



CITY OF TORRINGTON

Addenda #2

ADDENDA #2 HAS BEEN ISSUED REGARDING QUESTIONS SUBMITTED AND ANSWERS FOR THE FORENSIC AUDIT – TAX COLLECTOR.

NOTE: THE BID OPENING DATE IS JANUARY 7, 2014 AT 11:00 AM

RFP #FAC-008-122013, FORENSIC AUDIT – TAX COLLECTOR

Bid opening: **December 20, 2013** Time: **11:00 AM** Location: **City Hall, 140 Main Street, Room 206, Torrington**

MUST SUBMIT SIGNED ADDENDUM WITH SUBMITTED BID.

The City of Torrington reserves the right to accept or reject any or all bids or any portion thereof, to waive technicalities, and to award the contract as will best serve the public interest.

Dated in Torrington: December 26, 2013 Purchasing Agent _____
Pennie Zucco

Bid Submitted By: _____

Name of Company _____ Signature _____

Date _____ Title _____

QUESTIONS AND ANSWERS 12/26/13:

1) Q. There are many references to the term “review and report” in the RFP, specifically on p11. Please define what your expectations are around the terms “review and report” so that we ensure we may meet your expectations. Are we to report on whether or not amounts appear to be appropriately stated or if the processes for each bulled point referenced are operating effectively or both? Also, what is the magnitude of the various transactions in terms of quantity and dollar amount on which we are to “review and report” (e.g., commissions, interest, outstanding taxes, sewer assessments). Section II. A (Page 11)

A. Firm should review and report on both items. The Magnitude is unknown at this time

2) Q. On p11 there is reference to a “detailed review of the books and records of the Tax Collector’s Office”. How and where are those records stored? Are there some records that are stored electronically and/or manually? Is there anything we should be aware of in terms of requirements/needs to access and review those and/or other records as required by this engagement? Section II. A (Page 11)

A. This information is unknown at this time, but is maintained by the Tax Collector’s Office. The City is not in possession or control of these materials

3) Q. What computer system does the City of Torrington use to store the various information addressed in the RFP? In what formats can data be extracted from the system (.txt, .csv, etc.)? No reference

A. Quality Data Services, Inc. Tax Collection Module is maintained by the Tax Collector’s Office. The Formats are CSV to Excel format.

4) Q. Are there any yellow book continuing professional Education requirements of which we need to be aware? No reference

A. Vendors are to follow the Yellow Book Standards

5) Q. What are your expectations around credentials of the staff and management conducting the review? Specifically, pages 10, 16, and 17 references CPA credentials. Must all staff performing the work possess a valid CPA license? Must all of those licenses be issued by the State of Connecticut? Or would it be acceptable for the licenses to be issued by other State Boards of

Accountancy? Section I. A (Page 10) Section V. B (Page 16)

A. The staff and management of the awarded firm must be licensed and certified to practice in the State of Ct and also competent to testify as to their findings (See page 16, section 3 & 4)

6) Q. What is the expectation of the City of Torrington in terms of travel requirements for the professionals performing the services? Are all services to be performed on-site or may a portion of the work be performed remotely to reduce travel expenses? No reference

A. A portion of the work may be performed remotely off sight depending on circumstances

7) Q. Does a firm need to have a certified examiner lead the project? We are a firm with a tax practice, a forensic practice, and an internal control practice. It is our experience that tax professionals may not have the necessary experience to run a forensic audit. No reference

A. Yes, the firm will need to have a certified examiner leading the project

8) Q. What is the specific contract with the City of Torrington referred to in the RFP on p. 10? Section I. A (Page 10)

A. The Tax Collector Contract is attached for review

9) Q. A request for the professional services firm to express an opinion is referenced on page 13 of the RFP. What is the expectation of the City of Torrington in terms of criteria for expressing an opinion? Is the City of Torrington seeking a financial statement audit opinion (i.e. unqualified/qualified etc.) in accordance with AICPA standards? Or an internal audit/process audit opinion in accordance with standards promulgated by the Institute of Internal Auditors? Both? Section III. C (Page 13)

A. The requirement for the Forensic Audit will be both

10) Q. When was the last financial statement audit of the Tax Collector's Office ("TCO") and the City of Torrington? What was the opinion of each of those audits? Can a copy of each of those audits be provided? What opinions have been issued on the internal controls over financial reporting? No reference

A. This information is limited to the M1's that are filed. Attached is the Audit for review

11) Q. The draft auditor report is to be provided within three months of appointment, which is scheduled for January 21, 2014. A final report is to be delivered no later than June 30, 2014. Is additional work to be performed between the submission of the draft report and the final report? Section III. C (Page 13)

A. This will be determined between the awarded firm and the City of Torrington

12) Q. Page 11 – First bullet – what is meant by “mapping of cash flow”

A. Mapping of cash flow means where does the money come from and where does it go

13) Q. Page 11 – 4th bullet – what types of commission are owed and payable to the tax collector

A. The commission received by the Tax Collector is listed in the contract, .00125. The TC is also entitled to statutory interest on delinquent accounts, and may charge appropriate processing fees. The City does not know the actual amounts, therefore is one reason for the audit.

14) Q. What is the estimated or average number of accounts for property taxes (all 4 types)?

A. Estimated average number of accounts – 60,999

15) Q. What is the estimated number of sewer assessment accounts?

A. Estimated sewer assessment accounts - 11,854

16) Q. Page 12 – last bullet. Does the tax collector have a full general ledger for the operations of the Tax Office?

A. The City is not aware if the Tax Collector keeps a general ledger.

17) Q. Page 18. Items 7. Does this section apply since the services are different than an audit?

