal 2012 General Fund budget.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Requests for additional financial information should be addressed to the Finance Department of New Canaan, 77 Main Street, New Canaan, CT 06840, (203) 594-3024.

**Town of New Canaan, Connecticut**

Basic Financial Statements  
June 30, 2012

## Town of New Canaan, Connecticut

Statement of Net Assets  
June 30, 2012

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 27,237,466	\$ 742,050	\$ 27,979,516
Investments	23,265,961	-	23,265,961
Receivables			
Taxes and assessments, net	1,984,487	-	1,984,487
Accounts, net	959,011	2,950	961,961
Interest	32,193	-	32,193
Intergovernmental	2,616,981	-	2,616,981
Usage, net	53,174	-	53,174
Due from other funds	119,698	-	119,698
Prepaid expenses	215,204	-	215,204
Inventory	28,949	-	28,949
Pension assets	509,457	-	509,457
Capital assets			
Nondepreciable	71,443,667	103,030	71,546,697
Depreciable, net of accumulated depreciation	154,621,325	1,453,544	156,074,869
Total Assets	<u>283,087,573</u>	<u>2,301,574</u>	<u>285,389,147</u>
<b>LIABILITIES</b>			
Accounts payable	4,237,154	45,487	4,282,641
Accrued liabilities	8,056,354	20,145	8,076,499
Intergovernmental payable	-	51,488	51,488
Contracts payable	4,802	-	4,802
Performance bonds held	734,007	-	734,007
Accrued interest payable	1,015,888	-	1,015,888
Due to other funds	-	119,698	119,698
Due to fiduciary funds	222,325	-	222,325
Unearned revenues	233,540	191,331	424,871
Non-current liabilities			
Due within one year	9,726,207	159,765	9,885,972
Due in more than one year	125,193,721	1,800,354	126,994,075
Total Liabilities	<u>149,423,998</u>	<u>2,388,268</u>	<u>151,812,266</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	97,372,387	(403,545)	96,968,842
Restricted net assets:			
Expendable	939,984	-	939,984
Nonexpendable	56,500	-	56,500
Unrestricted net assets	35,294,704	316,851	35,611,555
Total Net Assets	<u>\$ 133,663,575</u>	<u>\$ (86,694)</u>	<u>\$ 133,576,881</u>

## Town of New Canaan, Connecticut

Statement of Activities  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government	\$ (12,240,228)	\$ 1,598,240	\$ 556,915	\$ 6,548	\$ (10,078,525)		\$ (10,078,525)
Public safety	(10,632,106)	2,435,894	-	-	(8,196,212)		(8,196,212)
Operation of plant	(1,407,631)	1,418,927	-	-	11,296		11,296
Public works	(11,473,774)	885,757	588,844	1,958,031	(8,041,142)		(8,041,142)
Public health	(489,891)	-	16,259	-	(473,632)		(473,632)
Education	(87,273,547)	2,103,464	10,047,918	352,474	(74,769,691)		(74,769,691)
Payments to other agencies	(2,754,940)	-	-	-	(2,754,940)		(2,754,940)
Parks and recreation	(1,752,540)	684,557	-	-	(1,067,983)		(1,067,983)
Interest on long-term debt	(4,477,219)	-	-	-	(4,477,219)		(4,477,219)
	<u>(132,501,876)</u>	<u>9,126,839</u>	<u>11,209,936</u>	<u>2,317,053</u>	<u>(109,848,048)</u>		<u>(109,848,048)</u>
<b>Business-type activities</b>							
Railroad	(173,931)	185,650	-	-		11,719	11,719
Property rental	(10,140)	9,600	-	-		(540)	(540)
Waveny pool	(387,095)	348,534	-	-		(38,561)	(38,561)
Movie theatre	(42,880)	108,373	-	-		65,493	65,493
	<u>(614,046)</u>	<u>652,157</u>	<u>-</u>	<u>-</u>		<u>38,111</u>	<u>38,111</u>
<b>Total Government</b>	<b><u>\$(133,115,922)</u></b>	<b><u>\$ 9,778,996</u></b>	<b><u>\$ 11,209,936</u></b>	<b><u>\$ 2,317,053</u></b>			<b><u>(109,809,937)</u></b>
<b>General Revenues</b>							
Property taxes, payments in lieu of taxes, interest and liens					114,023,534	-	114,023,534
Grants and contributions not restricted to specific programs					164,298	-	164,298
Unrestricted interest and investment earnings					304,237	2,572	306,809
Gain (loss) on disposal of equipment					19,880	-	19,880
Transfers in (transfers out)					(198,881)	198,881	-
<b>Total General Revenues</b>					<b><u>114,313,068</u></b>	<b><u>201,453</u></b>	<b><u>114,514,521</u></b>
<b>Change in Net Assets</b>					<b><u>4,465,020</u></b>	<b><u>239,564</u></b>	<b><u>4,704,584</u></b>
<b>Net Assets - Beginning of Year</b>					<b><u>129,198,555</u></b>	<b><u>(326,258)</u></b>	<b><u>128,872,297</u></b>
<b>Net Assets - End of Year</b>					<b><u>\$ 133,663,575</u></b>	<b><u>\$ (86,694)</u></b>	<b><u>\$ 133,576,881</u></b>

The notes to financial statements are an integral part of this statement.

## Town of New Canaan, Connecticut

Balance Sheet  
 Governmental Funds  
 June 30, 2012

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 10,943,578	\$ 3,869,841	\$ 9,234,417	\$ 24,047,836
Investments	20,199,583	-	-	20,199,583
Taxes and assessments receivable, net of allowances for uncollectible amounts	1,973,713	-	10,774	1,984,487
Other receivables				
Accounts	886,826	-	50,090	936,916
Interest	32,193	-	-	32,193
Intergovernmental	1,500,351	6,586	1,110,044	2,616,981
Usage	-	-	53,174	53,174
Due from other funds	1,355,873	237,228	210,736	1,803,837
Prepaid expenditures	213,800	-	1,404	215,204
Inventories	-	-	28,949	28,949
Total Assets	<u>\$ 37,105,917</u>	<u>\$ 4,113,655</u>	<u>\$ 10,699,588</u>	<u>\$ 51,919,160</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
Liabilities				
Accounts payable	\$ 2,390,290	\$ -	\$ 1,841,203	\$ 4,231,493
Accrued payroll and related	6,318,560	-	25,072	6,343,632
Contracts payable	4,802	-	-	4,802
Performance bonds held	734,007	-	-	734,007
Due to other funds	670,289	-	1,181,857	1,852,146
Unearned revenues	-	82,842	128,603	211,445
Deferred revenues	3,731,551	1,330	1,120,579	4,853,460
Total Liabilities	<u>13,849,499</u>	<u>84,172</u>	<u>4,297,314</u>	<u>18,230,985</u>
Fund Balances (Deficits)				
Nonspendable	213,800	-	86,853	300,653
Restricted	172,708	-	767,276	939,984
Committed	750,000	-	4,490,049	5,240,049
Assigned	5,682,297	4,029,483	2,182,257	11,894,037
Unassigned	16,437,613	-	(1,124,161)	15,313,452
Total Fund Balances (Deficits)	<u>23,256,418</u>	<u>4,029,483</u>	<u>6,402,274</u>	<u>33,688,175</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 37,105,917</u>	<u>\$ 4,113,655</u>	<u>\$ 10,699,588</u>	<u>\$ 51,919,160</u>

The notes to financial statements are an integral part of this statement.

**Town of New Canaan, Connecticut**
 Reconciliation of Governmental Funds Balance Sheet  
 to the Government Wide Statement of Net Assets - Governmental Activities  
 June 30, 2012
 

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Fund Balances - Total Governmental Funds	\$ 33,688,175
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	226,064,992
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	4,483,307
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Premiums on debt issues	(2,440,064)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,853,460
Long-term other post employment benefit asset not available to pay current-period expenditures, and, therefore not included in the funds	509,457
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(125,410,995)
Capital leases	(841,546)
Compensated absences	(1,966,396)
Post closure landfill costs	(425,000)
Pension obligations	(3,835,927)
Accrued interest	<u>(1,015,888)</u>
Net Assets of Governmental Activities	<u>\$ 133,663,575</u>

The notes to financial statements are an integral part of this statement.

## Town of New Canaan, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2012

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes and assessments	\$114,303,054	\$ -	\$ 1,170,684	\$115,473,738
Intergovernmental	10,348,019	1,620,718	1,499,400	13,468,137
Licenses and permits	1,022,138	-	-	1,022,138
Fines and forfeitures	274,635	-	-	274,635
Charges for services	2,773,678	-	2,757,163	5,530,841
Income from investments:	<u>255,450</u>	<u>5,019</u>	<u>8,501</u>	<u>268,970</u>
Total Revenues	<u>129,853,184</u>	<u>1,625,737</u>	<u>5,435,748</u>	<u>136,914,669</u>
<b>EXPENDITURES</b>				
Current				
General government	10,666,520	-	887,450	11,553,970
Operation of plant	10,734,406	-	906,999	11,641,405
Public works	7,140,250	-	-	7,140,250
Social services	489,891	-	-	489,891
Parks and recreation	1,220,886	-	-	1,220,886
Education	79,172,586	1,717,782	2,388,092	83,278,460
Payment to other agencies	2,754,940	-	-	2,754,940
Debt service	12,880,186	-	47,783	12,927,969
Capital outlay	<u>3,438,444</u>	<u>-</u>	<u>7,938,992</u>	<u>11,377,436</u>
Total Expenditures	<u>128,498,109</u>	<u>1,717,782</u>	<u>12,169,316</u>	<u>142,385,207</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,355,075</u>	<u>(92,045)</u>	<u>(6,733,568)</u>	<u>(5,470,538)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	381,558	-	76,125	457,683
Transfers out	(275,006)	(371,558)	(10,000)	(656,564)
Sale of capital assets	22,205	-	-	22,205
Insurance recoveries	37,624	-	-	37,624
Lease financing	677,926	-	-	677,926
Premium on financing	248,449	-	6,548	254,997
Proceeds from long term debt	7,145,000	-	7,100,000	14,245,000
Payment to refunded bond escrow ager	<u>(7,286,516)</u>	<u>-</u>	<u>-</u>	<u>(7,286,516)</u>
Total Other Financing Sources (Uses)	<u>951,240</u>	<u>(371,558)</u>	<u>7,172,673</u>	<u>7,752,355</u>
Net Change in Fund Balance	2,306,315	(463,603)	439,105	2,281,817
Fund Balances - Beginning of Yea	<u>20,950,103</u>	<u>4,493,086</u>	<u>5,963,169</u>	<u>31,406,358</u>
Fund Balances - End of Yea	<u>\$ 23,256,418</u>	<u>\$ 4,029,483</u>	<u>\$ 6,402,274</u>	<u>\$ 33,688,175</u>

The notes to financial statements are an integral part of this statement.

## Town of New Canaan, Connecticut

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

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#### Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds \$ 2,281,817

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay expenditures	9,025,786
Depreciation expense	(7,675,341)
Undepreciated basis of assets disposed of or sold	<u>(2,325)</u>
	<u>1,348,120</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Real property taxes and other revenues in the General Fund	(\$357,492)
Revenues in the Capital Nonrecurring Fund	610,051
Revenues in the Bridge Replacement Fund	499,993
Revenues in the Sewer Taxing District Fund	(5,739)
Revenues in the Educational Grants Fund	<u>1,330</u>
	<u>748,143</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds from long-term debt - general obligation bonds	(14,245,000)
Proceeds from long-term debt - capital leases	(677,926)
Premium on issuance of long-term debt	274,618
Principal payments on long-term debt - bonds	15,201,402
Principal payments on long-term debt - leases	<u>483,597</u>
	<u>1,036,691</u>

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 governmental funds, including the change in

Accrued interest	12,797
Change in compensated absences	212,755
Pollution remediation obligation	25,000
Pension liability	(952,558)
Other post employment benefits asset	<u>349,092</u>
	<u>(352,914)</u>

Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

(596,837)

Change in Net Assets of Governmental Activities \$ 4,465,020

## Town of New Canaan, Connecticut

Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Business-Type Activities- Enterprise Funds			Internal Service Fund
	Waveny Pool	Other Enterprise Funds	Totals Enterprise Funds	Employee Health Insurance Fund
<b>ASSETS</b>				
Current Assets				
Cash and equivalents	\$ 320,575	\$ 421,475	\$ 742,050	\$ 3,189,630
Investments	-	-	-	3,066,378
Receivables				
Accounts, net	-	2,950	2,950	22,095
Total Current Assets	<u>320,575</u>	<u>424,425</u>	<u>745,000</u>	<u>6,278,103</u>
Noncurrent Assets				
Capital assets				
Land	-	103,030	103,030	-
Buildings and improvements	1,645,481	195,628	1,841,109	-
Machinery and equipment	153,629	252,637	406,266	-
	1,799,110	551,295	2,350,405	-
Less - Accumulated depreciator	<u>(429,830)</u>	<u>(364,001)</u>	<u>(793,831)</u>	-
Total Capital Assets, net	<u>1,369,280</u>	<u>187,294</u>	<u>1,556,574</u>	-
Total Assets	<u>1,689,855</u>	<u>611,719</u>	<u>2,301,574</u>	<u>6,278,103</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	21,313	24,174	45,487	5,661
Accrued liabilities	20,145	-	20,145	1,712,722
Intergovernmental payable	-	51,488	51,488	-
Due to other funds	-	119,698	119,698	54,318
Deferred revenues	190,731	600	191,331	22,095
Current maturities of bonds payable	<u>159,765</u>	-	<u>159,765</u>	-
Total Current Liabilities	391,954	195,960	587,914	1,794,796
Noncurrent Liabilities				
Bonds payable, less current maturities	<u>1,800,354</u>	-	<u>1,800,354</u>	-
Total Liabilities	<u>2,192,308</u>	<u>195,960</u>	<u>2,388,268</u>	<u>1,794,796</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(748,823)	190,668	(558,155)	-
Unrestricted	<u>246,370</u>	<u>225,091</u>	<u>471,461</u>	<u>4,483,307</u>
Total Net Assets	<u>\$ (502,453)</u>	<u>\$ 415,759</u>	<u>\$ (86,694)</u>	<u>\$ 4,483,307</u>

The notes to financial statements are an integral part of this statement.

## Town of New Canaan, Connecticut

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
Year Ended June 30, 2012

	Business-Type Activities- Enterprise Funds			Internal Service Fund
	Waveny Pool	Other Enterprise Funds	Totals Enterprise Funds	Employee Health Insurance Fund
Operating Revenues				
Parking meters and rent	\$ -	\$ 195,250	\$ 195,250	\$ -
Charges for services	<u>348,534</u>	<u>108,373</u>	<u>456,907</u>	<u>11,960,064</u>
Total Operating Revenues	<u>348,534</u>	<u>303,623</u>	<u>652,157</u>	<u>11,960,064</u>
Operating Expenses				
Costs of services	282,699	226,951	509,650	-
Claims incurred	-	-	-	10,529,172
Administration	-	-	-	494,978
Purchased insurance	-	-	-	1,494,683
Service fee	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,335</u>
Total Operating Expenses	<u>282,699</u>	<u>226,951</u>	<u>509,650</u>	<u>12,592,168</u>
Income (Loss) from Operations	<u>65,835</u>	<u>76,672</u>	<u>142,507</u>	<u>(632,104)</u>
Non-Operating Revenues (Expenses)				
Interest income	434	2,138	2,572	35,267
Interest expense	<u>(104,396)</u>	<u>-</u>	<u>(104,396)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(103,962)</u>	<u>2,138</u>	<u>(101,824)</u>	<u>35,267</u>
Income (Loss) Before Transfers	(38,127)	78,810	40,683	(596,837)
Transfers in	<u>198,881</u>	<u>-</u>	<u>198,881</u>	<u>-</u>
Change in Net Assets	160,754	78,810	239,564	(596,837)
Net Assets (Deficits) - Beginning of Year	<u>(663,207)</u>	<u>336,949</u>	<u>(326,258)</u>	<u>5,080,144</u>
Net Assets (Deficits) - End of Year	<u><u>\$ (502,453)</u></u>	<u><u>\$ 415,759</u></u>	<u><u>\$ (86,694)</u></u>	<u><u>\$ 4,483,307</u></u>

The notes to financial statements are an integral part of this statement.

## Town of New Canaan, Connecticut

Statement of Cash Flows  
Enterprise Funds  
Year Ended June 30, 2012

	Business-Type Activities- Enterprise Funds			Internal Service Fund
	Wavy Pool	Other Enterprise Funds	Totals Enterprise Funds	Employee Health Insurance Fund
<b>Cash Flows From Operating Activities</b>				
Cash received from customers and users	\$348,534	\$304,503	\$653,037	\$11,960,064
Cash payments to suppliers and employees	(208,735)	(220,711)	(429,446)	(2,060,797)
Cash payments for benefits and claims	-	-	-	(10,494,117)
Net Cash Provided by Operating Activities	<u>139,799</u>	<u>83,792</u>	<u>223,591</u>	<u>(594,850)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Principal paid on debt	(198,881)	-	(198,881)	-
Interest paid on debt	(104,396)	-	(104,396)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(303,277)</u>	<u>-</u>	<u>(303,277)</u>	<u>-</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Advances from other funds	-	111,953	111,953	-
Transfers in	198,881	-	198,881	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>198,881</u>	<u>111,953</u>	<u>310,834</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>				
Purchase of investments	-	-	-	(35,121)
Interest income	434	2,138	2,572	35,267
Net Cash Provided by (Used in) Investing Activities	<u>434</u>	<u>2,138</u>	<u>2,572</u>	<u>146</u>
Net Increase (Decrease) in Cash and Equivalents	35,837	197,883	233,720	(594,704)
Cash and Equivalents - Beginning of Year	<u>284,738</u>	<u>223,592</u>	<u>508,330</u>	<u>3,784,334</u>
Cash and Equivalents - End of Year	<u>\$320,575</u>	<u>\$421,475</u>	<u>\$742,050</u>	<u>\$ 3,189,630</u>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities</b>				
Income (loss) from operations	\$ 65,835	\$ 76,672	\$142,507	\$ (632,104)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities				
Depreciation	40,897	3,374	44,271	-
Changes in operating assets and liabilities				
Accounts receivable	-	880	880	(22,095)
Accounts payable	7,844	(5,571)	2,273	2,199
Accrued liabilities	21,216	-	21,216	\$0
Intergovernmental payable	-	12,257	12,257	-
Unearned revenues	4,007	(3,820)	187	22,095
Claims payable	-	-	-	35,055
Net Cash Provided by (Used in) Operating Activities	<u>\$139,799</u>	<u>\$ 83,792</u>	<u>\$223,591</u>	<u>\$ (594,850)</u>

The notes to the financial statements are an integral part of this statement.

## Town of New Canaan, Connecticut

Statement of Net Assets  
Fiduciary Funds  
June 30, 2012

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash	\$ 4,742	\$ 86,459	\$ 393,298
Investments, at fair value	111,858,407	795,739	-
Employer contributions receivable	-	787	-
Due from other funds	200,700	39,193	-
Accrued interest and dividends	<u>27,321</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>112,091,170</u>	 <u>922,178</u>	 <u>393,298</u>
<b>LIABILITIES</b>			
Amount held as agent	-	-	375,730
Due to other funds	<u>-</u>	<u>-</u>	<u>17,568</u>
 Total Liabilities	 <u>-</u>	 <u>-</u>	 <u>393,298</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 112,091,170</u>	<u>\$ 922,178</u>	<u>\$ -</u>

The notes to financial statements are an integral part of this statement.

**Town of New Canaan, Connecticut**

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2012

	Pension Trust Funds	Private Purpose Trust Funds
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
Contributions and Revenue		
Employer	\$ 500,000	\$ -
Plan members	312,002	-
Other	-	20,055
Fees	<u>-</u>	<u>432,920</u>
Total Contributions	<u>812,002</u>	<u>452,975</u>
Investment Income		
Net change in fair value of investments	2,774,678	6,537
Interest and dividends	<u>2,659,221</u>	<u>15,309</u>
Total Investment Income	<u>5,433,899</u>	<u>21,846</u>
Total Additions	<u>6,245,901</u>	<u>474,821</u>
<b>DEDUCTIONS</b>		
Operating expenses	-	400,000
Pension benefits	4,637,385	-
Administrative fees	<u>205,989</u>	<u>31,404</u>
Total Deductions	<u>4,843,374</u>	<u>431,404</u>
Change in Net Assets	1,402,527	43,417
Net Assets - Beginning of Year	<u>110,688,643</u>	<u>878,761</u>
Net Assets - End of Year	<u>\$ 112,091,170</u>	<u>\$ 922,178</u>

The notes to financial statements are an integral part of this statement.

## Town of New Canaan, Connecticut

Notes to Financial Statements  
June 30, 2012

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### 1. Summary of Significant Accounting Policies

The Town of New Canaan, Connecticut ("Town") was incorporated as a Town in 1801. The Town operates under a town council, board of selectmen and board of finance form of government. Under this form of government the town council is the legislative body. The administrative branch is lead by an elected three-member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected board of education oversees the public school system.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

#### A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

#### B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments 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 or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

#### C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds and the Internal Service funds are charges to customers for services. Operating expenses for the enterprise funds and the internal service funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

#### Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Educational Grants Fund – The Educational Grants fund is used to account for revenues from federal, state and local grants for educational purposes.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

The Town also reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

**Sewer Taxing District Fund** - is used to account for revenues generated from property taxes specifically designated for the maintenance and operation of the distribution system and sewer plant.

**School Lunch Fund** - is used to account for the operations of the schools' cafeterias.

**Subrecipient Grants Fund** - is used to account for revenues received and paid to subrecipients.

**Summer Learning Fund** - is used to account for registration revenues related to summer school and related expenditures.

**Town Grants Fund** – is used to account for revenues from federal and state grants.

**Facilities Rental Fund** – is used to account for revenues and expenditures related to the rental of school properties to third parties.

**Special Projects Fund** – is used to account for donations from individuals and private organizations to be used for the stated purpose.

Capital Projects Funds - Capital project funds are used to account for the acquisition of major capital facilities or improvements other than those financed by proprietary funds. The following are the Town's non-major capital projects funds:

**School Energy Efficiency** – is used to account for energy efficiency programs in the schools.

**Bridge Replacement** – is used to account for bridge replacements in Town.

**Special Bonding Fund** - is used to account for projects to be funded from bond proceeds.

**EMS** - is used to account for expenditures related to the EMS Building.

**Police Related Work** - is used to account for additional expenditures relating to the police building renovations.

**NCHS Phase 1 Renovation** – accounts for expenditures relating to the renovation of the Town of New Canaan High School.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

**Police Station Renovations** – is used to account for expenditures related to renovations at the Police Station.

**Capital and Nonrecurring Fund** – is used to account for capital acquisitions which, by their nature, occur over the course of multiple years.

**Road Paving Fund** – is used to account for expenditures relating to various road paving projects throughout the Town.

**Small Bonded Capital Projects** – is used to account for expenditures related to small bonded capital projects that are not significant enough to be a stand-alone fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs. The Town has the following permanent fund:

**Sydney Weisner Fund** – is used to account for investment earnings in the Sydney Weisner Endowment Fund to be used for special education programs.

- b. Proprietary Funds - Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The following are the Town's enterprise funds:

**Waveny Pool Fund** – is used to account for Waveny Pool revenues and related expenditures.

**Railroad Fund** - is used to account for revenues and expenditures related to the operation of the railway station.

**Property Rental Fund** - is used to account for revenues and expenditures related to the Town's rental of property.

**Movie Theater** – is used to account for Movie Theater revenues and expenditures.

An internal service fund is used to account for the Town's risk financing activities; specifically the Town reports the revenues and expenses of the self-insured health insurance plan for employees of the Board of Education in the **Employee Health Insurance Fund**.

- c. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Pension Trust Funds, Private Purpose Trust Funds and Agency funds:

## 1. Summary of Significant Accounting Policies (Continued)

**Pension Trust Funds** are provided to account for the activities of the two pension plans where the Town is the trustee and the other post employment benefit trust fund, which accumulate resources for pension and health benefit payments to qualified employees upon retirement.

**Private-Purpose Trust Funds** are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

**Agency Fund** is primarily utilized to account for monies held as custodian for outside groups and agencies and do not involve measurement of results of operations.

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

### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension trust funds. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. 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.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

**1. Summary of Significant Accounting Policies (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Assets, Liabilities and Net Assets or Fund Balances**

**Deposits, Investments and Risk Disclosure**

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

**Investments** - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (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. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

Investments are stated at fair value, based on quoted market prices.

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

## 1. Summary of Significant Accounting Policies (Continued)

The Short-Term Investment Fund ("STIF") is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

**Interest Rate Risk** - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town of New Canaan minimizes interest rate risk by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, avoiding the need to sell securities on the open market prior to maturity. Generally, the Town does not invest in any long-term investment obligations.

**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's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously and pre-qualifying institutions with which the Town may do business.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town's policy for credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously and pre-qualifying institutions with which the Town may do business.

**Concentration of Credit Risk** – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

**Taxes Receivable** - Property taxes are assessed on property values as of October 1<sup>st</sup>. The tax levy is divided into two billings; the following July 1<sup>st</sup> and January 1<sup>st</sup>. This is used to finance the fiscal year from the first billing (July 1<sup>st</sup>) to June 30<sup>th</sup> of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1<sup>st</sup> and February 1<sup>st</sup>), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

**Other Receivables** - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

**Prepaid Expenses/Expenditures** - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

**Inventories** - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

**Due From/To Other Funds** - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type 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.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

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.

Land is considered inexhaustible and, therefore, not depreciated. Construction in progress has not been put into service yet and, therefore, is not depreciated. Property, plant, and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ 5,000
Construction in progress	N/A	\$ 5,000
Intangible assets	Varies, if any	\$ 5,000
Land improvements	20	\$ 5,000
Buildings and improvements	50	\$ 5,000
Machinery and equipment	5-15	\$ 5,000
Vehicles	8	\$ 5,000
Infrastructure	20-65	\$ 5,000

**Unearned/Deferred Revenues** - Unearned/deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met. Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Long-Term Liabilities** - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. 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, and debt payments, are reported as debt service expenditures.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

**Compensated Absences** - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt and restricted. The balance is classified as unrestricted.

**Fund Balance** - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Board of Finance and the Town Council prior to year end. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing boards.
- Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Currently, this is done by a formal action of the Board of Finance and Town Council. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the Town considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

#### F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

#### G. Use of Estimates

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

#### H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 11, 2013.

#### I. Prior Period Adjustments

During the course of our audit we made a number of corrections to the beginning balances. These were treated as prior period adjustments in that the beginning balances of equity were corrected to reflect the changes summarized as follows:

# Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

## 1. Summary of Significant Accounting Policies (Continued)

Governmental Activities	Fund Financial Statements		Government Wide Statements	
	Increase	Decrease	Increase	Decrease
<b>General Fund</b>				
Reclassify reserves from liability to equity				
Reserve for heart and hypertension	\$ 667,750	\$ -	\$ 667,750	\$ -
Reserve for storm damage	268,906	-	268,906	-
Reserve for town hall remediation	219,827	-	219,827	-
Reserve for health clinics	68,573	-	68,573	-
Reserve for WAN network equipment	60,875	-	60,875	-
Reserve for other purposes	20,634	-	20,634	-
Reserve for community investment	16,098	-	16,098	-
Reserve for street opening permits	13,307	-	13,307	-
Remove liability for 2006 encumbrances	38,574	-	38,574	-
Remove liability for balances in budget	827,929	-	827,929	-
Reclassify refund belonging to General Fund	54,318	-	54,318	-
Correction to state fee liabilities	-	(139,295)	-	(139,295)
Correction to property taxes receivable	-	(68,277)	-	(68,277)
Correction to prepaid tax liability	-	(26,390)	-	(26,390)
Correct interfund balances	-	(24,339)	-	(24,339)
Total General Fund	<u>2,256,791</u>	<u>(258,301)</u>	<u>2,256,791</u>	<u>(258,301)</u>
<b>Educational Grants Fund</b>				
To correct the treatment of Excess Cost Grant	4,493,086	-	4,493,086	-
<b>Sewer Taxing District</b>				
Reclassify reserves from liability to equity				
Major maintenance reserve	550,304	-	550,304	-
Zinc remediation reserve	482,219	-	482,219	-
Miscellaneous other changes	-	(3,265)	-	(3,265)
Total Sewer Taxing District	<u>1,032,523</u>	<u>(3,265)</u>	<u>1,032,523</u>	<u>(3,265)</u>
<b>Town Grant Fund</b>				
Miscellaneous other changes	734	-	734	-
<b>Special Projects Fund</b>				
To reclassify from an Agency Fund	943,934	-	943,934	-
<b>Capital Nonrecurring Fund</b>				
Record legal fees in escrow	50,000	-	50,000	-
<b>Police Related Work</b>				
Reclassify to proper account	442,740	-	442,740	-
<b>Police Station Renovations</b>				
Include Police Related Work Fund	-	(442,740)	-	(442,740)
<b>Employee Health Insurance Fund</b>				
Reclassify reimbursement to General Fund	-	-	-	(54,318)
<b>Capital Assets</b>				
Reclassify to enterprise funds	-	-	-	(1,508,815)
Add assets financed with capital leases	-	-	499,862	-
Adjust to agree to detailed schedules	-	-	253,183	-
Total Capital Assets	-	-	<u>753,045</u>	<u>(1,508,815)</u>
<b>Long Term Debt</b>				
Reclassify to enterprise funds	-	-	2,159,000	-
Adjustment to accrued interest	-	-	117,007	-
Miscellaneous other changes	-	-	23,046	-
Total Capital Assets	-	-	<u>2,299,053</u>	<u>-</u>
Total Adjustments to Governmental Activities	<u>\$ 9,219,808</u>	<u>\$ (704,306)</u>	<u>\$ 12,271,906</u>	<u>\$ (2,267,439)</u>

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

	Fund Financial Statements		Government Wide Statements	
	Increase	Decrease	Increase	Decrease
<b>Business Type Activities</b>				
Railroad Fund				
Adjust amount due to the State of Connecticut	\$ -	\$ (11,192)	\$ -	\$ (11,192)
Waveny Pool Fund				
Reclassify reserves from liability to equity	84,869	-	84,869	-
To record capital assets	1,410,177	-	1,410,177	-
To record long-term debt	-	(2,159,000)	-	(2,159,000)
Total Waveny Pool Fund	<u>1,495,046</u>	<u>(2,159,000)</u>	<u>1,495,046</u>	<u>(2,159,000)</u>
Movie Theater Fund				
To record capital assets	<u>87,638</u>	<u>-</u>	<u>87,638</u>	<u>-</u>
Employee Health Insurance Fund				
Reclassify reimbursement to General Fund	-	(54,318)	-	(54,318)
Total Adjustments to Business Type Activities	<u>\$ 1,582,684</u>	<u>\$ (2,224,510)</u>	<u>\$ 1,582,684</u>	<u>\$ (2,170,192)</u>
<b>Fiduciary Type Activities</b>				
Various Scholarship Funds				
To record scholarship funds	10,935	-		
Affordable Housing Trust				
To show accrued expenses	-	(400,000)		
Special Projects Fund				
To move to a special revenue fund	-	(947,391)		
	<u>\$ 10,935</u>	<u>\$ (1,347,391)</u>		

**2. Stewardship, Compliance and Accountability**

**A. Budget Basis**

A formal, legally approved, annual budget is adopted for the General Fund but not the Educational Grants Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** - The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 2. Stewardship, Compliance and Accountability (Continued)

- **Excess Cost Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as revenue.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.

#### B. Budget Calendar

**Requests for Annual Appropriations** - The Town Council, all officers, department heads, boards, commissions and committees of the Town and the New Canaan Library shall annually not later than the third Tuesday preceding the first Tuesday in February submit to the Selectmen, in a form prescribed by the Board of Finance, itemized estimates of their respective requests for appropriations to cover such expenses, together with statements in detail of their respective expenditures for similar purposes for the preceding fiscal year and such other information as may from time to time be required by the Board of Finance. The Selectmen shall review such estimates or requests, including the preliminary budget estimates submitted by the Board of Education, and shall compile a recommended budget which shall be submitted to the Board of Finance for its consideration not later than the first Tuesday of February in each year.