A. This is applicable

18) Q. What are the average number of tax payers from 2006 – 2013 (through November)?

a. If this information is not available, would an estimate of maximum or minimum number be available for any particular year?

A. Estimated average number of accounts – 60,999

19) Q. Approximately how many tax filings (of all types, such as individual, business, trust, etc) are filed each year for 2006 – 2013 (through November)?

a. This could be an average or estimated minimum and maximum numbers are not available.

A. The City does not have records of the Tax Collector’s individual business, etc. tax returns

20) Q. What type of access would we have to the information? Does the Tax Collectors Office have a central database, and would we be permitted to run queries and search on this data for our testing?

A. The Tax Collector Office maintains the central data base for tax collections services and must provide access to this data base. Awarded contractor will be required to contact the Tax Collectors Office in advance to set-up appointment to review these records.

TAX COLLECTOR CONTRACT

THIS AGREEMENT, entered into this 16th day of, June 2011, by and between the City of Torrington, a municipal corporation located in the County of Litchfield and State of Connecticut, acting herein by the Honorable Ryan J. Bingham, its Mayor, hereunto duly authorized by the Board of Councilmen and the Board of Finance of the City of Torrington, hereinafter referred to as "City", and Robert Thomas Crovo hereinafter referred to as "Robert Crovo Tax Collector."

WITNESSETH

WHEREAS, the City, pursuant to Title XIV of the "Charter of the City of Torrington Including All Revisions through January 13, 1994", has solicited bids for the position of Tax Collector, and

WHEREAS, Robert Thomas Crovo has submitted satisfactory evidence that it has sufficient financial experience and responsibilities to be able to carry out the duties of Tax Collector, and

WHEREAS, in a joint session of the City of Torrington Board of Councilmen and its Board of Finance on March 9, 2011, Robert Thomas Crovo was appointed to the position of Tax Collector.

NOW THEREFORE, in view of the foregoing and in consideration of the mutual promises herein set forth, the parties agree as follows:

1. SCOPE OF WORK

1.1 The City hereby appoints Robert Crovo to the position of Tax Collector and he shall enjoy all the powers commensurate with such appointment and shall perform all the duties of the office as detailed in Title XIV - Tax Collector of the "Charter of the City of Torrington, Including All Revisions to January 13, 1994", attached hereto and made a part hereof. Further, he shall also enjoy all the powers and perform all the duties and responsibilities of a municipal tax collector as stated in the Connecticut General Statutes Chapters 204 and 205 for the collection of real estate, personal property, sewer, motor vehicle and supplemental taxes, to assess interest in conformity with said Sections and other such duties subject to more specific provisions herein.

1.2. ROBERT CROVO TAX COLLECTOR shall also enjoy all the powers and shall perform all the duties imposed as detailed in Sections 170-7 and 170-9 of the Torrington Code and Connecticut General Statutes Section 7-258 which concerns the manner of collection of sewer user fees.

1.3 In the event of an enactment of any statute, regulation or ordinance that imposes any additional duties upon municipal tax collectors, the parties agree that such additional duties will not be the responsibility of ROBERT CROVO TAX COLLECTOR until such time as a negotiated amendment to this contract is agreed upon by the parties.

1.4 ROBERT CROVO TAX COLLECTOR shall make daily deposits equal to prior days receipt of taxes and sewer user fees to the City Treasurer for each installment of total taxes due (July and January) and total sewer user fees due (July and January) until settlement date of each installment (on or before the first Monday in November and May), and no less than once per week reconcile its receivables with the City's Finance Department.

1.5 All prepayments shall be deposited in a separate account to be established by ROBERT CROVO TAX COLLECTOR. All interest on said account shall be the property of the ROBERT CROVO TAX COLLECTOR. Prepayments shall be defined as all receipts of taxes and sewer use fees paid to ROBERT CROVO TAX COLLECTOR prior to the due date of said taxes and sewer user fees. All prepayments shall be due on or before July 1st and January 1st. ROBERT CROVO TAX COLLECTOR shall be entitled to the interest earned on said monies at the then prevailing rate of interest earned on

the City's investment account until the first Monday in September and March. ROBERT CROVO TAX COLLECTOR shall make said payments to the City in increments of at least \$300,000.00 when received prior to July 1st and January 1st of each year.

1.6 The City agrees that it shall not extend the deadline for filing applications for refunds of excess payments under C.G.S. § 12-129, thereby leaving the deadline for any application to refund payments allegedly made in excess of the principal, legal interest, penalties or fees at three (3) years from the date such tax was due. ROBERT CROVO TAX COLLECTOR shall publish on its website a list of all excess payments potentially due a refund for a grand year list three (3) months prior to the deadline for filing an application for refund.

1.7 ROBERT CROVO TAX COLLECTOR shall utilize rental space provided at the Municipal Building, 140 Main Street, Torrington, Connecticut to provide face to face customer service.

1.8 It is specifically understood, however, based on the unique tax collection system utilized by the City of Torrington as outlined in this agreement, that certain of the requirements of the general statutes relating to tax collector duties are already fully discharged by compliance with the terms of this agreement. For example, it is not contemplated that ROBERT CROVO TAX COLLECTOR, under C.G.S. §§ 12-128 and 12-129, would refer applications for refunds of excess tax payments or erroneously collected taxes to any municipal authority. Rather, such refunds would be made directly without notation in the rate book and without the need for an annual report to the City. Likewise, C.G.S. § 12-166's requirement that taxes, when collected, shall be paid to the City is served by compliance with the payment schedule and requirements below. Further, upon the expiration of the term of this agreement, while ROBERT CROVO TAX COLLECTOR will deliver to his immediate successor the uncollected rate bills as contemplated by C.G.S. § 12-135, ROBERT CROVO TAX COLLECTOR shall retain all tax collector powers so as to permit him to continue to collect those unpaid bills which are due to him.

2. TAX COLLECTOR'S RESPONSIBILITIES

2.1 ROBERT CROVO TAX COLLECTOR shall be responsible for all costs associated with the printing and mailing of tax bills and sewer user charges including, but not limited to, the printing and mailing costs of housing and building supplement packages, personal property supplement taxes, and motor vehicle supplement taxes. Tax bills must include the Tax Collector's Office address, phone number, and website and instructions for payment of tax bills and other tax payment inquiries. The foregoing notwithstanding, in the event the City requires ROBERT CROVO TAX COLLECTOR to print or mail tax bills or sewer user charge bills other than the one-time standard July 1st billing and the January 1st supplement bills due to a change in the City's mill rate or assessment established at the date of the July 1st billing in any fiscal year, the City shall reimburse ROBERT CROVO TAX COLLECTOR for such additional printing and/or mailing costs, specifically including, but not limited to, ROBERT CROVO TAX COLLECTOR'S actual costs of printing and/or purchasing new tax forms and envelopes, postage and computer reprogramming costs, if any.

2.2 Information Technology

2.2.1 ROBERT CROVO TAX COLLECTOR shall use the software program in use by the City. All office staff must receive training on how to use the software. The City shall maintain the software and cover the cost of software upgrades, ROBERT CROVO TAX COLLECTOR must maintain adequate hardware to run the software. The Tax Collector's computers must allow for real time interface with the Assessor's Office and the Finance Department. The parties agree that this real time interface discharges ROBERT CROVO TAX COLLECTOR's responsibilities under C.G.S. §§ 12-139, 12-147, 12-149, 12-165, 12-167. Both parties agree that C.G.S. §12-151 is inapplicable to the methods established by this agreement.

The City is solely responsible for the maintenance of its computer server and other

equipment/hardware together with any programs/software to which ROBERT CROVO TAX COLLECTOR's hardware and software is connected. The City is aware that the proper maintenance of its hardware and software is essential to the ability of ROBERT CROVO TAX COLECTOR to properly, promptly and efficiently discharge its functions and duties. Therefore, the City agrees that it shall properly maintain such hardware/equipment and any such software and agrees that it shall upgrade, replace and maintain the same in a condition which ensures the peak performance of all the connected hardware/software of ROBERT CROVO TAX COLLECTOR. Specifically excluding the Quality Data Services software, incidental software upgrades to that system and any service contract related to that system all of which shall be provided by the City at its own cost and expense, ROBERT CROVO TAX COLLECTOR is solely responsible for the maintenance of his computer system and other equipment/hardware together with any programs/software to which his hardware and software is connected. Therefore, the ROBERT CROVO TAX COLLECTOR agrees that it shall properly maintain such hardware/equipment and any such software and agrees that it shall upgrade, replace and maintain the same in a condition which ensures the peak performance of all the connected hardware/software of the City.

2.2.2 ROBERT CROVO TAX COLLECTOR shall create and maintain a user friendly website to be linked to the City's website, generally explaining tax collection deadlines, consequences for failure to timely pay taxes due, its policies and procedures and other relevant tax collection information. ROBERT CROVO TAX COLLECTOR shall also be able to accept online payments via credit card, subject to the ability of ROBERT CROVO TAX COLLECTOR's ability to recover all fees or charges associated with such credit cards as enumerated hereafter.

2.2.3 The City shall provide at least four (4) incoming phone lines for voice only transmissions and voice mail, and ROBERT CROVO TAX COLLECTOR shall operate a phone system capable of handling all four incoming lines.

2.3 Bonds

2.3.1 Pursuant to the provision of Section 12-136 of the Connecticut General Statutes, ROBERT CROVO TAX COLLECTOR shall give a surety bond to run for the term of his office for the faithful discharge of his duties in the amount of Three Hundred Thousand (\$300,000.00) dollars in a form approved by the State Tax Commissioner. A copy of this bond shall be provided annually to the City.

2.3.2. In addition, ROBERT CROVO TAX COLLECTOR agrees to procure a credit line from a company of good standing acceptable to the City in the amount of Seven Million Dollars (\$7,000,000.00) written for the sole purpose of backing the funding of Robert Thomas Crovo, Tax Collector LLC. This credit line must be maintained throughout the term of office and must be presented to City every six months. Said letter shall be appended to this Agreement.

2.4 Customer Service

2.4.1 ROBERT CROVO TAX COLLECTOR shall conduct all official interaction with the public in a professional and courteous manner and shall provide its office staff with a professional customer service training annually. In future years, this training may be conducted in conjunction with the City's Customer Service Training at no cost to ROBERT CROVO TAX COLLECTOR.

2.4.2 ROBERT CROVO TAX COLLECTOR shall in accordance with Section 12-141a of the Connecticut General Statutes accept payment via MasterCard and VISA credit card services. Fees for establishing and maintaining a credit card payment service shall be paid by the Tax Collector. Any and all actual fees for credit card charges shall be paid by the taxpayer. ROBERT CROVO TAX COLLECTOR shall give notice of these fees/charges and a detail of the fees/charges prior to the final submission of payment which notification shall be accomplished by (1) signage in the Tax Collector's office indicating that additional fees/charges will apply to credit card payments and indicating the amounts of such fees/charges and (2) through notice of the same on the tax collector's website. In the

event, however, that any federal or state law should preclude ROBERT CROVO TAX COLLECTOR from the collection or pass through of any such charges or fees, then this contractual requirement (of accepting credit card payments) shall immediately terminate.