The Board of Education shall submit its preliminary budget estimates to the Board of Selectmen, for its review and comment, not later than the third Tuesday preceding the first Tuesday in February, and shall compile and submit its recommended budget directly to the Board of Finance, with a copy to the Board of Selectmen, not later than the first Tuesday in February in each year.

**Requests for Capital Expenditures** - All officers, department heads, boards, commissions and committees shall submit annually to the Selectmen, with the estimates of their respective expenses for the ensuing fiscal year and in a form prescribed by the Board of Finance, an outline of the estimated capital expenditures of such office, board, commission or committee during the next five fiscal years. The Selectmen shall consider such outlines and, after consultation with the Planning and Zoning Commission, shall submit to the Board of Finance, not later than two weeks after the first Tuesday of February, a recommended budget of such capital expenditures, including such recommendation as they desire as to the creation of a reserve therefore in the Town budget for the ensuing fiscal year.

**Board of Finance Budget Recommendations and Public Hearing** - The Board of Finance, after receipt of the recommended budget from the Board of Selectmen and after obtaining any further information which it may require, shall prepare tentative budget recommendations. The Board of Finance shall cause such recommendations to be published at least once, together with a notice fixing the time of a public hearing which shall be held not later than the sixth Tuesday following the first Tuesday of February; and the place where such hearing shall be held by the Board of Finance upon requests for appropriations, to hear all persons, including members of the Board of Finance, who may wish to be heard in respect to any such recommendations or who may wish the Board of Finance to recommend any other appropriation or any other matter within the power of the Board of Finance.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 2. Stewardship, Compliance and Accountability (Continued)

After such public hearing, the Board of Finance forthwith shall hold a meeting or meetings to consider the estimates and requests so presented. The Board of Finance shall thereupon prepare and present its recommendations to the Board of Selectmen, for submission to the Town Council, for appropriations to cover Town expenditures for the ensuing fiscal year. Such recommendations may also include appropriations to pay any part of the Town debt or to provide a fund for any public improvement or any other matter within the power of the Board of Finance and to provide a contingent fund for expenses of the Town not otherwise provided for, which contingent fund, when appropriated by the Town Council, shall be subject to disbursement by the Board of Finance. Nothing in this section shall be construed to be a limitation upon the Board of Finance in the disbursement of the whole or any part of the Town contingent fund. All such recommendations for appropriations shall be classified under proper headings and shall be accompanied by an estimate, made by the Board of Finance, of the amount of revenue the Town will receive during such fiscal year from all sources, except that of taxation, and an itemized list of the debts and obligations of the Town as of the date of the meeting or meetings following the public hearing of the Board of Finance and a detailed statement showing the amount of increase or decrease of the proposed appropriation as compared to the last previous appropriation made by the Town Council for like purpose. Such recommendations shall include the amount of any unexpended balances or surplus to be applied against appropriations and a reserve for uncollectible taxes; provided, however, that if the Town Council shall reduce the proposed appropriations so recommended and published by an amount exceeding 5%, then in that event, the amount of unexpended balances or surplus to be applied shall be reconsidered by the Board of Finance for final action.

**Annual Budget Meeting** - The recommendations for appropriations so prepared by the Board of Finance shall be delivered to the Selectmen not later than the seventh Tuesday following the first Tuesday of February in each year in the form of a written report signed by the Chairman of the Board of Finance and a majority of its members. The Selectmen shall forthwith cause to be published once a week for two successive weeks a notice of a meeting of the Town Council to act upon such recommendations, stating the time and place thereof. The first of such notices shall include the publication in full of the recommendations of the Board of Finance. Such meeting of the Town Council shall be held not later than 11 weeks after the first Tuesday of February in each year.

**Town Council Action Upon Annual Appropriations and Other Recommendations** - The Town Council shall take action upon each of the proposed appropriations so recommended and published. It may approve, disapprove or reduce but may not increase the amount of such appropriations or any of them or the amount of any unexpended balances or surplus to be applied or any reserve for any uncollectible taxes; and no appropriation shall be made for any purpose not recommended and published as hereinbefore provided. If a recommendation of the Board of Finance pertains to some matter other than a money appropriation, then the Town Council shall act thereon in such case as provided in this Charter.

### C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

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**2. Stewardship, Compliance and Accountability (Continued)**

Whenever the Board of Selectmen or the First Selectman requests a special appropriation, or whenever a special appropriation, in the opinion of the Board of Finance, shall be necessary for any purpose, the Board of Finance shall deliver a recommendation to the Selectmen and the Selectmen shall present the recommendation to a meeting of the Town Council or may present the recommendation of the Board of Finance to a meeting called for that purpose, whereupon the Selectmen shall forthwith cause to be published once a week for two successive weeks a notice of a meeting of the Town Council to consider and act upon the recommendation of the Board of Finance for such special appropriation, which notice shall state the time and place thereof. The Board of Finance may also include in its recommendation that such special appropriation shall be paid from moneys in the Town treasury not otherwise appropriated or by the levying of a special tax. If and when such special appropriation shall be made by the Town Council and the levying of a special tax to pay such special appropriation shall be approved by the Town Council, the Board of Finance shall lay a special tax upon the grand list last completed and fix the date or dates upon which such special tax shall become due and payable and shall thereupon issue a warrant to the Tax Collector to receive and collect the same in the manner provided by the General Statutes for the collection of taxes.

**D. Expenditures in Excess of Budget**

During the year \$909,713 of additional appropriations were made. Although the budget was not over expended in total, the following appropriations were over expended by the amount indicated

<u>Appropriation</u>	<u>Amount</u>	<u>Appropriation</u>	<u>Amount</u>
General Government		Public Works	
Selectmen	\$3,615	Highway – storm Irene	\$72,846
Finance	72,760	Highway – storm Alfred	129,257
Human resources	10,401	Directors office	16,236
Central services	11,661	Engineering – storm Irene	17,480
Tax collector	2,855	Town buildings – Irene	1,223
Inland wetlands	6,995	Town buildings – Alfred	521
Public Safety and Protection		Transfer station – Irene	101,887
Police – storm Irene	100	Transfer station – Alfred	155,584
Police – storm Alfred	49	Parks	35,398
Ambulance	15,284	Parks – storm Irene	272
Fire marshal	2,222	Total town utilities	31,621
Emergency mgmt – Irene	14,496	Tree service – storm Irene	237,418
Emergency mgmt – Alfred	4,158	Tree service – storm Alfred	312,319
Building	3,440	Capital Outlay	
Flood insurance	18,079	Fiscal 2011 Appropriations	
Social Services		Mead Park dredging	137,335
Youth services	2,901	Road repairs	335,303
Recreation		Master plan – phase 2	133,127
Administration – Irene	3,400		
Civic activities	2,062		
Other Agencies – Other	8,147		

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**2. Stewardship, Compliance and Accountability (Continued)**

**E. Fund Deficits**

The following funds had deficit fund balances in the amounts indicated at June 30, 2012:

	Deficit	Expected Future Coverage	
		Revenues	Bonding *
Capital Project Funds			
School Energy Efficiency	\$825,111	\$525,111	\$300,000
Bridge Replacement	286,310	-	286,310
Police Related Work	12,740	12,740	-
Enterprise Funds			
Waveny Pool Fund	502,453	502,453	-

\* On October 20, 2010 the Town Council approved a \$10,500,000 appropriation and \$3,725,000 bond authorization for the planning, design, and construction of replacement bridges. The Town expects to receive up to \$6,775,000 in federal and state grants for the program. To date, only \$1,200,000 of the bonding has been issued. In addition, another \$300,000 is authorized but unissued for the Education Energy Efficiency Update Phase II approved on December 21, 2011.

**3. Detailed Notes on All Funds**

**A. Cash, Cash Equivalents and Investments**

Cash and investments of the Town consist of the following at June 30, 2012:

Statement of Net Assets	
Cash and equivalents	\$ 27,979,516
Investments	23,265,961
	<u>51,245,483</u>
Fiduciary Funds	
Cash and equivalents - Pension Trust Funds	4,742
Cash and equivalents - Private Purpose Trusts	86,459
Cash and equivalents - Agency Funds	393,298
Investments - Pension Trust Funds	111,858,407
Investments - Private Purpose Trusts	795,739
	<u>113,138,645</u>
Total Cash and Investments	<u>\$164,384,128</u>

**Cash and Cash Equivalents** - As of June 30, 2012 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 24,433,732
Plus external investment pools	9,128,615
Less Certificates of deposits (in investments)	(5,098,330)
	<u>\$ 28,464,017</u>

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

The bank balance of the deposits was \$25,509,212 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 2,460,225
Uninsured and uncollateralized	23,048,987
	<u>\$ 25,509,212</u>

**Investments** – Investments are summarized as follows at June 30, 2012

	General Fund	Internal Service Fund	Pension Trust Funds	Private Purpose Trust Funds	Total Investments
Certificates of deposit	\$ 2,037,271	\$ 3,061,051	\$ -	\$ -	\$ 5,098,322
U.S. treasuries	12,730,262	-	22,210,060	-	34,940,322
Mutual funds - equity	-	-	89,648,347	795,739	90,444,086
Mutual funds - money market	5,432,050	5,327	-	-	5,437,377
	<u>\$ 20,199,583</u>	<u>\$ 3,066,378</u>	<u>\$ 111,858,407</u>	<u>\$ 795,739</u>	<u>\$ 135,920,107</u>

Below is a summary of the interest rate risk and credit risk as of June 30, 2012

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Certificates of deposit	NA	5,098,322	-	5,098,322	-
U.S. treasuries	NA	34,940,322	859,943	7,016,146	27,064,233
Mutual funds - equity	NA	90,444,086	90,444,086	-	-
Mutual funds - money market	NA	5,437,377	5,437,377	-	-
Total		<u>\$ 135,920,107</u>	<u>\$ 96,741,406</u>	<u>\$ 12,114,468</u>	<u>\$ 27,064,233</u>

**B. Receivables, Deferred Revenue and Unearned Revenue**

Of the intergovernmental receivables, \$1,380,730 in reimbursements for education bonds from the State of Connecticut is not expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
Property taxes and interest	\$ 1,932,665	\$ -	\$ -	\$ 1,932,665
Intergovernmental revenue	1,380,730	1,330	1,110,044	2,492,104
Special assessments	-	-	10,535	10,535
Other	418,156	-	-	418,156
	<u>\$ 3,731,551</u>	<u>\$ 1,330</u>	<u>\$ 1,120,579</u>	<u>\$ 4,853,460</u>

**3. Detailed Notes on All Funds (Continued)**

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2012

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
Advances on grants	\$ -	\$ 82,842	\$ -	\$ 82,842
Fees collected in advance	-	-	128,603	128,603
	<u>\$ -</u>	<u>\$ 82,842</u>	<u>\$ 128,603</u>	<u>\$ 211,445</u>

**C. Interfund Transactions**

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2012 these were summarized as follows

Receivable fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 1,181,857
General Fund	Enterprise funds	119,698
General Fund	Internal service funds	54,318
Educational Grants Fund	General Fund	237,228
Other governmental funds	General Fund	210,736
Pension trust funds	General Fund	200,700
Private purpose trust funds	General Fund	21,625
Private purpose trust funds	Agency funds	17,568
		<u>\$ 2,043,730</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2012 were as follows

	Transfers into:				Total
	General Fund	Educational Grants Fund	Other Governmental Funds	Enterprise Fund - Waveny Pool Fund	
Transfers out of:					
General Fund	\$ -	\$ -	\$ 76,125	\$ 198,881	\$ 275,006
Educational Grants Fund	371,558	-	-	-	371,558
Other governmental funds	10,000	-	-	-	10,000
	<u>\$ 381,558</u>	<u>\$ -</u>	<u>\$ 76,125</u>	<u>\$ 198,881</u>	<u>\$ 656,564</u>

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

**D. Capital Assets**

Changes in the Town's capital assets used in the governmental activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 71,304,044	\$ -	\$ -	\$ 71,304,044
Construction in progress	182,653	-	(43,030)	139,623
	<u>71,486,697</u>	<u>-</u>	<u>(43,030)</u>	<u>71,443,667</u>
Capital assets being depreciated				
Land improvements	9,378,589	556,838	-	9,935,427
Buildings and improvements	147,614,529	2,492,566	-	150,107,095
Machinery and equipment	16,127,579	1,276,757	-	17,404,336
Vehicles	7,659,667	592,581	(46,500)	8,205,748
Infrastructure	57,850,121	4,150,074	-	62,000,195
	<u>238,630,485</u>	<u>9,068,816</u>	<u>(46,500)</u>	<u>247,652,801</u>
Less accumulated depreciation	<u>(85,400,309)</u>	<u>(7,675,341)</u>	<u>44,174</u>	<u>(93,031,476)</u>
	<u>\$224,716,873</u>	<u>\$ 1,393,475</u>	<u>\$ (45,356)</u>	<u>\$226,064,992</u>

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 324,462
Public safety	475,015
Public works	2,461,119
Parks and recreation	102,913
Education	4,311,832
	<u>\$ 7,675,341</u>

Changes in the Town's capital assets used in the business-type activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 103,030	\$ -	\$ -	\$ 103,030
Capital assets being depreciated				
Buildings and improvements	1,841,109	-	-	1,841,109
Machinery and equipment	406,266	-	-	406,266
	<u>2,247,375</u>	<u>-</u>	<u>-</u>	<u>2,247,375</u>
Less accumulated depreciation	<u>(749,560)</u>	<u>(44,271)</u>	<u>-</u>	<u>(793,831)</u>
	<u>\$ 1,600,845</u>	<u>\$ (44,271)</u>	<u>\$ -</u>	<u>\$ 1,556,574</u>

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

Waveny Pool Fund	\$ 40,897
Movie Theater Fund	3,374
	<u>\$ 44,271</u>

**E. Long-Term Liabilities – Governmental Funds**

The following table summarizes changes in the Town’s governmental long-term indebtedness for the year ending June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$126,367,398	\$ 14,245,000	\$ (15,201,403)	\$125,410,995	\$ 8,763,744
Deferred refunding amounts, net	2,714,682	-	(274,618)	2,440,064	274,618
	<u>129,082,080</u>	<u>14,245,000</u>	<u>(15,476,021)</u>	<u>127,851,059</u>	<u>9,038,362</u>
Capital leases	647,217	677,926	(483,597)	841,546	348,221
Compensated absences	2,179,151	-	(212,755)	1,966,396	314,624
Post closure landfill costs	450,000	-	(25,000)	425,000	25,000
Pension obligations	2,883,369	952,558	-	3,835,927	-
	<u>\$135,241,817</u>	<u>\$ 15,875,484</u>	<u>\$ (16,197,373)</u>	<u>\$134,919,928</u>	<u>\$ 9,726,207</u>

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2012 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Clean Water Fund Bonds	1994-95	\$ 185,063	2013-14	2.00%	\$ 11,806
Clean Water Fund Bonds	1999-00	\$ 12,440,686	2018-19	2.00%	4,829,308
School and Public Improvement	2008-09	\$ 66,510,000	2022-23	3.13%	53,925,000
School and Public Improvement	2009-10	\$ 24,005,000	2024-25	2.00-5.00%	23,560,000
School and Public Improvement	2009-10	\$ 16,330,000	2023-24	3.00-5.00%	14,435,000
School and Public Improvement	2010-11	\$ 16,500,000	2030-31	2.00-4.00%	16,500,000
School and Public Improvement	2011-12	\$ 7,145,000	2026-27	0.18-4.00%	7,010,000
School and Public Improvement	2011-12	\$ 7,100,000	2026-27	2.00-2.375%	7,100,000
Less: Waveny Pool Fund Portion					<u>(1,960,119)</u>
					<u>\$125,410,995</u>

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

Payments to maturity on the general obligation bonds are as follows

Year End	Governmental Activities General Obligation Bonds		Year End	Governmental Activities General Obligation Bonds	
	Principal	Interest		Principal	Interest
2013	\$ 8,763,744	\$ 4,691,578	2023	7,468,169	1,042,877
2014	9,553,097	4,420,625	2024	7,534,144	763,500
2015	10,087,398	4,056,915	2025	6,338,044	480,735
2016	10,370,818	3,684,453	2026	2,875,000	267,026
2017	10,702,345	3,309,080	2027	2,850,000	189,795
2018	10,889,429	2,883,817	2028	975,000	110,875
2019	9,669,708	2,423,054	2029	1,000,000	80,625
2020	7,917,529	2,004,700	2030	1,000,000	48,750
2021	8,158,930	1,645,006	2031	1,000,000	16,250
2022	8,257,640	1,350,301		<u>\$125,410,995</u>	<u>\$ 33,469,962</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2012 totaled \$4,475,414.