2.4.3 The tax collector's office shall be open and available to the public during the same hours that City Hall provides service to the public. Office hours may be changed as needed for one-time or otherwise specific purposes, (i.e. in-house training) with the approval of the Mayor's office. Such approval will not unreasonably be withheld, and the tax collector's office shall make advanced notice of such change in hours to the public by postings throughout City Hall at its own expense.

2.5 Meetings

ROBERT CROVO TAX COLLECTOR shall from time to time be called upon for meetings and as minimum will meet as needed with the Mayor or Corporation Counsel, monthly with the Assessor and the Deputy Assessor at least annually with the Board of Finance. Prior to noticing any tax sale ROBERT CROVO TAX COLLECTOR shall notify the Mayor's office of the intent to conduct such tax sale.

2.6 Exclusions

2.6.1 In the event the City abates the amount of any tax due the City for hardship under the provisions of C.G.S. 12-124; abates any tax due the City for any other reason provided for in the General Statutes; such as volunteer firefighters or the amount of any property tax due the City is discharged in bankruptcy, ROBERT CROVO TAX COLLECTOR shall not be responsible to the City for the payment of any such abated or discharged tax.

2.6.2 ROBERT CROVO TAX COLLECTOR shall enjoy the right to bid on and purchase real estate which is being sold at a tax sale being held pursuant to C.G.S. §12-157. In the event he is the successful bidder, the City agrees that he shall not be responsible to pay the taxes due the City on any properties he so acquires for a period of 18 months (inclusive of the redemption period). Property he acquires at such tax sale which he retains for more than 18 months (inclusive of the redemption period) shall be subject to taxation. Further, the parties agree that ROBERT CROVO TAX COLLECTOR enjoys the same rights and privileges as the "municipality" as used in C.G.S. §§ 12-157, 12-161, 12-161a and 12-163a.

2.6.3 The City shall not take any action resulting in a waiver of any interest, penalties or fees due as a result of unpaid taxes, unless the City pays such waived interest, penalties and fees to ROBERT CROVO TAX COLLECTOR. Compliance with C.G.S. §§ 12-146a and 12-146b shall be at the discretion of the City upon notice from ROBERT CROVO TAX COLLECTOR that a taxpayer is delinquent more than one year. ROBERT CROVO TAX COLLECTOR is permitted to notify delinquent taxpayers of the terms of these statutes and the risks to the taxpayer from nonpayment.

2.6.4 ROBERT CROVO TAX COLLECTOR shall enjoy the right to jeopardy collection of taxes pursuant to Section 12-163 of the Connecticut Statutes and to collection proceedings pursuant to Sections 12-161a and 12-162. ROBERT CROVO TAX COLLECTOR agrees that when he determines that time is not of the essence he will use his best efforts to provide the City three days notice of his intention to proceed with jeopardy collection of taxes or a bank execution exceeding \$5000.00. The City shall not use this notice to inform the taxpayer and shall retain this notification in strict confidence. Any such notice shall not be subject to Freedom of Information requests and if it is determined that such notices are subject to this law, then this provision shall be deemed null and void.

3. FACILITIES

3.1 The City hereby grants to ROBERT CROVO TAX COLLECTOR for the term of his office, adequate floor space in the Municipal Building at 140 Main Street in the City of Torrington, County of Litchfield

and State of Connecticut, or such other suitable office space, to discharge his duties. The City shall also provide eight (8) parking spaces which may be situated in the adjacent municipal parking lot.

3.2 ROBERT CROVO TAX COLLECTOR shall have all rights to means of ingress into and egress out of said premises together with the improvements, fixtures, equipment and facilities located on said premises.

3.3 The City shall paint, at its sole expense, the office space at least once during the term of said appointment and shall further provide, during the term of said appointment, heat, electricity, janitorial services, toilet facilities and one (1) reserved parking for ROBERT CROVO TAX COLLECTOR in the identical location to the current parking space.

3.5 ROBERT CROVO TAX COLLECTOR shall pay rent for said office space in the following manner: Three Hundred-Fifty Dollars (\$350.00) per month for the term of the contract.

4 POLICIES

ROBERT CROVO TAX COLLECTOR shall prepare a pamphlet of its policies of its process for executions, jeopardy tax and tax sales. These pamphlets will be accessible to the public by posting at the tax collector's office and by posting on the Tax Collector's website.

5. DOCUMENTATION

5.1 ROBERT CROVO TAX COLLECTOR shall supply the City's Treasurer's office with copies of any tapes, books or records on a monthly basis showing the prepayments received and deposited in said account.

5.2 The City, its agents, servants and employees reserve the right to inspect and audit any tapes, books or other records of ROBERT CROVO TAX COLLECTOR upon reasonable notice and at reasonable times. ROBERT CROVO TAX COLLECTOR shall supply the City's Treasurer's office with copies of any tapes, books or records on a daily basis showing a reconciliation between the daily deposits received and paid to the City.

5.3 ROBERT CROVO TAX COLLECTOR shall prepare and disclose to the City a list of job descriptions for its staff responsibilities and the qualifications necessary for such positions.

5.4 Once each year, ROBERT CROVO TAX COLLECTOR shall deliver a copy (in an electronic format) of the Tax Rate Book to the City's Treasurer.

6. EVALUATION

ROBERT CROVO TAX COLLECTOR shall complete a contract review form as appended hereto as Exhibit A and submit it to the Board of Finance in May and November. Additionally, the ROBERT CROVO TAX COLLECTOR and the Board of Finance shall meet annually in the month of May to review and discuss with ROBERT CROVO TAX COLLECTOR his performance as well as his delivery of customer service.