**Capital Leases Payable**

The Town has entered into a lease agreement to finance the acquisition of various types of equipment. The equipment is included in the capital assets with a cost of \$1,994,500 and accumulated depreciation of \$748,635. These leases qualify as a capital lease for accounting purposes. The Town's capital lease obligation at June 30, 2012 is as follows:

Total payments on capital leases for year ending

2013	\$ 351,984
2014	275,453
2015	161,988
2016	53,567
2017	8,464
	<u>851,456</u>
Less the amount representing interest	<u>(9,910)</u>
Present value of future minimum lease payments	<u>\$ 841,546</u>

Interest paid and expensed on capital leases payable for the year ended June 30, 2012 totaled \$1,805.

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

**Legal Debt Limit**

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of New Canaan, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$114,262,938
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	28,202
Debt limitation base	<u>\$114,291,140</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$257,155,065	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	514,310,130	-	-	-
3 3/4 times base	-	-	428,591,775	-	-
3 1/4 times base	-	-	-	371,446,205	-
3 times base	-	-	-	-	342,873,420
Total debt limitation	<u>257,155,065</u>	<u>514,310,130</u>	<u>428,591,775</u>	<u>371,446,205</u>	<u>342,873,420</u>
Indebtedness					
Bonds payable	56,964,970	67,792,522	503,622	-	-
Amount to be provided by CT	-	(1,380,730)	-	-	-
Total indebtedness	<u>56,964,970</u>	<u>66,411,792</u>	<u>503,622</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$200,190,095</u>	<u>\$447,898,338</u>	<u>\$428,088,153</u>	<u>\$371,446,205</u>	<u>\$342,873,420</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$800,037,980

**F. Long-term Liabilities – Enterprise Funds**

The following table summarizes changes in the Town's long-term indebtedness in the enterprise funds for the year ending June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	<u>\$ 2,159,000</u>	<u>\$ -</u>	<u>\$ (198,881)</u>	<u>\$ 1,960,119</u>	<u>\$ 159,765</u>

Interest paid and expensed on general obligation bonds in the enterprise funds for the year ended June 30, 2012 totaled \$104,396.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 3. Detailed Notes on All Funds (Continued)

These bonds are part of the general obligation bonds discussed in Note 3E. Payments to maturity on the enterprise portion of the general obligation bonds are as follows

Year End	Business-Type Activities		Year End	Business-Type Activities	
	Notes and Loans			Notes and Loans	
	Principal	Interest		Principal	Interest
2013	\$ 159,765	\$ 79,770	2020	157,471	34,695
2014	143,714	75,259	2021	161,070	26,821
2015	157,037	69,826	2022	162,360	20,862
2016	162,432	63,873	2023	56,831	14,586
2017	169,999	57,752	2024	150,856	12,313
2018	172,293	50,318	2025	156,958	6,278
2019	149,333	42,161		<u>\$ 1,960,119</u>	<u>\$ 554,514</u>

#### Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. Additionally, certain vacation and sick leave expenses will be paid out of the pension funds upon retirement. The value of all compensated absences has been reflected in the government-wide financial statements.

#### Post Closure Landfill Costs

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in the long-term debt. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year the actual costs amounted to \$24,994.

#### Advance Refunding

During the 2012 fiscal year, the Town issued \$7,145,000 in serial bonds with interest rates ranging from 0.18% to 4.0%, depending on maturity. The proceeds were used to advance refund \$7,125,000 of outstanding 2007 public improvement serial bonds bearing interest at rates ranging from 2.5% to 4.5%, depending on maturity. The net proceeds of \$7,286,516 (including \$248,449 of issuance premium and after \$106,933 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2007 serial bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Assets. The Town advance refunded the serial bonds to reduce its total debt service payments by \$1,034,658 and to obtain a net present value economic gain of \$842,110. As of June 30, 2012, the balance of \$7,125,000 on the 2007 bonds are considered defeased.

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

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**3. Detailed Notes on All Funds (Continued)**

**Prior Year Defeasance of Debt**

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2012, \$128,020,000 of bonds outstanding are considered defeased.

**G. The Funded Retirement Plan of the Town of New Canaan, Connecticut**

**Plan Description** - The Town is the administrator of a single employer public employee retirement system ("PERS") established and administered by the Town to provide pension benefits for its regular and former employees (excluding teachers covered under the CT State Teachers' Retirement System). The PERS is considered to be part of the Town of New Canaan's financial reporting entity and is included in the Town's financial statement as a pension trust fund.

The Plan provides retirement benefits through a single employer contributory defined benefit plan. All employees not excluded by class working full-time, are not temporary or part of the CT State Teachers' Retirement System and include organized Employees of the Department of Public Works ("DPW"), the Police and Fire Departments, the Board of Education ("BOE"), and the Employees of the Library.

**Contributions** – Police and Fire employees are required to contribute .75% of earnings with 0% contribution after 30 years of service. DPW employees contribute 1.5% of earnings. Library and BOE contribute 2.0%. All other non-bargained groups are required to contribute .25% of earnings. The Town is required to contribute the remaining amounts as determined by annual actuarial valuations.

**Plan Membership** – As of the date of the latest actuarial valuation (July 1, 2010), membership consisted of the following:

Retirees and beneficiaries receiving benefits	219
Terminated employees entitled to benefits, but not yet receiving them	179
Active members	457
	<u>855</u>

**Plan Changes** – The latest actuarial valuation reflects changes, cost-of-living adjustment and increases in the DPW plan provisions and contribution rate.

**Revised Actuarial Assumptions and Methods** - The latest valuation was revised to reflect numerous assumption changes based on the 2005-2010 experience study completed September 5, 2012. Changes were made to the interest rate, mortality basis, retirement, termination and salary assumptions.

Name of Plan	The Funded Retirement Plan for the Employees of the Town
Contribution Rate – Town	Determined by valuation
Contribution Rate – Plan members:	
Police/Fire	0.75%, 0% after 30 years
DPW	1.50%
Library/BOE/other bargained	2.00%
Other Town	0.25%

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

### 3. Detailed Notes on All Funds (Continued)

Reporting date/end of fiscal year	June 30, 2012
Latest actuarial valuation date	July 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	15 years, closed
Asset valuation method	5-Year Smoothed Market Value
Actuarial assumptions	
Investment rate of return	Blended at 6.50% through 2020 then 7.00% thereafter
Projected salary increases	Service based for Police and Fire and aged based for others
Cost of living adjustment	None
Turnover assumption	Based on age and service, differing for Police, fire and DPW
Mortality table	RP-2000 Mortality Table, projected
Retirement age	Differs for Town, DPW, and Police and Fire

**Schedule of Funding Progress** - The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Valuation Date	Actuarial Value of Assets	Accrued Liability	Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Liability (Asset) as a % of Covered Payroll
July 1, 2010 *	\$107,442,090	\$ 94,729,552	\$ (12,712,538)	113.4%	\$ 22,832,046	-55.7%
July 1, 2008	\$111,383,887	\$ 84,806,597	\$ (26,577,290)	131.3%	\$ 20,112,605	-132.1%
Jan 1, 2007	\$107,261,695	\$ 76,219,839	\$ (31,041,856)	140.7%	\$ 18,937,113	-163.9%
Jan 1, 2006	\$ 99,764,661	\$ 69,315,132	\$ (30,449,529)	143.9%	\$ 18,427,713	-165.2%
Jan 1, 2005	\$ 92,905,161	\$ 66,151,007	\$ (26,754,154)	140.4%	\$ 16,871,127	-158.6%
Jan 1, 2004	\$ 85,493,457	\$ 58,690,207	\$ (26,803,250)	145.7%	\$ 15,886,626	-168.7%

\* Based on the revised actuarial assumptions and methods

### Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions*	Actual Contributions Made	Percentage Contributed	Net Pension Obligation
2010	\$ -	\$ -	100.0%	\$ -
2011	2,883,369	-	0.0%	2,883,369
2012	1,085,870	-	0.0%	3,835,927

\* Based on the revised actuarial assumptions and methods

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 3. Detailed Notes on All Funds (Continued)

#### Annual Pension Cost ("APC") and Net Pension Obligation ("NPO") - Annual calculation:

Annual Required Contribution*	\$ 1,085,870
Interest on Net Pension Obligation	187,419
Adjustment to Annual Required Contribution	<u>(320,731)</u>
Annual Pension Cost	952,558
Contributions made	<u>-</u>
Increase in net Pension Obligation	952,558
Net Pension Obligation - Beginning of the year	<u>2,883,369</u>
Net Pension Obligation - End of the year	<u>\$ 3,835,927</u>

\* Based on the revised actuarial assumptions and methods

### H. Other Employee Retirement Plans

#### Teachers' Retirement System

Teachers and certain other certified personnel in the Town's Board of Education are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers' Retirement Board.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (7.25 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2012, the State contributed \$7,364,217 into the pension plan on behalf of the Town. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2012 was \$65,885,348 of which \$35,857,352 was covered under this pension plan.

#### Defined Contribution Plan

The Town has a defined contribution plan for all eligible employees under Internal Revenue Code ("IRS") 401(a). This is administered through the ICMA Retirement Corporation. Provisions are made and amended as necessary by the Town. Employees may contribute up to the IRS limits through an IRS section 457 plan. The Town will match an eligible employee's contribution up to 4.0% of their base salary. Contributions in this fiscal year were \$4,751 (3.4%) of covered salaries of \$141,637.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 3. Detailed Notes on All Funds (continued)

#### I. Other Post Employment Benefits (“OPEB”)

From an accrual accounting perspective, the cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town’s future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

**Plan Description** - The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of New Canaan, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility	Teachers and Administrators – Age 60 with 20 years of service or 35 years of service at any age (Normal Retirement); or age 55 with 20 years of service or 25 years of service at any age (Early Retirement).  Police and Fire – Age 50 with 20 years of service or retirement at a Disability Retirement Date.  Department of Public Works – Age 65 with 5 years of service (Normal Retirement); unreduced retirement at age 60 with 25 years of service; or retirement at a Disability Retirement Date.  All Other Employees – Age 65 with 5 years of service (Normal Retirement); Age 55 with 15 years of service (Early Retirement); or retirement at a Disability Retirement Date.
Cost Sharing	For most Town employees, the Town pays the retiree’s health premium (single only coverage) subject to the retiree’s premium contribution which is the same percentage as active employees (dual rates).  For certified Board of Education employees hired prior to July 1, 1989 the Board of Education pays a fixed contribution towards health insurance until the retiree is Medicare eligible, at which time the retiree comes off the plan. For certain noncertified employees hired prior to September 1, 1989, the Board of Education pays a percent of the premium. This is not capped.  Library retirees pay 100% of the retiree’s health premium.

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**3. Detailed Notes on All Funds (continued)**

**Revised Actuarial Assumptions and Methods** - The latest valuation was revised to reflect assumption changes based on the 2005-2010 experience study. Changes were also made to the medical trend data and Teachers Retirement Board (“TRB”) assumptions.

Latest Actuarial Date	July 1, 2010
Actuarial Cost Method	Projected Unit Credit
Discount Rate	7.00%
Medical Inflation	Retiree medical contributions are assumed to increase at the same rates as incurred claims. A constant cost sharing is assumed.
Amortization Method	Level dollar amortization
Amortization	30 years, open
Mortality	PR2000, combined, no collar, sex-distinct table projected to 2017
Disabled Mortality	The 1985 Pension Disability Table – Disabled Mortality for Males and Females
Participation	Based on percentages depending on cost to employee
Retirement	Based on percentages at differing ages depending on department

**Schedule of Funding Progress** - The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.):

Valuation Date	Value of Assets	Accrued Liability	Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Liability (Asset) as a % of Covered Payroll
July 1, 2010 *	\$ 3,452,023	\$ 15,369,964	\$ 11,917,941	22.5%	NA	NA

\* Based on the revised actuarial assumptions and methods

**Schedule of Employer Contributions** - The schedule of employer contributions is as follows:

Year Ended June 30	Annual Required Contributions*	Actual Contributions Made	Percentage Contributed	Net OPEB Obligation
2010	\$ 2,003,080	\$ 4,603,081	229.8%	\$ (209,170)
2011	1,772,704	1,723,899	97.2%	(160,365)
2012	1,870,542	2,219,634	118.7%	(509,457)

\* Based on the revised actuarial assumptions and methods

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 3. Detailed Notes on All Funds (continued)

**Annual Required Contribution** - The Annual Required Contribution ("ARC") for the OPEB program consists of two pieces:

**Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability). The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution, and

**Normal Cost** is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year).

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

#### Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation (asset):

Annual Required Contribution*	\$ 1,869,692
Interest on Net OPEB Obligation	(11,226)
Adjustment to Annual Required Contribution	<u>12,076</u>
Annual OPEB Cost	1,870,542
Contributions made	<u>(2,219,634)</u>
Increase in net OPEB Obligation (Asset)	(349,092)
Net OPEB Obligation (Asset) - Beginning of the year	<u>(160,365)</u>
Net OPEB Obligation (Asset) - End of the year	<u><u>\$ (509,457)</u></u>

#### Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

#### J. Net Assets

The components of net assets are detailed below:

*Invested in Capital Assets, Net of Related Debt* - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

*Restricted Net Assets - Nonexpendable* - the component of net assets that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$56,500 in trust fund principal.

*Restricted Net Assets – Expendable* - the component of net assets that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of \$939,984 which is restricted for general government purposes.

*Unrestricted* - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**I. Fund Balances**

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Not in spendable form				
Prepaid expenditures	\$ 213,800	\$ -	\$ 1,404	\$ 215,204
Inventories	-	-	28,949	28,949
Required to be maintained				
Trust principal	-	-	56,500	56,500
	<u>\$ 213,800</u>	<u>\$ -</u>	<u>\$ 86,853</u>	<u>\$ 300,653</u>
Restricted				
General Government	<u>\$ 172,708</u>	<u>\$ -</u>	<u>\$ 767,276</u>	<u>\$ 939,984</u>
Committed				
Education	\$ 750,000	\$ -	\$ -	\$ 750,000
Capital Projects	-	-	4,477,309	4,477,309
	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 4,477,309</u>	<u>\$ 5,227,309</u>
Assigned				
General Government	\$ 338,330	\$ -	\$ 130,105	\$ 468,435
Education	1,947,129	4,029,483	484,728	6,461,340
Public Works	-	-	1,344,499	1,344,499
Capital Projects	696,838	-	222,925	919,763
To balance next year's budget	2,700,000	-	-	2,700,000
	<u>\$ 5,682,297</u>	<u>\$ 4,029,483</u>	<u>\$ 2,182,257</u>	<u>\$ 11,894,037</u>

**Town of New Canaan, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

**J. Operating Leases Payable**

The Town is a lessee in operating leases as follows:

Lease of	General Fund			Enterprise Fund	Total
	Education Offices	LAUNCH Offices	Postage Equipment	Train Station*	
Actual expenses for operating leases in the current year					
2012	\$ 195,000	\$ 34,823	\$ 37,200	\$ 12,257	\$ 279,280
Total payments on operating lease for year ending					
2013	\$ 195,000	\$ 34,823	\$ 37,200	\$ 12,257	\$ 279,280
2014	97,500	36,012	37,200	12,257	182,969
2015	-	36,632	6,200	12,257	55,089
2016	-	34,100	-	12,257	46,357
2017	-	-	-	12,257	12,257
2018	-	-	-	12,257	12,257
	<u>\$ 292,500</u>	<u>\$ 141,567</u>	<u>\$ 80,600</u>	<u>\$ 73,542</u>	<u>\$ 588,209</u>

\* The actual annual expense for this lease is based on actual net income. The figures presented for the future years are estimates of the annual expense.

**4. Other Information**

**A. Litigation**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**B. Contingencies**

**Grants** - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

**School Building Grants** - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

For projects with a cost of over two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 4. Other Information (Continued)

#### C. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance except as noted below. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

The Board of Education self-insures its employees for medical and dental claims through the use of an internal service fund. Maximum liability to the Board of Education per covered participant is \$100,000. The Board of Education retains an insurance policy for employee claims in excess of \$100,000. A third party administers the plan for which the Board of Education pays an administrative fee. The plan is funded monthly by the Board of Education budget appropriations and employee contributions, as required.

The following is a summary of changes in claims liability during the year:

Year Ended	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2010	\$ 1,672,192	\$ 9,355,624	\$ (9,241,281)	\$ 1,786,535
2011	1,786,535	9,697,911	(9,803,317)	1,681,129
2012	1,681,129	10,529,172	(10,497,579)	1,712,722

The internal service funds are substantially funded by the Town's General Fund based on 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, reported in the internal service funds at June 30, 2012, are based on the requirements of GASB Statements number 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 estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

#### 4. Other Information (Continued)

##### D. Risks and Uncertainties

The Town invests in various securities, including commercial paper, government-sponsored enterprises, and alternative investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have had a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

##### F. GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. This statement provides guidance for governments that are either transferors or operators of service concession arrangements. A service concession arrangement is one in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant considerations, and the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 61 – *The Financial Reporting Entity: Omnibus* – This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units, and clarifies the reporting of equity interests in legally separate organizations. This statement is effective for periods beginning after June 15, 2012.
- GASB Statement 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – This statement incorporates certain authoritative literature into the GASB codification. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – This statement discusses transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods and provides guidance for reporting them. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 65 – *Items Previously Reported as Assets and Liabilities* – This statement further clarifies that appropriate use of the financial statement elements of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for periods beginning after December 15, 2012.

## Town of New Canaan, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 4. Other Information (Continued)

- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance. This statement is effective for periods beginning after December 15, 2012.
- GASB Statement 68 - *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 30 15, 2014.

**Town of New Canaan, Connecticut**

Required Supplementary Information  
June 30, 2012

**Town of New Canaan, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original Budget	Additional Appropriations and Transfers	Final Budget		
<b>REVENUES</b>					
<b>Tax - Current Year</b>					
Tax Collections:	\$ 111,160,523	\$ -	\$ 111,160,523	\$ 113,216,853	\$ 2,056,330
<b>Total Tax - Current Year</b>	<u>111,160,523</u>	<u>-</u>	<u>111,160,523</u>	<u>113,216,853</u>	<u>2,056,330</u>
<b>Tax- Other Than Levy</b>					
Tax Collections - Prior Years	650,000	-	650,000	566,163	(83,837)
Lien Fees and Interest	500,000	-	500,000	520,038	20,038
<b>Total Tax- Other Than Levy</b>	<u>1,150,000</u>	<u>-</u>	<u>1,150,000</u>	<u>1,086,201</u>	<u>(63,799)</u>
<b>Intergovernmental</b>					
Road Maintenance	166,029	-	166,029	166,072	43
Casino Revenue Sharing	8,241	-	8,241	7,065	(1,176)
State Reimbursement on School Project	296,432	-	296,432	318,325	21,893
Boat Registration	5,400	-	5,400	-	(5,400)
State Aid Grant (ECS)	1,495,604	-	1,495,604	1,545,147	49,543
<b>Total Intergovernmental</b>	<u>1,971,706</u>	<u>-</u>	<u>1,971,706</u>	<u>2,036,609</u>	<u>64,903</u>
<b>Licenses and Permits</b>					
Amusement Permits	200	-	200	370	170
Refuse Collectors Licenses	3,000	-	3,000	3,675	675
Liquor Licenses	50	-	50	67	17
Restaurant Permits	25,000	-	25,000	31,325	6,325
Barbers and Salons	4,000	-	4,000	2,375	(1,625)
Fish and Game Licenses	200	-	200	-	(200)
Dog License Clerk Fees	29,100	-	29,100	31,733	2,633
Building Permits	752,000	-	752,000	829,355	77,355
Building Permit Revisions	10,000	-	10,000	15,545	5,545
Driveway Permits	200	-	200	1,310	1,110
Pistol Permits	2,500	-	2,500	4,410	1,910
Sewer and Water Permits	15,000	-	15,000	13,816	(1,184)
Sewer Connection Permits	-	-	-	510	510
Well Permits	3,000	-	3,000	4,550	1,550
Sign Permits	1,500	-	1,500	2,000	500
Street Opening Permits	4,000	-	4,000	20,921	16,921
Zoning Permits	30,000	-	30,000	43,225	13,225
Lot Testing	8,000	-	8,000	11,000	3,000
Plan Review	10,000	-	10,000	7,251	(2,749)
<b>Total Licenses and Permits</b>	<u>897,750</u>	<u>-</u>	<u>897,750</u>	<u>1,023,438</u>	<u>125,688</u>
<b>Investment Earnings</b>					
Interest on Investments	200,000	-	200,000	255,450	55,450
<b>Total Investment Earnings:</b>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>255,450</u>	<u>55,450</u>
<b>Fines and Forfeitures</b>					
False Alarm Fines	20,000	-	20,000	12,600	(7,400)
Parking Tickets	200,000	-	200,000	199,385	(615)
Parking Tickets - On-Line	27,500	-	27,500	62,650	35,150
CT Judicial Revenue Distribution	25,000	-	25,000	23,416	(1,584)
<b>Total Fines and Forfeitures</b>	<u>272,500</u>	<u>-</u>	<u>272,500</u>	<u>298,051</u>	<u>25,551</u>

(Continued)

**Town of New Canaan, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original Budget	Additional Appropriations and Transfers	Final Budget		
<b>Use of Money and Property</b>					
Wavney Custodial Fees	5,000	-	5,000	4,700	(300)
Parking Meters	160,000	-	160,000	232,864	72,864
Parking Cards	3,000	-	3,000	3,770	770
Parking-Day Passes	10,000	-	10,000	9,815	(185)
Parking Permits	640,000	-	640,000	629,761	(10,239)
Parking Newsrack Permits	1,500	-	1,500	1,300	(200)
Copier Revenue	15,000	-	15,000	19,863	4,863
Paddle Tennis Fees	40,000	-	40,000	38,146	(1,854)
School Rental Fees	10,000	-	10,000	10,000	-
<b>Total Use of Money and Property</b>	<b>884,500</b>	<b>-</b>	<b>884,500</b>	<b>950,219</b>	<b>65,719</b>
<b>Charges for Services</b>					
Transfer Station Dump Fees	30,000	-	30,000	37,987	7,987
Transfer Station Tipping Fees	450,000	-	450,000	428,136	(21,864)
Transfer Station Recycling	35,000	-	35,000	85,604	50,604
Transfer Station Sticker Fees	140,000	-	140,000	131,401	(8,599)
Sales of Codes and Regulations	6,500	-	6,500	7,065	565
Senior Citizens Program	90,000	-	90,000	108,414	18,414
Zoning Board of Appeals Fees	5,000	-	5,000	6,600	1,600
Wetlands Septic Review Fees	3,500	-	3,500	3,800	300
Wetlands Demo Review Fees	200	-	200	610	410
Planning and Zoning Applications	6,500	-	6,500	12,250	5,750
Env App / Violation Fees	20,000	-	20,000	26,933	6,933
Vital Statistics Fees	15,000	-	15,000	17,855	2,855
State Telephone Line Grant	85,000	-	85,000	74,508	(10,492)
Park and Recreation Fees	225,000	-	225,000	243,218	18,218
Recording Fees	150,000	-	150,000	197,741	47,741
Senior Program Lunches	3,500	-	3,500	3,464	(36)
Miscellaneous Income	283,061	-	283,061	982,072	699,011
Conveyance Fees	750,000	-	750,000	1,031,174	281,174
Fingerprint Fees	6,500	-	6,500	6,885	385
<b>Total Charges for Services</b>	<b>2,304,761</b>	<b>-</b>	<b>2,304,761</b>	<b>3,405,717</b>	<b>1,100,956</b>
<b>Reimbursements and Refunds</b>					
Elderly Tax Exempt Frozer	200	-	200	180	(20)
LOCIP	116,955	-	116,955	37,624	(79,331)
Homeowner Tax Relief	38,203	-	38,203	28,202	(10,001)
State Property Rebate	41,881	-	41,881	45,602	3,721
Dep Administration Cost Revenue	50	-	50	134	84
Dep Admin Cost Revenue - P&Z	60	-	60	730	670
Additional Veterans Exemption	1,872	-	1,872	1,405	(467)
Municipal Video Grant	-	-	-	49,049	49,049
State Mfg, New Machine and Equipment	56	-	56	119	63
School H&W Reimbursements	16,986	-	16,986	16,259	(727)
<b>Total Reimbursements and Refunds</b>	<b>216,263</b>	<b>-</b>	<b>216,263</b>	<b>179,304</b>	<b>(36,959)</b>
<b>Total Revenues</b>	<b>119,058,003</b>	<b>-</b>	<b>119,058,003</b>	<b>122,451,842</b>	<b>3,393,839</b>

(Continued)

**Town of New Canaan, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original Budget	Additional Appropriations and Transfers	Final Budget		
<b>EXPENDITURES</b>					
<b>General Government</b>					
Selectmen	385,582	-	385,582	389,197	(3,615)
Town Clerk	308,117	-	308,117	296,472	11,645
Finance	614,360	(750)	613,610	686,370	(72,760)
Human Resources	140,107	750	140,857	151,258	(10,401)
Information Technology	223,890	-	223,890	217,366	6,524
Central Services	131,800	-	131,800	143,461	(11,661)
Professional Services	362,500	36,000	398,500	373,083	25,417
Tax Collector	182,556	-	182,556	185,411	(2,855)
Assessor	266,495	-	266,495	259,840	6,655
Registrar	96,425	-	96,425	79,084	17,341
Parking	295,046	-	295,046	265,667	29,379
Planning and Zoning	259,500	-	259,500	246,658	12,842
Health and Sanitation	309,599	-	309,599	304,486	5,113
Inland Wetlands	133,132	-	133,132	140,127	(6,995)
Health and Security Benefits	6,401,348	-	6,401,348	6,045,526	355,822
Insurance	1,019,274	-	1,019,274	992,846	26,428
Contingency	500,000	(459,500)	40,500	-	40,500
<b>Total General Government</b>	<b>11,629,731</b>	<b>(423,500)</b>	<b>11,206,231</b>	<b>10,776,852</b>	<b>429,379</b>
<b>Public Safety and Protection</b>					
Police	5,171,728	288,982	5,460,710	5,412,485	48,225
Storm Irene	-	-	-	100	(100)
Storm Alfred	-	-	-	49	(49)
Animal Control	114,476	-	114,476	99,915	14,561
Fire	2,989,822	121,082	3,110,904	3,089,797	21,107
Ambulance	553,615	-	553,615	568,899	(15,284)
Fire Marshal	168,706	-	168,706	170,928	(2,222)
Emergency Management	31,600	-	31,600	29,087	2,513
Storm Irene	-	-	-	14,496	(14,496)
Storm Alfred	-	-	-	4,158	(4,158)
Building	281,330	9,436	290,766	294,206	(3,440)
Flood Insurance	-	-	-	18,079	(18,079)
<b>Total Public Safety and Protection</b>	<b>9,311,277</b>	<b>419,500</b>	<b>9,730,777</b>	<b>9,702,199</b>	<b>28,578</b>
<b>Public Works</b>					
Highway	2,744,488	-	2,744,488	2,123,104	621,384
Storm Irene	-	-	-	72,846	(72,846)
Storm Alfred	-	-	-	129,257	(129,257)
Directors Office	298,208	145,000	443,208	459,444	(16,236)
Engineering	157,385	-	157,385	144,490	12,895
Storm Irene	-	-	-	17,480	(17,480)
Town Buildings	255,047	-	255,047	227,331	27,716
Storm Irene	-	-	-	1,223	(1,223)
Storm Alfred	-	-	-	521	(521)
Transfer Station	1,637,375	-	1,637,375	1,450,078	187,297
Storm Irene	-	-	-	101,887	(101,887)
Storm Alfred	-	-	-	155,584	(155,584)
Parks	1,210,169	-	1,210,169	1,245,567	(35,398)
Storm Irene	-	-	-	272	(272)

(Continued)

**Town of New Canaan, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original Budget	Additional Appropriations and Transfers	Final Budget		
Nature Center	103,200	-	103,200	100,882	2,318
Total Town Utilities	447,375	-	447,375	478,996	(31,621)
Tree Service	447,500	-	447,500	397,639	49,861
Storm Irene	-	-	-	237,418	(237,418)
Storm Alfred	-	-	-	312,319	(312,319)
<b>Total Public Works</b>	<u>7,300,747</u>	<u>145,000</u>	<u>7,445,747</u>	<u>7,656,338</u>	<u>(210,591)</u>
<b>Social Services</b>					
Administration	355,858	-	355,858	345,236	10,622
Youth Services	141,754	-	141,754	144,655	(2,901)
<b>Total Social Services</b>	<u>497,612</u>	<u>-</u>	<u>497,612</u>	<u>489,891</u>	<u>7,721</u>
<b>Recreation</b>					
Administration and Programs	555,878	-	555,878	439,200	116,678
Storm Irene	-	-	-	3,400	(3,400)
Waveny House	139,061	-	139,061	121,692	17,369
Paddle Tennis	28,300	-	28,300	20,872	7,428
Park Buildings	346,350	-	346,350	314,582	31,768
Civic Activities	20,700	-	20,700	22,762	(2,062)
Lapham Community Center	254,391	-	254,391	250,915	3,476
Special Persons	17,650	-	17,650	12,609	5,041
Pool Kiwanis Operations	74,200	-	74,200	38,254	35,946
<b>Total Recreation</b>	<u>1,436,530</u>	<u>-</u>	<u>1,436,530</u>	<u>1,224,286</u>	<u>212,244</u>
<b>Board of Education</b>	<u>73,122,500</u>	<u>-</u>	<u>73,122,500</u>	<u>72,860,659</u>	<u>261,841</u>
<b>Other Agencies</b>					
Library	1,893,980	-	1,893,980	1,893,980	-
Other Agencies	677,340	4,000	681,340	689,487	(8,147)
<b>Total Other Agencies</b>	<u>2,571,320</u>	<u>4,000</u>	<u>2,575,320</u>	<u>2,583,467</u>	<u>(8,147)</u>
<b>Human Services Agencies</b>					
Chores	7,500	-	7,500	4,161	3,339
Getabout	44,000	-	44,000	44,000	-
Norwalk Transit Authority (Insurance)	17,500	-	17,500	13,312	4,188
Kids in Crisis	50,000	-	50,000	50,000	-
New Canaan Care	15,000	-	15,000	15,000	-
Child Guidance Center	5,000	-	5,000	5,000	-
Family and Children's Aid	2,000	-	2,000	2,000	-
Outback Teen Center	28,000	-	28,000	28,000	-
Domestic Violence Crisis Center	5,000	-	5,000	5,000	-
Meals on Wheels	5,000	-	5,000	5,000	-
<b>Total Human Services Agencies</b>	<u>179,000</u>	<u>-</u>	<u>179,000</u>	<u>171,473</u>	<u>7,527</u>

(Continued)

**Town of New Canaan, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original Budget	Additional Appropriations and Transfers	Final Budget		
<b>Capital Outlay</b>					
Capital outlay	2,079,747	493,782	2,573,529	1,780,535	792,994
Fiscal 2011 Special Appropriation:					
Mead Park Pond Dredging	-	-	-	137,335	(137,335)
Road Repairs	-	-	-	335,303	(335,303)
Master Plan - Phase 2	-	-	-	133,127	(133,127)
Fiscal 2012 Special Appropriation:					
NCHS Track Repairs	-	125,000	125,000	116,099	8,901
Hybrid Bus	-	145,931	145,931	-	145,931
	<u>2,079,747</u>	<u>764,713</u>	<u>2,844,460</u>	<u>2,502,399</u>	<u>342,061</u>
<b>Debt Service</b>	<u>13,556,739</u>	<u>-</u>	<u>13,556,739</u>	<u>12,972,134</u>	<u>584,605</u>
<b>Total Expenditures</b>	<u>121,685,203</u>	<u>909,713</u>	<u>122,594,916</u>	<u>120,939,698</u>	<u>1,655,218</u>
<b>Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis</b>	<u>\$ (2,627,200)</u>	<u>\$ (909,713)</u>	<u>\$ (3,536,913)</u>	1,512,144	<u>\$ 5,049,057</u>
<b>Adjustments to Generally Accepted Accounting Principles (GAAP)</b>					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis					
Revenues from Teachers' Retirement				7,364,217	
Expenditures for Teachers' Retirement				(7,364,217)	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis					
Education				1,947,129	
Previous Year Encumbrance recorded on Modified Accrual Basis, but not the Budget Basis					
General government				(258,119)	
Education				(894,839)	
Other Financing Sources - Difference in Treatment of Lease Financing					
Proceeds from Lease Financing				677,926	
Purchase of Equipment and Vehicles with Lease Financing				(677,926)	
Other Financing Sources - Refinancing of Bond					
Proceeds from Long Term Debt				7,145,000	
Premium on long term debt				248,449	
Bond costs				(106,933)	
Payment to refunded bond escrow agent				(7,286,516)	
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)</b>				<u>\$ 2,306,315</u>	

**Notes to Required Supplementary Information:** This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing or refunding long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Payroll is budgeted on a cash basis.