7 BASIS AND METHOD OF CONTRACT PAYMENT

Upon verification of the Treasurer's Office of taxes collected and deposited, the commission payable to ROBERT CROVO TAX COLLECTOR for the initial term of this contract from May 2011 to May 2015 shall be the percentage rate of 0.00125 on the total amount of taxes and sewer user fees collected. The payment schedule shall be as follows:

- a. Collected through July 31-Commission Payment on August 2nd

- b. Collected through October 31-Commission Payment on the 2nd Tuesday in November
- c. Collected through January 31-Commission Payment on February 2nd
- d. Collected through April 30-Commission Payment on the 2nd Tuesday in May

In consideration of the nonexistence of suspense accounts for the City of Torrington, the parties agree to the following:

a. That the City Assessors shall immediately compile and provide to the tax collector's office a listing of all personal property accounts where the annual declaration of personal property was not completed by the taxpayer pursuant to C.G.S. §12-41. This listing shall be provided no later than two weeks after the City Assessor's deadline for return of such declarations. Further, for all personal property accounts, the City Assessor's office shall provide ample notification to the tax collector's office of any and all dates and times wherein members of the assessor's office plan to conduct walks, sweeps, reviews or inspections related to such personal property accounts. For any such walks, sweeps, reviews or inspections, a member of the tax collector's staff will be permitted to accompany the assessor's staff and independently verify the information collected relating to the personal property assessment of properties. Last, upon request from the Tax Collector's office, the City Assessor's office shall provide the Tax Collector's office a written document specifying the Assessor's complete basis for any assessment of a particular personal property account.

b. That ROBERT CROVO TAX COLLECTOR shall have the right to challenge any personal property tax assessment as if he were the taxpayer. This right shall permit him to assert such challenges at any time during the term of this contract and for one year thereafter. Such challenges can be asserted regarding any personal property tax assessed at any time so long as the tax associated with such assessment has been paid by ROBERT CROVO TAX COLLECTOR. The parties further agree that any challenges to any such assessment shall be heard by a member of the board of assessment review from a municipality other than Torrington. The parties shall agree upon this individual and the costs of this person's work as hearing officer shall be equally shared by the City and ROBERT CROVO TAX COLLECTOR. At such hearing, in cases where the City Assessor's office provided the Tax Collector's office a written basis for the personal property assessment, the City Assessor's office may only rely on the written reasons provided to the Tax Collector's office in defending the assessment. The rulings of this hearing officer shall be binding on both sides and shall not be subject to appeal. In the event that the hearing officer determines that the assessment shall be reduced or vacated, ROBERT CROVO TAX COLLECTOR shall be entitled to a credit from the City for the taxes paid on that account for all the years the hearing officer determines that the assessment is reduced or vacated

c. Policies and procedures relevant to implementation and execution of the above sections 7(a) and 7(b) will be established within 30 days of execution of this contract.

8 LIENS

During the duration of this Contract as defined herein, ROBERT CROVO TAX COLLECTOR shall not, without the express written consent of the Board of Finance, sell or transfer any liens, property taxes, and/or sewer user fees to a third party.

9 ASSIGNMENT

ROBERT CROVO TAX COLLECTOR shall have the right to assign or delegate his duties and responsibilities under this agreement with the prior written consent of the City, which consent shall not be unreasonably withheld. Nothing in this paragraph shall be construed to relieve ROBERT CROVO TAX COLLECTOR of his duties and obligations under this Agreement.

10 DURATION

The City's appointment of ROBERT CROVO TAX COLLECTOR to act as the Tax Collector for the City of Torrington is for a period of approximately four (4) years, commencing on June _____, 2011 and terminating on May 31, 2015. The terms of this agreement apply only to the "duration" as thus defined herein.

In the event that Robert Crovo becomes unable to discharge the duties under this contract by virtue of death, illness or disability, it is agreed that the powers and duties of ROBERT CROVO TAX COLLECTOR under the terms of this agreement shall be immediately assumed by Jonathon Crovo of Trumbull Connecticut whom shall be appointed by the City as acting tax collector under the provisions of C.G.S. § 12-137 for the duration of this agreement. Such appointment shall not be considered an "assignment" of the contract under paragraph 9 herein.

11 TERMINATION

Upon completion of this contract and any successor contract, ROBERT CROVO TAX COLLECTOR shall supply to Torrington all his records on computer disk and hard copy regarding delinquent and past due sewer use charges, personal, motor vehicle and real property taxes, including the identity and location of the tax payer, the amount of past due or delinquent taxes/charges and any interest. ROBERT CROVO TAX COLLECTOR shall also supply to Torrington all subsequent records regarding payments and amounts still outstanding on a monthly basis until all such amounts are paid in full and any liens have been released. For so long as there are any taxes, interest, penalties or fees due ROBERT CROVO TAX COLLECTOR, the City shall ensure that any appointments of successor tax collectors includes a provision in the City's agreement with such successor(s) stating that such successor tax collector, "shall cooperate with ROBERT CROVO TAX COLLECTOR, its agents or assigns, as to the collection of any taxes, interest, penalties or fees due ROBERT CROVO TAX COLLECTOR, its agent or assigns, and shall promptly forward any and all payments due ROBERT CROVO TAX COLLECTOR, its agents and assigns, in accordance with Section 12-144b of the Connecticut Statutes upon receipt and shall communicate any and all relevant information regarding the taxpayers or properties where such amounts are still due ROBERT CROVO TAX COLLECTOR". It is further understood that ROBERT CROVO TAX COLLECTOR, its agents and/or assigns, shall be considered a third party beneficiary to such contract between the City and such successor tax collectors.

12. INSURANCE PROVISIONS

12.1 The Contractor shall provide the City, at its own expense, certificates of insurance for the below outlined coverage and limits. Each certificate shall require that notice be given to the City not less than thirty days prior to the cancellation or material change in the policy.

Liability Insurance shall be in the type and amounts shown below:

General Liability	\$2,000,000
Excess Liability Umbrella Form	\$5,000,000/\$5,000,000
Worker's Compensation and Employer's Liability	\$500,000/\$100,000
Professional Liability	\$1,000,000

12.2 Certificate of Insurance: All insurance policies must include a Waiver of Subrogation whereby the insured waives its right to subrogate against the City, its subsidiaries, employees, volunteers, directors and officers. Proof of proper insurance coverage, Workers Compensation Insurance, Liability and Property damage, and Vehicle Insurance shall be filed with the City of Torrington Purchasing Agent within 10 days after the award of the bid. The Certificate of Insurance must name the City of Torrington, 140 Main St., Torrington, CT, its subsidiaries, employees, volunteers, directors & officers as the "Additional Insured" and filed with the Purchasing Agent prior to commencement of work.

Renewal Certificates of Insurance must be mailed to the Purchasing Agent 10 days prior to the expiration of the required coverage.

13. BREACH OF CONTRACT

If the City contends that ROBERT CROVO TAX COLLECTOR is failing to perform this Contract in accordance with its terms, the CITY shall notify ROBERT CROVO TAX COLECTOR of such contention by a writing, sent by certified mail, delineating the claimed breach(es). ROBERT CROVO TAX COLLECTOR shall thereafter have the right to cure such breach(es) within twenty-one (21) days of such written notification. In the event that the City contends that ROBERT CROVO TAX COLLECTOR failed to cure such breach(es) within said twenty-one (21) days, the City shall have the right, in addition to all other remedies it may have, to declare the ROBERT CROVO TAX COLLECTOR in breach of contract, and to resubmit the contract for further bid.

In the event the City declares such a breach, ROBERT CROVO TAX COLLECTOR retains the right, along with any and all other rights to which he is entitled to by law, to thereafter claim damages against the City resulting from the wrongful early termination of his contract. In such a claim, ROBERT CROVO TAX COLLECTOR may prove wrongful early termination by demonstrating to a court of competent jurisdiction (by a preponderance of the evidence) either (1) that the City's original delineation of its claim(s) of breach(es) was in error or (2) by demonstrating that the delineated breaches were cured within the 21 day grace period.

In the event ROBERT CROVO TAX COLLECTOR claims the City is failing to perform this agreement according to its terms, the he shall notify the City of such claimed breach(es) in writing by certified mail. The City shall have twenty-one (21) days with which to cure such claimed breach(es). In the event the City fails to cure said breach(es) within such grace period, then ROBERT CROVOTAX COLLECTOR, in addition to all other remedies he may have, may declare the City in breach of the agreement and request the City immediately appoint a successor tax collector.

In the event either party declares such a breach of contract, the provisions in paragraph 10 and 11 of this agreement regarding "duration" and "termination" shall survive the early termination of this agreement. In such a circumstance, the end date of the "duration" of this contract shall become the date of the City appoints a successor tax collector.

14. GENERAL REQUIREMENTS AND CONDITIONS

14.1 Hold Harmless Agreement

The Contractor shall indemnify and hold harmless the City and their agents and employees from and against all claims, damages, losses, and expenses, including attorney's fees of counsel selected by the City, arising out of or resulting from the performance of the terms of this agreement , provided that any such claim, damage, loss or expense is caused in whole or in part by any negligent act or omission of ROBERT CROVO TAX COLLECTOR or anyone directly or indirectly employed by ROBERT CROVO TAX COLLECTOR.

14.2 Affirmative Action Policy

The City of Torrington is an equal opportunity employer, and requires an affirmative action policy for all of its Contractors and Vendors as a condition of doing business with the City, as per Federal Order 11246. ROBERT CROVO TAX COLLECTOR agrees to this condition of doing business with the City and should the City choose to audit ROBERT CROVO TAX COLLECTOR's compliance, he agrees to cooperate fully.

14.3 If ROBERT CROVO TAX COLLECTOR is convicted of any criminal wrongdoing punishable as a felony, the City reserves the right to immediately terminate this Contract without further obligation.

15 CONTRACT DOCUMENTS

This written agreement embodies the whole agreement between the parties and there are no inducements, promises, terms, conditions or obligations made or entered into by either the City or ROBERT CROVO TAX COLLECTOR contained herein.

16. SEVERABILITY

All covenants and agreements herein are severable and in the event that any of them shall be held to be invalid by any competent court, this contract shall be interpreted as if such invalid agreements or covenants were not contained herein.

18. AUDIT

TAX COLLECTOR shall submit to an audit of its operations and shall produce documents necessary for the completion of the audit as requested. ROBERT CROVO TAX COLLECTOR, however, shall not be responsible for the production of any documents already provided to the City or such matters which are available through the City's computer system based on the interface with the tax collector's system. The audit shall be performed by qualified auditors of the City's choosing and shall not occur more than once each contract year. The audit shall be paid by the city.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals this 16th day of June 2011.

Signed, sealed and delivered
In the presence of:

CITY OF TORRINGTON

Maureen M. Wall
[Signature]
[Signature]
[Signature]

BY: [Signature]
RYAN J. BINGHAM, Its Mayor
BY: [Signature]
R. THOMAS CROVO

STATE OF CONNECTICUT }
 }SS TORRINGTON
COUNTY OF LITCHFIELD }

On this the 16th day of June, 2011 before me, Ernestine Yuille Weaver, the undersigned officer, personally appeared RYAN J. BINGHAM who acknowledged himself to be the Mayor of the City of Torrington, a municipal corporation, and that he as such officer, being duly authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer.