**Town of New Canaan, Connecticut**

Combining Fund Financial Statements  
June 30, 2012

## Town of New Canaan, Connecticut

Combining Balance Sheet  
Other Governmental Funds  
June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sydney Weisner	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 2,906,748	\$ 6,270,015	\$ 57,654	\$ 9,234,417
Taxes and assessments receivable, net of allowances for uncollectible amounts	10,774	-	-	10,774
Other receivables				
Accounts	50,090	-	-	50,090
Intergovernmental	-	1,110,044	-	1,110,044
Usage	53,174	-	-	53,174
Due from other funds	29,701	181,035	-	210,736
Prepaid expenditures	1,404	-	-	1,404
Inventories	28,949	-	-	28,949
Total Assets	<u>\$ 3,080,840</u>	<u>\$ 7,561,094</u>	<u>\$ 57,654</u>	<u>\$ 10,699,588</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
Liabilities				
Accounts payable	\$ 156,606	\$ 1,684,597	\$ -	\$ 1,841,203
Accrued payroll and related	25,072	-	-	25,072
Due to other funds	4,217	1,177,640	-	1,181,857
Unearned revenues	128,603	-	-	128,603
Deferred revenues	10,535	1,110,044	-	1,120,579
Total Liabilities	<u>325,033</u>	<u>3,972,281</u>	<u>-</u>	<u>4,297,314</u>
Fund Balances (Deficits)				
Nonspendable	30,353	-	56,500	86,853
Restricted	766,122	-	1,154	767,276
Committed	-	4,490,049	-	4,490,049
Assigned	1,959,332	222,925	-	2,182,257
Unassigned	-	(1,124,161)	-	(1,124,161)
Total Fund Balances (Deficits)	<u>2,755,807</u>	<u>3,588,813</u>	<u>57,654</u>	<u>6,402,274</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 3,080,840</u>	<u>\$ 7,561,094</u>	<u>\$ 57,654</u>	<u>\$ 10,699,588</u>

## Town of New Canaan, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Other Governmental Funds  
 Year Ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sydney Weisner	Total Other Governmental Funds
<b>REVENUES</b>				
Taxes and assessments	\$ 1,170,684	\$ -	\$ -	\$ 1,170,684
Intergovernmental	389,649	1,109,751	-	1,499,400
Charges for services	2,698,855	58,308	-	2,757,163
Income from investments	1,315	7,186	-	8,501
Total Revenues	<u>4,260,503</u>	<u>1,175,245</u>	<u>-</u>	<u>5,435,748</u>
<b>EXPENDITURES</b>				
Current				
General government	887,450	-	-	887,450
Operation of plant	906,999	-	-	906,999
Education	2,387,971	-	121	2,388,092
Debt service	47,783	-	-	47,783
Capital outlay	223,008	7,715,984	-	7,938,992
Total Expenditures	<u>4,453,211</u>	<u>7,715,984</u>	<u>121</u>	<u>12,169,316</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(192,708)</u>	<u>(6,540,739)</u>	<u>(121)</u>	<u>(6,733,568)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	76,125	-	-	76,125
Transfers out	(10,000)	-	-	(10,000)
Premium on financing	-	6,548	-	6,548
Proceeds from long term debt	-	7,100,000	-	7,100,000
Total Other Financing Sources (Uses)	<u>66,125</u>	<u>7,106,548</u>	<u>-</u>	<u>7,172,673</u>
Net Change in Fund Balance	(126,583)	565,809	(121)	439,105
Fund Balances - Beginning of Year	<u>2,882,390</u>	<u>3,023,004</u>	<u>57,775</u>	<u>5,963,169</u>
Fund Balances - End of Year	<u>\$ 2,755,807</u>	<u>\$ 3,588,813</u>	<u>\$ 57,654</u>	<u>\$ 6,402,274</u>

## Town of New Canaan, Connecticut

Combining Balance Sheet  
 Special Revenue Funds  
 June 30, 2012

	Sewer Taxing District	School Lunch	Sub- recipient Grant	Summer Learning	Town Grants Fund	Facilities Rental	Special Projects Fund	Total Special Revenue Funds
<b>ASSETS</b>								
Cash and equivalents	\$ 1,440,934	\$ 56,306	\$ -	\$ 531,155	\$ 19,221	\$ 88,625	\$ 770,507	\$ 2,906,748
Taxes and assessments receivable, net for uncollectible amounts	10,774	-	-	-	-	-	-	10,774
Other receivables								
Accounts	-	-	4,860	-	-	41,480	3,750	50,090
Usage	53,174	-	-	-	-	-	-	53,174
Due from other funds	-	-	-	29,701	-	-	-	29,701
Prepaid expenditures	899	-	-	505	-	-	-	1,404
Inventories	-	28,949	-	-	-	-	-	28,949
Total Assets	<u>\$ 1,505,781</u>	<u>\$ 85,255</u>	<u>\$ 4,860</u>	<u>\$ 561,361</u>	<u>\$ 19,221</u>	<u>\$ 130,105</u>	<u>\$ 774,257</u>	<u>\$ 3,080,840</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts payable	\$ 124,776	\$ 3,831	\$ 4,860	\$ -	\$ 10,868	\$ -	\$ 12,271	\$ 156,606
Accrued payroll and related	25,072	-	-	-	-	-	-	25,072
Due to other funds	-	-	-	-	-	-	4,217	4,217
Unearned revenues	-	-	-	128,603	-	-	-	128,603
Deferred revenues	10,535	-	-	-	-	-	-	10,535
Total Liabilities	<u>160,383</u>	<u>3,831</u>	<u>4,860</u>	<u>128,603</u>	<u>10,868</u>	<u>-</u>	<u>16,488</u>	<u>325,033</u>
Fund Balances								
Nonspendable	899	28,949	-	505	-	-	-	30,353
Restricted	-	-	-	-	8,353	-	757,769	766,122
Assigned	1,344,499	52,475	-	432,253	-	130,105	-	1,959,332
Total Fund Balances	<u>1,345,398</u>	<u>81,424</u>	<u>-</u>	<u>432,758</u>	<u>8,353</u>	<u>130,105</u>	<u>757,769</u>	<u>2,755,807</u>
Total Liabilities and Fund Balance:	<u>\$ 1,505,781</u>	<u>\$ 85,255</u>	<u>\$ 4,860</u>	<u>\$ 561,361</u>	<u>\$ 19,221</u>	<u>\$ 130,105</u>	<u>\$ 774,257</u>	<u>\$ 3,080,840</u>

## Town of New Canaan, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Special Revenue Funds  
 Year Ended June 30, 2012

	Sewer Taxing District	School Lunch	Sub- receipt Grant	Summer Learning	Town Grants Fund	Facilities Rental	Special Projects Fund	Total Special Revenue Funds
<b>REVENUES</b>								
Taxes and assessments	\$ 1,170,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,170,684
Intergovernmental	73,715	-	232,913	-	83,021	-	-	389,649
Charges for services	253,982	1,672,438	-	215,320	-	215,706	341,409	2,698,855
Income from investments	1,278	-	-	37	-	-	-	1,315
Total Revenues	<u>1,499,659</u>	<u>1,672,438</u>	<u>232,913</u>	<u>215,357</u>	<u>83,021</u>	<u>215,706</u>	<u>341,409</u>	<u>4,260,503</u>
<b>EXPENDITURES</b>								
Current								
General government	267,287	-	9,722	-	82,867	-	527,574	887,450
Operation of plant	906,999	-	-	-	-	-	-	906,999
Education	-	1,787,262	223,191	210,776	-	166,742	-	2,387,971
Debt service	47,783	-	-	-	-	-	-	47,783
Capital outlay	223,008	-	-	-	-	-	-	223,008
Total Expenditures	<u>1,445,077</u>	<u>1,787,262</u>	<u>232,913</u>	<u>210,776</u>	<u>82,867</u>	<u>166,742</u>	<u>527,574</u>	<u>4,453,211</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>54,582</u>	<u>(114,824)</u>	<u>-</u>	<u>4,581</u>	<u>154</u>	<u>48,964</u>	<u>(186,165)</u>	<u>(192,708)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	76,125	-	-	-	-	-	-	76,125
Transfers out	-	-	-	-	-	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	<u>76,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>66,125</u>
Net Change in Fund Balances	130,707	(114,824)	-	4,581	154	38,964	(186,165)	(126,583)
Fund Balances - Beginning of Year	<u>1,214,691</u>	<u>196,248</u>	<u>-</u>	<u>428,177</u>	<u>8,199</u>	<u>91,141</u>	<u>943,934</u>	<u>2,882,390</u>
Fund Balances - End of Year	<u>\$ 1,345,398</u>	<u>\$ 81,424</u>	<u>\$ -</u>	<u>\$ 432,758</u>	<u>\$ 8,353</u>	<u>\$ 130,105</u>	<u>\$ 757,769</u>	<u>\$ 2,755,807</u>

## Town of New Canaan, Connecticut

Combining Balance Sheet  
 Capital Projects Funds  
 June 30, 2012

	School Energy Efficiency	Bridge Replace- ment	Special Bonding	EMS	NCHS Phase I Renovation	Police Station Renovations	Capital and Nonrecurring	Road Paving	Small Bonded Capital Projects	Total Capital Projects Funds
<b>ASSETS</b>										
Cash and equivalents	\$ 39,817	\$ 77,152	\$ 66,382	\$ 3,809	\$ 933,993	\$ 430,000	\$ 1,010,558	\$ 2,442,354	\$ 1,265,950	\$ 6,270,015
Other receivables										
Intergovernmental	-	499,993	-	-	-	-	610,051	-	-	1,110,044
Due from other funds	-	122,727	-	-	-	-	-	58,308	-	181,035
Total Assets	<u>\$ 39,817</u>	<u>\$ 699,872</u>	<u>\$ 66,382</u>	<u>\$ 3,809</u>	<u>\$ 933,993</u>	<u>\$ 430,000</u>	<u>\$ 1,620,609</u>	<u>\$ 2,500,662</u>	<u>\$ 1,265,950</u>	<u>\$ 7,561,094</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities										
Accounts payable	\$ 143,849	\$ 486,189	\$ -	\$ -	\$ -	\$ -	\$ 360,031	\$ 628,006	\$ 66,522	\$ 1,684,597
Due to other funds	721,079	-	13,821	-	-	442,740	-	-	-	1,177,640
Deferred revenues	-	499,993	-	-	-	-	610,051	-	-	1,110,044
Total Liabilities	<u>864,928</u>	<u>986,182</u>	<u>13,821</u>	<u>-</u>	<u>-</u>	<u>442,740</u>	<u>970,082</u>	<u>628,006</u>	<u>66,522</u>	<u>3,972,281</u>
Fund Balances (Deficits)										
Committed	-	-	52,561	3,809	933,993	-	427,602	1,872,656	1,199,428	4,490,049
Assigned	-	-	-	-	-	-	222,925	-	-	222,925
Unassigned	(825,111)	(286,310)	-	-	-	(12,740)	-	-	-	(1,124,161)
Total Fund Balances (Deficits)	<u>(825,111)</u>	<u>(286,310)</u>	<u>52,561</u>	<u>3,809</u>	<u>933,993</u>	<u>(12,740)</u>	<u>650,527</u>	<u>1,872,656</u>	<u>1,199,428</u>	<u>3,588,813</u>
Total Liabilities and										
Fund Balances (Deficits)	<u>\$ 39,817</u>	<u>\$ 699,872</u>	<u>\$ 66,382</u>	<u>\$ 3,809</u>	<u>\$ 933,993</u>	<u>\$ 430,000</u>	<u>\$ 1,620,609</u>	<u>\$ 2,500,662</u>	<u>\$ 1,265,950</u>	<u>\$ 7,561,094</u>

Town of New Canaan, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Capital Projects Funds  
 Year Ended June 30, 2012

	School Energy Efficiency	Bridge Replace- ment	Special Bonding	EMS	NCHS Phase I Renovation	Police Station Renovations	Capital and Nonrecurring	Road Paving	Small Bonded Capital Projects	Total Capital Projects Funds
<b>REVENUES</b>										
Intergovernmental	\$ 320,072	\$ 789,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,109,751
Charges for services	-	-	-	-	-	-	-	58,308	-	58,308
Income from investments	-	-	3,223	-	245	-	3,718	-	-	7,186
Total Revenues	320,072	789,679	3,223	-	245	-	3,718	58,308	-	1,175,245
<b>EXPENDITURES</b>										
Capital outlay	1,612,549	2,215,520	-	-	70,634	-	1,328,399	2,388,310	100,572	7,715,984
Excess (Deficiency) of Revenues Over Expenditures	(1,292,477)	(1,425,841)	3,223	-	(70,389)	-	(1,324,681)	(2,330,002)	(100,572)	(6,540,739)
<b>OTHER FINANCING SOURCES (USES)</b>										
Premium on financing	-	-	6,548	-	-	-	-	-	-	6,548
Proceeds from long term debt	600,000	1,200,000	-	-	-	-	-	4,000,000	1,300,000	7,100,000
Total Other Financing Sources (Uses)	600,000	1,200,000	6,548	-	-	-	-	4,000,000	1,300,000	7,106,548
Net Change in Fund Balances	(692,477)	(225,841)	9,771	-	(70,389)	-	(1,324,681)	1,669,998	1,199,428	565,809
Fund Balances (Deficits) - Beginning of Year	(132,634)	(60,469)	42,790	3,809	1,004,382	(12,740)	1,975,208	202,658	-	3,023,004
Fund Balances (Deficits) - End of Year	\$ (825,111)	\$ (286,310)	\$52,561	\$ 3,809	\$ 933,993	\$ (12,740)	\$ 650,527	\$1,872,656	\$1,199,428	\$3,588,813

## Town of New Canaan, Connecticut

Combining Statement of Net Assets  
Enterprise Funds  
June 30, 2012

	Business-Type Activities-Enterprise Funds			Totals Current Year
	Railroad Fund	Property Rental	Movie Theatre	
<b>ASSETS</b>				
Current Assets				
Cash and equivalents	\$237,167	\$ 8,495	\$175,813	\$421,475
Receivables				
Accounts, net	<u>2,950</u>	<u>-</u>	<u>-</u>	<u>2,950</u>
Total Current Assets	<u>240,117</u>	<u>8,495</u>	<u>175,813</u>	<u>424,425</u>
Noncurrent Assets				
Capital assets				
Land	-	103,030	-	103,030
Buildings and improvements	35,385	160,243	-	195,628
Machinery and equipment	<u>163,859</u>	<u>-</u>	<u>88,778</u>	<u>252,637</u>
	199,244	263,273	88,778	551,295
Less accumulated depreciation	<u>(199,244)</u>	<u>(160,243)</u>	<u>(4,514)</u>	<u>(364,001)</u>
	-	103,030	84,264	187,294
Total Assets	<u>240,117</u>	<u>111,525</u>	<u>260,077</u>	<u>611,719</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	14,156	860	9,158	24,174
Accrued liabilities	-	-	-	-
Intergovernmental payable	51,488	-	-	51,488
Due to other funds	119,698	-	-	119,698
Deferred revenues	-	-	600	600
Current maturities of bonds payable	-	-	-	-
Total Current Liabilities	<u>185,342</u>	<u>860</u>	<u>9,758</u>	<u>195,960</u>
Noncurrent Liabilities				
Bonds payable, less current maturities	-	-	-	-
Total Liabilities	<u>185,342</u>	<u>860</u>	<u>9,758</u>	<u>195,960</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	-	103,030	87,638	190,668
Unrestricted	<u>54,775</u>	<u>7,635</u>	<u>162,681</u>	<u>225,091</u>
Total Net Assets (Deficit)	<u>\$ 54,775</u>	<u>\$110,665</u>	<u>\$250,319</u>	<u>\$415,759</u>

## Town of New Canaan, Connecticut

Combining Statement of Revenues, Expenses and Changes in Net Assets  
 Enterprise Funds  
 Year Ended June 30, 2012

	Business-Type Activities-Enterprise Funds			Totals Current Year
	Railroad Fund	Property Rental	Movie Theatre	
Operating Revenues				
Parking meters and rent	\$ 185,650	\$ 9,600	\$ -	\$ 195,250
Charges for services	<u>-</u>	<u>-</u>	<u>108,373</u>	<u>108,373</u>
Total Operating Revenues	185,650	9,600	108,373	303,623
Operating Expenses				
Costs of services	<u>173,931</u>	<u>10,140</u>	<u>42,880</u>	<u>226,951</u>
Income (Loss) from Operations	11,719	(540)	65,493	76,672
Non-Operating Revenues and Expenses				
Interest income	1,902	236	-	2,138
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Exp	<u>1,902</u>	<u>236</u>	<u>-</u>	<u>2,138</u>
Income (Loss) Before Transfers	13,621	(304)	65,493	78,810
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	13,621	(304)	65,493	78,810
Net Assets (Deficit)				
Beginning of Year	<u>41,154</u>	<u>110,969</u>	<u>184,826</u>	<u>336,949</u>
Net Assets (Deficit) - End of Year	<u>\$ 54,775</u>	<u>\$ 110,665</u>	<u>\$ 250,319</u>	<u>\$ 415,759</u>

See Independent Auditors' Report

## Town of New Canaan, Connecticut

Combining Statement of Cash Flows  
Enterprise Funds  
Year Ended June 30, 2012

	Business-Type Activities-Enterprise Fund			Totals Current Year
	Railroad Fund	Property Rental	Movie Theatre	
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers and users	\$ 185,730	\$ 10,400	\$ 108,373	\$ 304,503
Cash payments to suppliers and employee	<u>(148,602)</u>	<u>(10,230)</u>	<u>(61,879)</u>	<u>(220,711)</u>
Net Cash Provided by Operating Activities	<u>37,128</u>	<u>170</u>	<u>46,494</u>	<u>83,792</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Principal paid on debt	-	-	-	-
Interest paid on deb	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Advances from other funds	111,953	-	-	111,953
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>111,953</u>	<u>-</u>	<u>-</u>	<u>111,953</u>
<b>Cash Flows From Investing Activities:</b>				
Interest income	<u>1,902</u>	<u>236</u>	<u>-</u>	<u>2,138</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,902</u>	<u>236</u>	<u>-</u>	<u>2,138</u>
Net Increase (Decrease) in Cash and Equivalents	150,983	406	46,494	197,883
Cash and Equivalents - Beginning of Yea	<u>86,184</u>	<u>8,089</u>	<u>129,319</u>	<u>223,592</u>
Cash and Equivalents - End of Yea	<u>\$ 237,167</u>	<u>\$ 8,495</u>	<u>\$ 175,813</u>	<u>\$ 421,475</u>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities:</b>				
Income (loss) from operations	\$ 11,719	\$ (540)	\$ 65,493	\$ 76,672
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities				
Depreciation	-	-	3,374	3,374
Changes in operating assets and liabilities				
Accounts receivable	80	800	-	880
Accounts payable	13,072	(90)	(18,553)	(5,571)
Accrued liabilities	-	-	-	-
Intergovernmental payable	12,257	-	-	12,257
Unearned revenues	<u>-</u>	<u>-</u>	<u>(3,820)</u>	<u>(3,820)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 37,128</u>	<u>\$ 170</u>	<u>\$ 46,494</u>	<u>\$ 83,792</u>

See Independent Auditors' Report

## Town of New Canaan, Connecticut

Combining Statement of Net Assets  
 Pension Trust Funds  
 June 30, 2012

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	Defined Benefit Pension Trust Fund	Other Post Employment Benefits Trust Fund	Total Pension Trust Funds
<b>ASSETS</b>			
Cash	\$ -	\$ 4,742	\$ 4,742
Investments, at fair value	106,457,083	5,401,324	111,858,407
Due from other funds	200,700	-	200,700
Accrued interest and dividends	<u>27,321</u>	<u>-</u>	<u>27,321</u>
 Total Assets	 <u>\$ 106,685,104</u>	 <u>\$ 5,406,066</u>	 <u>\$ 112,091,170</u>
 <b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 106,685,104</u>	<u>\$ 5,406,066</u>	<u>\$ 112,091,170</u>

## Town of New Canaan, Connecticut

Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
Year Ended June 30, 2012

	Defined Benefit Pension Trust Fund	Other Post Employment Benefits Trust Fund	Total Pension Trust Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ -	\$ 500,000	\$ 500,000
Plan members	<u>305,236</u>	<u>6,766</u>	<u>312,002</u>
Total Contributions	<u>305,236</u>	<u>506,766</u>	<u>812,002</u>
Investment Income			
Net change in fair value of investments	2,750,033	24,645	2,774,678
Interest and dividends	<u>2,526,411</u>	<u>132,810</u>	<u>2,659,221</u>
Total Investment Income	<u>5,276,444</u>	<u>157,455</u>	<u>5,433,899</u>
Total Additions	5,581,680	664,221	6,245,901
<b>DEDUCTIONS</b>			
Pension benefits	4,637,385	-	4,637,385
Administrative fees	<u>171,898</u>	<u>34,091</u>	<u>205,989</u>
Total Deductions	<u>4,809,283</u>	<u>34,091</u>	<u>4,843,374</u>
Change in Net Assets	772,397	630,130	1,402,527
Net Assets - Beginning of Year	<u>105,912,707</u>	<u>4,775,936</u>	<u>110,688,643</u>
Net Assets - End of Year	<u>\$ 106,685,104</u>	<u>\$ 5,406,066</u>	<u>\$ 112,091,170</u>

See Independent Auditors' Report

## Town of New Canaan, Connecticut

Combining Statement of Net Assets  
 Private Purpose Trust Funds  
 June 30, 2012

	Marcey Scholarship Fund	Various Scholarships Fund	Affordable Housing Trust	Total Private Purpose Trust Funds
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ 86,459	\$ 86,459
Investments, at fair value	795,739	-	-	795,739
Employer contributions receivable	-	-	787	787
Due from other funds	-	17,568	21,625	39,193
	<u>-</u>	<u>17,568</u>	<u>21,625</u>	<u>39,193</u>
 Total Assets	 <u>\$ 795,739</u>	 <u>\$ 17,568</u>	 <u>\$ 108,871</u>	 <u>\$ 922,178</u>
<b>NET ASSETS</b>				
Held in trust	<u>\$ 795,739</u>	<u>\$ 17,568</u>	<u>\$ 108,871</u>	<u>\$ 922,178</u>

## Town of New Canaan, Connecticut

Combining Statement of Changes in Fiduciary Net Assets  
Private Purpose Trust Funds  
Year Ended June 30, 2012

	Marcely Scholarship Fund	Various Scholarships Fund	Affordable Housing Trust	Total Private Purpose Trust Funds
<b>ADDITIONS</b>				
Contributions	\$ -	\$ 20,055	\$ -	\$ 20,055
Fees	<u>-</u>	<u>-</u>	<u>432,920</u>	<u>432,920</u>
Total	<u>-</u>	<u>20,055</u>	<u>432,920</u>	<u>452,975</u>
Investment Income				
Net change in fair value of investments	6,537	-	-	6,537
Interest and dividends	<u>14,214</u>	<u>-</u>	<u>1,095</u>	<u>15,309</u>
Total Investment Income	<u>20,751</u>	<u>-</u>	<u>1,095</u>	<u>21,846</u>
Total Additions	<u>20,751</u>	<u>20,055</u>	<u>434,015</u>	<u>474,821</u>
<b>DEDUCTIONS</b>				
Operating expenses	-	-	400,000	400,000
Scholarships awarded	<u>17,982</u>	<u>13,422</u>	<u>-</u>	<u>31,404</u>
Total Deductions	<u>17,982</u>	<u>13,422</u>	<u>400,000</u>	<u>431,404</u>
Change in Net Assets	2,769	6,633	34,015	43,417
Net Assets - Beginning of Year	<u>792,970</u>	<u>10,935</u>	<u>74,856</u>	<u>878,761</u>
Net Assets - End of Year	<u>\$ 795,739</u>	<u>\$ 17,568</u>	<u>\$ 108,871</u>	<u>\$ 922,178</u>

See Independent Auditors' Report

## Town of New Canaan, Connecticut

Combining Statement of Net Assets  
 Agency Funds  
 Year Ended June 30, 2012

	Balance Beginning	Additions	Deductions	Balance Ending
<b>Student Activity Fund</b>				
<b>Assets</b>				
Cash	\$ 371,298	\$1,223,021	\$(1,268,661)	\$ 325,658
<b>Liabilities</b>				
Amount held as agent	\$ 371,298	\$1,205,453	\$(1,268,661)	\$ 308,090
Due to other funds	-	17,568	-	17,568
<b>Total liabilities</b>	<b>\$ 371,298</b>	<b>\$1,223,021</b>	<b>\$(1,268,661)</b>	<b>\$325,658</b>
<b>Flex Spending Fund</b>				
<b>Assets</b>				
Cash	\$ -	\$ 67,640	\$ -	\$ 67,640
<b>Liabilities</b>				
Amount held as agent	\$ -	\$ 67,640	\$ -	\$ 67,640
<b>Total</b>				
<b>Assets</b>				
Cash	\$ 371,298	\$1,290,661	\$(1,268,661)	\$ 393,298
<b>Liabilities</b>				
Amount held as agent	\$ 371,298	\$1,273,093	\$(1,268,661)	\$ 375,730
Due to other funds	-	17,568	-	17,568
<b>Total Liabilities</b>	<b>\$ 371,298</b>	<b>\$1,290,661</b>	<b>\$(1,268,661)</b>	<b>\$393,298</b>

**Town of New Canaan, Connecticut**

Supplementary Schedules  
June 30, 2012

## Town of New Canaan, Connecticut

Report of the Property Tax Collector  
Year Ended June 30, 2012

Grand List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Net Ending Receivable Balance	
			Additions	Deductions		Taxes	Interest	Liens		Total
2010	\$ -	\$ 113,897,794	\$ 33,270	\$ (119,062)	\$ 113,812,002	\$ 113,298,408	\$ 262,145	\$ 1,172	\$ 113,561,725	\$ 513,594
2009	643,175	-	581	(18,586)	625,170	298,759	76,837	816	376,412	326,411
2008	313,745	-	471	(2,937)	311,279	182,410	90,069	264	272,743	128,869
2007	83,010	-	-	(65)	82,945	15,776	9,968	-	25,744	67,169
2006	45,374	-	-	(206)	45,168	2,163	1,795	-	3,958	43,005
2005	43,225	-	-	(1,329)	41,896	3,143	3,058	-	6,201	38,753
2004	42,717	-	-	(1,015)	41,702	1,493	1,566	-	3,059	40,209
2003	45,873	-	-	(435)	45,438	959	1,253	-	2,212	44,479
2002	55,375	-	-	(513)	54,862	466	715	-	1,181	54,396
2001	51,630	-	-	(345)	51,285	422	715	-	1,137	50,863
2000	86,274	-	209	(209)	86,274	713	1,335	-	2,048	85,561
1999	1,073	-	236	-	1,309	631	981	-	1,612	678
1998	4,857	-	-	-	4,857	1,476	3,409	-	4,885	3,381
1997	155	-	-	-	155	-	-	-	-	155
1996	86	-	-	-	86	5	16	-	21	81
	<u>\$1,416,569</u>	<u>\$ 113,897,794</u>	<u>\$ 34,767</u>	<u>\$ (144,702)</u>	<u>\$ 115,204,428</u>	<u>\$ 113,806,824</u>	<u>\$ 453,862</u>	<u>\$ 2,252</u>	<u>\$ 114,262,938</u>	<u>\$ 1,397,604</u>

## Town of New Canaan, Connecticut

Schedule of Changes in Fund Balance  
Capital Projects Funds  
Year Ended June 30, 2012

	Beginning Fund Balance	Revenues	Current Year Expenditures	Transfers and Close-Outs	Ending Fund Balance
<b>Committed Fund Balance</b>					
Fire - Regional Mobile Data System	\$ 74,400	\$ -	\$ -	\$ -	\$ 74,400
Town Building - Police Department	68,000	-	(366)	-	67,634
Town Building - Waveny Properties	325,216	-	(275,339)	-	49,877
Engineering - Crosswalk at Village and Saxe Schools	25,000	-	-	-	25,000
Nature Center - Renovate Ventilation System	25,000	-	-	-	25,000
Engineering - West Road Culvert	30,000	-	(11,250)	-	18,750
Town Clerk - Vault Reconfiguration	20,000	-	(4,950)	(4,050)	11,000
Town Clerk - Recodification	7,000	-	-	-	7,000
Town Building - Parks Garage - Saxe	10,000	-	(4,500)	-	5,500
Town Building - Fire House	10,900	-	(7,069)	-	3,831
Fields - Lightning Detection System	78,000	-	(74,899)	-	3,101
EP - Renovate PD Basement	6,000	-	(4,444)	-	1,556
Geographic Information Systems	47,504	-	-	(47,504)	-
Old Norwalk Road Bridge Engineering	307,189	-	(113,809)	(193,380)	-
Mariomi Bridge Design	-	-	4,928	(4,928)	-
Nursery Inspection/Engineering	5,000	-	-	(5,000)	-
Ponus Road Bridge A Inspection	5,000	-	-	(5,000)	-
Ponus Road Bridge B Inspection	5,000	-	-	(5,000)	-
Wahackme Inspection	197	-	-	(197)	-
Revaluation of Properties	77,922	-	-	(77,922)	-
Parks - Waveny Tower Fields Parking	332,442	-	-	(332,442)	-
Parks - Farm Road Improvements	8,866	-	-	(8,866)	-
Movie Theatre Property	6,254	-	-	(6,254)	-
Mariomi Bridge Repairs	30,000	-	-	(30,000)	-
Fields - Parking at Irwin	86,668	-	(60,280)	(26,388)	-
P&Z 5-Mile River Riparian Zone Study	8,085	-	-	(8,085)	-
Police - Traffic Counting Unit	4,750	-	(4,617)	(133)	-
Fire - Jaws of Life Replacement	97,000	-	(62,728)	(34,272)	-
EMS - New Ambulance	175,000	-	(175,000)	-	-
EP - Communication Needs Analysis	38,000	-	-	(38,000)	-
Recreation - Lapham Oil Tank Monitor System	7,500	-	(7,456)	(44)	-
Parks - 72" Out Front Rotary Mower	35,000	-	(35,000)	-	-
Fields - HS Track/Field Rebuild Design	75,000	-	(75,360)	360	-
Fields - Mead - Baseball RR Track Fencing	10,000	-	(6,171)	(3,829)	-
Education:					
Interior Door Hardware Replacement II - E,S,W	105,000	-	-	-	105,000
Vacuum System for Science Labs - NCHS	18,500	-	-	-	18,500
Replace Exterior Door Key Pads - Saxe,E,S,W	120,000	-	(108,547)	-	11,453
Playground Resurfacing - E,S,W	295,000	-	(214,513)	(80,487)	-
Balance HVAC System - Saxe	75,000	-	(73,747)	(1,253)	-
Deep Bowl Sinks for Science Labs - NCHS	45,000	-	(13,282)	(31,718)	-
	2,700,393	-	(1,328,399)	(944,392)	427,602
<b>Assigned Fund Balance</b>					
For future capital projects	(725,185)	3,718	-	944,392	222,925
<b>Total Fund Balance</b>	<u>\$ 1,975,208</u>	<u>\$ 3,718</u>	<u>\$ (1,328,399)</u>	<u>\$ -</u>	<u>\$ 650,527</u>

## Town of New Canaan, Connecticut

Schedule of Changes in Fund Balance  
Special Projects Fund  
Year Ended June 30, 2012