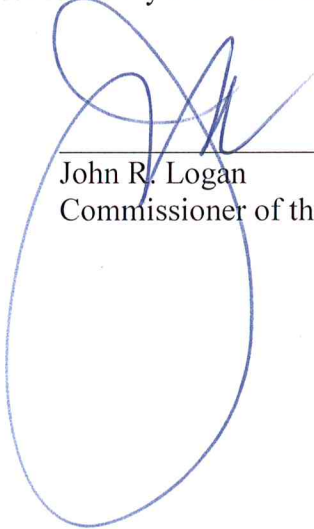
IN WITNESS WHEREOF, I hereunto set my hand and official seal

[Signature]
Ernestine Yuille Weaver
Commissioner of the Superior Court

STATE OF CONNECTICUT }
 } SS TORRINGTON
COUNTY OF LITCHFIELD }

On this the 16th day of June, 2011 before me, John R. Logan, the undersigned officer, personally appeared R. THOMAS CROVO, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and who acknowledged that he executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



John R. Logan
Commissioner of the Superior Court

EXHIBIT A

OUTLINE OF TAX COLLECTOR REVIEW

Review every 6 months on or about November 15 and May 15.

1. All money due City paid by 1st Monday of November or 1st Monday of May as per contract (Nov and May).
2. Money paid to City within 24 hours of deposit July 2-Nov 1 and Jan 2-May 1 as per contract (Nov and May).
 - a. Documentation, including copy of deposit slip and computer printout showing source of monies received (Nov and May).
3. Copy of proper bonds (Nov and May).
4. Submission of letter of credit for \$7,000,000 line. (Nov and May)
5. Real Estate and Sewer. Percent collected for a stated time frame of collection.(May only)
6. Motor Vehicle. Percent collected for a stated time frame of collection.(May only)
7. Personal Property. Percent collected for a stated time frame of collection. (May only)
8. List of Real Estate properties with back taxes of 5 years or greater (May only).



March 23, 2011

Dr. Robert T. Crovo
R. Thomas Crovo Tax Collector, LLC
140 Main Street, Room 204
Torrington, CT 06790

Dear Dr. Crovo

We (hereinafter "Union Savings Bank") hereby advise you (hereinafter "Borrower") that based on the information, statements, and representations furnished to us, we have approved your loan request (the "Loan") subject to the terms and conditions stated herein hereto and made a part hereof:

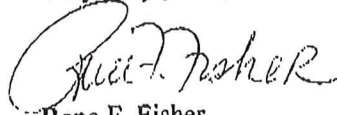
1. **Borrower:** R. Thomas Crovo Tax Collector, LLC
2. **Amount:** \$7,000,000.00 (Seven Million Dollars & 00/100)
3. **Purpose:** Re-affirm previous approval of a \$2MM increase to existing Revolving Line of Credit for general working capital purposes in connection with the performance of its obligations under the Borrower and the City of Torrington.
4. **Interest Rate:** Union Savings Bank Base Rate minus 0.50% (one-half percent). No Floor.
5. **Collateral**
 - The loan will be secured by a valid priority lien on all assets of the Borrower by way of a Security Agreement and related UCC-1 filing.
 - The Bank will obtain a Collateral Assignment of Contract with the City of Torrington for Tax Collector Services titled the "Tax Collector Agreement".
 - An Assignment of Life Insurance on Robert T. Crovo in the amount of \$1,000,000.00
6. **Guarantor:** Robert Thomas Crovo
7. **Term of Loan:** Payable on demand with annual review

- 8. **Monthly Payment:** Interest only monthly with principal payable on demand
- 9. **Expenses:** All expenses associated with closing this loan will be paid by the Borrower.
- 10. **Origination Fee:** Non Applicable
- 11. **Prepayment Penalty:** Non Applicable
- 12. **Advances:**
 - At the Bank's sole discretion to the Borrower's checking account with Union Savings Bank; via fax or emailing the completed form (see Exhibit A attached) signed by an authorized person per Borrowing Resolution.
 - Advances will be subject to an amount equal to the lesser of (i) the sum of \$7,000,000.00 (Seven Million dollars & 00/100) or (ii) an amount determined by the "Borrowing Base".
- 13. **Borrowing Base Certificates**
 - Month end Borrowing Base Certificates will be provided to Union Savings Bank on the 15th of the following month (see Exhibit B attached).
 - Borrowing Base Certificates shall include report indicating name, address and property location for any tax payer that is in arrears \$100,000.00 (one-hundred thousand dollars & 00/100) or more.
 - Borrowing Base Certificates shall be pursuant to the Borrowing Base Formula to be further outlined in the Business Loan Agreement.
- 12. **Financial Reporting Requirements:**
 - Annual financial Statement and tax return for Borrower and Guarantor will be provided to the bank.
- 14. **Other Conditions:**
 - The Borrower must provide acknowledgment and consent from the City of Torrington for the collateral assignment of the Contract.

This commitment shall not become effective unless the enclosed copy hereof, bearing your written acceptance, is received by the bank within ten (10) days from the date of this letter. Closing must take place within sixty (60) days from the date you accept this commitment.

THE TERMS AND CONDITIONS OF THIS COMMITMENT, TOGETHER WITH THE GENERAL CONDITIONS, SHALL SURVIVE THE LOAN CLOSING.

Very truly yours,

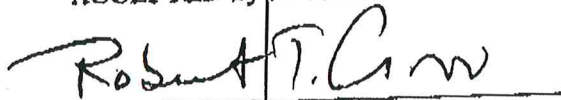


Rene F. Fisher
Vice President
Commercial Loan Officer

RFF/cdb

Enclosures

ACCEPTED by R. Thomas Crovo Tax Collector, LLC



Robert T. Crovo

Date 3/26, 2011

Guarantor:



Robert T. Crovo

Date 3/26, 2011

CITY OF TORRINGTON, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2012

CITY OF TORRINGTON, CONNECTICUT

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Accounting | Tax | Business Consulting

Independent Auditors' Report

Members of the City Council
City of Torrington, 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 City of Torrington, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the City of Torrington, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Torrington, Connecticut'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 City of Torrington, Connecticut's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Torrington, Connecticut, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2012 on our consideration of the City of Torrington, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the budgetary comparison information on pages 46 through 50 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Torrington, Connecticut's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

December 24, 2012

CITY OF TORRINGTON, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

This discussion and analysis of the City of Torrington, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX. All amounts are expressed in thousands unless otherwise noted.