Project Number	Project Name	Beginning Fund Balance	Revenues	Current Year Expenditures	Ending Fund Balance
100	Police communication	\$ 2,553	\$ 2	\$ -	\$ 2,555
101	Police defibrillator	439	-	-	439
102	Green links	12,243	8	-	12,251
103	Human services	41,961	15,520	(10,261)	47,220
104	Parks and recreation	38,579	15,443	(21,651)	32,371
105	Waveny house	70,825	3,688	(12,445)	62,068
106	WPA Art	2,956	901	(3,500)	357
108	Police well being	1,030	1,051	(506)	1,575
109	Mather Smith cemetery fund	3,536	2	-	3,538
110	Police Sheinberg Fund	15,134	10,009	(2,147)	22,996
111	Police AG Nason Foundation	741	1	-	742
112	Lamp post project	1	-	(1,387)	(1,386)
113	Police bulletproof vests	1,648	1	-	1,649
114	Police September 11, 2001 victims	923	1	-	924
115	Commission on aging	179	-	-	179
117	Fields baseball/softball	30,332	2	(30,000)	334
118	Police SRT equipment	9,358	21,668	(26,771)	4,255
119	Waveny garden	10,695	2,508	-	13,203
120	Gold star walk	9,088	1,006	-	10,094
121	Family fourth	64,281	48,693	(60,506)	52,468
122	Waveny swim team	2,180	1	-	2,181
123	Human services - triad	380	-	-	380
124	Human services - underage drinking	12,712	8	-	12,720
125	Human services - chores	8,788	6	-	8,794
126	Fire deparment donations	3,541	534	(414)	3,661
127	Police child safety seats	855	1	-	856
128	Tree program - Elm Street	510	-	-	510
129	Waveny lodge	3,692	2	-	3,694
130	Police half moon donation	1,640	501	-	2,141
133	Skate park	374	-	-	374
134	Irwin park trails	66,227	41	(20,191)	46,077
136	New Canaan rink	10,266	7	-	10,273
137	New Canaan rink and field house fund	212	-	-	212
138	Police Silver Hill	34	-	-	34
140	Animal response team	105	-	-	105
141	Police computer crime investigation	3	-	-	3
142	Police family violence	728	-	(230)	498
143	Police traffic safety initiatives	2,017	1	-	2,018
144	Irwin park flexi-pave	18,023	12	-	18,035
145	Irwin planting	80	-	-	80
146	G.M. Filming	37,450	1,021	(16,821)	21,650
147	Irwin park baseball fields	20,640	22	7,050	27,712
148	New Canaan playhouse	1,008	1	-	1,009
149	Tree fund/tree warden	2,147	1,002	-	3,149

(Continued)

## Town of New Canaan, Connecticut

Schedule of Changes in Fund Balance  
 Special Projects Fund  
 Year Ended June 30, 2012

Project Number	Project Name	Beginning Fund Balance	Revenues	Current Year Expenditures	Ending Fund Balance
150	Water tower lights	1	-	-	1
151	Gores pavilion - Irwin property	19,457	4,273	(23,730)	-
152	Mead memorial tennis fund	42,857	308	(43,009)	156
153	CERT team - New Canaan	646	2,736	(1,183)	2,199
154	Police K9 program	72,897	4,122	(8,533)	68,486
156	HS-NC food pantry	89,025	24,984	(33,467)	80,542
193	Waveny main house	-	-	(3,579)	(3,579)
272	HS-Senior health technology	-	12,001	(10,424)	1,577
273	HS-Senior benches	-	20,358	(20,169)	189
274	Connor field	62,006	-	(62,000)	6
275	Waveny fitness trail	-	62,783	(55,720)	7,063
281	NFL flag football	-	1,850	(1,270)	580
288	Purchase fire truck	-	100	-	100
291	Paddle tennis	3,279	6,503	(6,955)	2,827
292	New Canaan fish management	1,295	1,301	(214)	2,382
293	Waveny baseball field - Coppo	-	9,000	(8,800)	200
294	Crissy Seeley cemetery	-	1,750	-	1,750
295	Fields maintenance	86,450	57,786	(33,398)	110,838
296	Fields rebuilding	463	-	-	463
286	Unallocated interest	11,569	3,004	(1,234)	13,339
	Asset Forfeiture	43,875	4,886	(14,109)	34,652
<b>Total Fund Balance</b>		<b>\$ 943,934</b>	<b>\$ 341,409</b>	<b>\$ (527,574)</b>	<b>\$ 757,769</b>

## Town of New Canaan, Connecticut

Schedule of Changes in Unearned Revenue and Fund Balances by Grant  
 Educational Grants Fund  
 Year Ended June 30, 2012

	Beginning (Receivable) Unearned Revenue	Cash Receipts	Expenditures	Encumbrances and Other	Ending (Receivable) Unearned Revenue
<b>Prepayment Grants</b>					
Title I, Improving Basic Programs	\$ -	\$ 88,183	\$ 88,183	\$ -	-
Title II, Part A, Teachers					
Public - current	-	48,703	2,350	-	(46,353)
Public - carryover	244	7,244	7,000	-	-
Nonpublic - current	-	15,221	-	-	(15,221)
Nonpublic - carryover	116	17,998	9,589	-	(8,293)
Title III, Tutors	-	7,326	8,656	5,256	6,586
IDEA, Part B, Section 611					
Current	-	727,087	727,087	-	-
Carryover	-	28,523	28,523	-	-
IDEA, part B, Section 619	-	17,072	6,168	10,904	-
Adult education cooperative	-	26	26	-	-
Education Jobs Fund	-	1,291	1,291	-	-
Immigrant and youth grant	-	12,216	-	-	(12,216)
Perkins Grant	-	23,926	23,926	-	-
Area 9 Cable Council	66	8,077	7,252	-	(759)
	<u>\$ 426</u>	<u>\$ 1,002,893</u>	<u>\$ 910,051</u>	<u>\$ 16,160</u>	<u>\$ (76,256)</u>
Receivables					\$ 6,586
Unearned Revenue					<u>(82,842)</u>
					<u>\$ (76,256)</u>
<b>Other Transactions</b>					
Excess Cost Grant		\$ 699,368	\$ 761,540	\$ -	
Energy Grant		-	46,191	371,558	
Magnet Transportation		1,300	-	-	
Encumbrances		-	-	(10,904)	
Other		-	-	905	
Interest		5,019	-	-	
	<u>\$ 4,493,086</u>	<u>\$ 705,687</u>	<u>\$ 807,731</u>	<u>\$ 361,559</u>	<u>\$ 4,029,483</u>

**Town of New Canaan, Connecticut**

Internal Control and Compliance Reports  
June 30, 2012

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

**The Town Council  
Town of New Canaan, Connecticut**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Canaan, Connecticut ("Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item MW-2012-01 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item MNC-2012-01.

We noted certain other matters that we reported to management of the Town in a separate letter dated April 11, 2013.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
April 11, 2013

**Town of New Canaan, Connecticut**

State Single Audit  
June 30, 2012

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

**Independent Auditor's Report**

**The Town Council  
Town of New Canaan, Connecticut**

**Compliance**

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

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

## **Internal Control over Compliance**

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

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

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

## **Schedule of Expenditures of State Financial Assistance**

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2012, and have issued our report thereon dated April 11, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Town's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Town's compliance but not to provide an opinion on the effectiveness of the Town's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
April 11, 2013

**Town of New Canaan, Connecticut**

Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2012

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b>Connecticut State Library</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ 3,500
<b>Department of Transportation</b>		
Town Aid Roads	12001-DOT57131-17036	166,072
Transit Grants - Bus Operations	12001-DOT57931-12175	14,582
<b>Department of Economic and Community Development</b>		
Small Town Economic Assistance Program (ECD)	12052-ECD46350-42411	75,000
<b>Office of Policy and Management</b>		
Property Tax Relief for Disability Exemption	11000-OPM20600-17011	180
Property Tax Relief for Elderly and Totally Disabled (CB)	11000-OPM20600-17018	28,202
Property Tax Relief for Veterans	11000-OPM20600-17024	1,405
PILOT on State Owned Property	11000-OPM20600-17004	45,602
<b>Office of the Treasurer</b>		
Nitrogen Credit Exchange Program	21016-OTT14230-42407	73,715
<b>Department of Education</b>		
Child Care Services	11000-SDE64220-12520	143,330
Youth Services Bureau Enhancement	11000-SDE64370-16201	6,250
Adult Education	11000-SDE64370-17030	26
Health Services	11000-SDE64370-17034	16,259
Youth Services Bureau	11000-SDE64370-17052	14,411
Magnet Schools	11000-SDE64370-17057	1,300
Total State Financial Assistance before Exempt Programs		<u>589,834</u>
<b>EXEMPT PROGRAMS</b>		
<b>Department of Education</b>		
Education Cost Sharing	11000-SDE64370-17041	1,545,147
Transportation of School Children	11000-SDE64370-17027	321
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	699,368
<b>Department of Public Works</b>		
School Construction - Principal	13010-DPW27610-40901	285,923
School Construction - Interest	13009-DPW27610-40896	32,402
<b>Office of Policy and Management</b>		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	7,065
Municipal Revenue Sharing	12060-OPM20600-35458	119
Municipal Video Competition	12060-OPM20600-35362	49,049
Total exempt programs		<u>2,619,394</u>
Total State Financial Assistance		<u>\$ 3,209,228</u>

See Accountants' Report

## **Town of New Canaan, Connecticut**

Notes to the Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2012

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### **1. Summary of Significant Accounting Policies**

#### **General**

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of New Canaan, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

#### **Basis of Accounting**

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

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

### **2. Loan Programs**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2012:

**Town of New Canaan, Connecticut**

Notes to the Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2012

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**2. Loan Programs (Continued)**

Department of Environmental Protection:

Clean Water Funds 21014-OTT14230-4001:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Retired</u>	<u>Ending Balance</u>
185-D/C	5/31/00	2%	\$ 12,440,686	\$ 5,473,917	\$ (644,609)	\$ 4,829,308
185-P	10/28/94	2%	\$ 185,063	22,480	(10,674)	11,806

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**Town of New Canaan, Connecticut**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

**State Financial Assistance**

Internal control over major programs:

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

Type of report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?        yes   X   no

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

<b>State Grantor and Program</b>	<b>State Core-CT Number</b>	<b>Expenditures</b>
Department of Transportation: Town Aid Road	12001-DOT57131-17036	\$166,072
Department of Education: Child Care Services	11000-SDE64220-12520	\$143,330
Dollar threshold used to distinguish between type A and type B programs:	<u>\$100,000</u>	

## Town of New Canaan, Connecticut

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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### Section II - Financial Statement Findings

#### Material Weaknesses in Internal Control

##### **MW-2012-01 – Timely and Accurate Financial Reporting**

**Criteria** – Financial reporting should be timely and accurate.

**Condition** – The Town did not have timely and accurate financial reporting for the fiscal year.

**Effect** – Management did not have adequate financial reporting to make decisions and comply with budgeting rules and regulations in the Town's charter. The financial reports that were being produced were materially misstated.

**Cause** – The Town changed accounting systems and financial management simultaneously. This uncovered a number of issues in the existing accounting practices.

**Recommendation** – Written financial reporting procedures must be developed for the new system. A checklist of monthly closing procedures should be prepared and deadlines set to assure timely and accurate financial reporting.

**Views of Responsible Officials and Planned Corrective Actions** – The current financial management has balanced the records for the year ended June 30, 2012 and has made substantial changes and improvement for the fiscal year ending June 30, 2013 to assure that these issues will be resolved.

#### Material Noncompliance with Laws and Regulations

##### **MNC-2012-01 – Compliance with Budget Rules and Regulations**

**Criteria** – The Town's Charter makes provisions for additional appropriations and transfers to budgeted expenditures so that the actual expenditures do not exceed the approved budget.

**Condition** – The Town did not have timely and accurate financial reporting for the fiscal year (see material weakness number MW-2012-01). This prevented management from appropriately monitoring the budget.

**Effect** – A number of budgeted expenditures are over expended.

**Cause** – The Town changed accounting systems and financial management simultaneously. Interim internal financial reporting became inadequate.

**Recommendation** – Accurate and timely financial reporting must be reviewed and analyzed to assure that adequate balances are in the budget prior to making new commitments.

**Views of Responsible Officials and Planned Corrective Actions** – The 2012 and 2013 year to date financial reporting was updated and balanced simultaneously. Appropriate budget adjustment will be made for 2013 before the end of the year. By 2014, appropriate budgets will be in place prior to making commitments against them.

**Town of New Canaan, Connecticut**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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**Section III - State Financial Assistance Findings and Questioned Costs**

No findings or questioned cost are reported relating to State financial assistance programs.

**Town of New Canaan, Connecticut**

Federal Single Audit  
June 30, 2012

**Report on Compliance with Requirements that Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133, and on the Schedule of  
Expenditures of Federal Awards**

**Independent Auditors' Report**

**To the Town Council  
Town of New Canaan, Connecticut**

**Compliance**

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

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

## **Internal Control over Compliance**

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

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

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

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2012, and have issued our report thereon dated April 11, 2013 which contained unqualified opinions on these financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Town's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Town's compliance but not to provide an opinion on the effectiveness of the Town's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
April 11, 2013

**Town of New Canaan, Connecticut**

Schedule of Expenditures of Federal Assistance  
 Year Ended June 30, 2012

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Total Federal Program
<b>Department of Education:</b>		
<b>Passed through the State of Connecticut:</b>		
Title I	84.010	88,183
IDEA, Part B, Section 611, Handicapped Career and Technical Education	84.027	755,610
IDEA, Part B, Section 619, Preschool	84.048	23,926
Title II - Part A, Improving Teacher Quality	84.173	6,168
Education Jobs Fund	84.367	18,939
	84.410	<u>1,291</u>
<b>Total Department of Education</b>		<u>894,117</u>
<b>Department of Health and Human Services:</b>		
<b>Passed through the State of Connecticut:</b>		
Public Health Emergency Preparedness	93.069	18,239
Social Services Block Grant	93.667	<u>79,862</u>
		<u>98,101</u>
<b>Department of Transportation:</b>		
<b>Passed through the State of Connecticut:</b>		
Highway Planning and Construction	20.205	819,038
<b>Department of Homeland Security:</b>		
<b>Passed through the State of Connecticut:</b>		
Emergency Management Performance Grant	97.042	<u>588,844</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$ 2,400,100</u></u>

## Town of New Canaan, Connecticut

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

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### 1. Summary Of Significant Accounting Policies

#### General

The accompanying Schedule of Expenditures of Federal Awards presents activity of all federal award programs for the year ended June 30, 2012. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

#### Basis of Accounting

The financial statements for the governmental fund types contained in Town of New Canaan, Connecticut's ("Town") basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**Town of New Canaan, Connecticut**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

Type of report issued on compliance for major programs: Unqualified

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

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA, Part B, Section 611, Handicapped
84.173	IDEA, Part B, Section 619, Preschool
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000  
Auditee qualified as a low risk auditee?        yes   x   no

## Town of New Canaan, Connecticut

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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### Section II - Financial Statement Findings:

#### Material Weaknesses in Internal Control

##### **MW-2012-01 – Timely and Accurate Financial Reporting**

**Criteria** – Financial reporting should be timely and accurate.

**Condition** – The Town did not have timely and accurate financial reporting for the fiscal year.

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**Cause** – The Town changed accounting systems and financial management simultaneously. This uncovered a number of issues in the existing accounting practices.

**Recommendation** – Written financial reporting procedures must be developed for the new system. A checklist of monthly closing procedures should be prepared and deadlines set to assure timely and accurate financial reporting.

**Views of Responsible Officials and Planned Corrective Actions** – The current financial management has balanced the records for the year ended June 30, 2012 and has made substantial changes and improvement for the fiscal year ending June 30, 2013 to assure that these issues will be resolved.

#### Material Noncompliance with Laws and Regulations

##### **MNC-2012-01 – Compliance with Budget Rules and Regulations**

**Criteria** – The Town's Charter makes provisions for additional appropriations and transfers to budgeted expenditures so that the actual expenditures do not exceed the approved budget.

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**Views of Responsible Officials and Planned Corrective Actions** – The 2012 and 2013 year to date financial reporting was updated and balanced simultaneously. Appropriate budget adjustment will be made for 2013 before the end of the year. By 2014, appropriate budgets will be in place prior to making commitments against them.

**Town of New Canaan, Connecticut**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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**Section III - Federal Financial Assistance Findings And Questioned Costs**

No findings or questioned cost are reported relating to Federal financial assistance programs.