Financial Highlights

- The City's total net assets decreased by \$669 during fiscal year 2011/2012. Business type assets increased by \$2,055 (32%) and governmental assets decreased by \$2,724 (4%). Both the City and WPCA net assets were affected by the conversion of the FOG facility from a Construction in Progress asset to a WPCA asset.
- The City's tax collections increased by \$718 while grant and other revenues increased by \$260.
- The General Fund had a budgetary surplus of \$1 million. Tight controls on spending enabled the City to continue providing services to the taxpayers at a less than anticipated cost.
- No portion of fund balance was appropriated to fiscal year 2011/2012.
- The unassigned balance of the General Fund at year end was \$4.4 million or 3.75% of expenditures.
- City Hall Renovation project costs to date are \$14,173. There remains a capital project authorization of \$810 for the City Hall Renovation project.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

In the statement of net assets and the statement of activities, we divide the City into two types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, health and welfare, parks, recreation and libraries, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the City Council establishes many other funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State and Federal Governments for education). The City's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits III and IV)* - Most of the City'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 City'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 City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, 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 City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self-Insurance Internal Service Fund.
- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

Supplementary Information - The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 51 through 62 of this report.

Government-Wide Financial Analysis - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$80,005 at the close of the most recent fiscal year. Of this, the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net Assets - The City's combined net assets decreased in fiscal year 2011/2012 by \$669 (.8%) to \$80,005. (See Table 1)

TABLE 1
NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 32,382	\$ 33,020	\$ 1,842	\$ 1,390	\$ 34,224	\$ 34,410
Capital assets, net of accumulated depreciation	<u>113,048</u>	<u>116,431</u>	<u>9,140</u>	<u>8,211</u>	<u>122,188</u>	<u>124,642</u>
Total assets	<u>145,430</u>	<u>149,451</u>	<u>10,982</u>	<u>9,601</u>	<u>156,412</u>	<u>159,052</u>
Long-term debt outstanding	63,874	64,480	1,780	2,704	65,654	67,184
Other liabilities	<u>9,986</u>	<u>10,676</u>	<u>767</u>	<u>518</u>	<u>10,753</u>	<u>11,194</u>
Total liabilities	<u>73,860</u>	<u>75,156</u>	<u>2,547</u>	<u>3,222</u>	<u>76,407</u>	<u>78,378</u>
Net Assets:						
Invested in capital assets, net of debt	79,429	79,502	7,143	5,258	86,572	84,760
Restricted	5	5			5	5
Unrestricted	<u>(7,864)</u>	<u>(5,212)</u>	<u>1,292</u>	<u>1,121</u>	<u>(6,572)</u>	<u>(4,091)</u>
Total Net Assets	<u>\$ 71,570</u>	<u>\$ 74,295</u>	<u>\$ 8,435</u>	<u>\$ 6,379</u>	<u>\$ 80,005</u>	<u>\$ 80,674</u>

Total net assets of the City's governmental activities decreased \$2,725 (3.67%) to \$71,570. Current assets and other assets decreased by \$4,021 (2.69%) from fiscal year 2010/2011. The largest portion of that reduction was due to changes in capital assets. Capital assets net of depreciation decreased by \$3,383. This was the net result of depreciation, Dispatch, New Harwinton Pump Station and FOG Projects, as well as the purchase of Public Works and Public Safety major apparatus.

Reduced long term debt and the conversion of the FOG Project from Construction in Progress to a WPCA capital asset resulted in a \$2,056 (32%) increase to the net assets of the Water Pollution Control Authority.

Unrestricted Net Assets - the portion of net assets that can be used to finance day to day operations for government activities is (\$7,864). This amount is a deficit because certain long term liabilities are funded when they come due rather than when they are incurred (sick, vacation, OPEB). While total business-type activity net assets increased by \$2,056 (32%), the unrestricted portion of net assets increased by \$171 to \$1,292 (15%).

The City's total revenue increased by .75% to \$131,947. (See Table 2) Approximately 61% of the City's revenues came from property taxes and sewer user fees. Additionally, 5.4% of the revenue was generated by additional fees charged for services. The balance is the result of State and Federal grants and other miscellaneous revenue sources. The cost of all services decreased slightly (\$715 - .5 %) from fiscal year 2011 to fiscal year 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services:						
General government	\$ 4,081	\$ 3,944	\$	\$	\$ 4,081	\$ 3,944
Public safety	941	968			941	968
Public works	223	368			223	368
Public health and social services	498	408			498	408
Recreation	233	155			233	155
Education	826	914			826	914
Sewer			3,950	3,958	3,950	3,958
Operating grants and contributions	40,244	39,701			40,244	39,701
Capital grants and contributions	841	1,811	1,397		2,238	1,811
General revenues:						
Property taxes	76,367	75,649			76,367	75,649
Grants and contributions not restricted to specific purposes	2,225	1,994			2,225	1,994
Unrestricted investment earnings	56	85		5	56	90
Miscellaneous	65	16			65	16
Transfers		993			-	993
Total revenues	<u>126,600</u>	<u>127,006</u>	<u>5,347</u>	<u>3,963</u>	<u>131,947</u>	<u>130,969</u>
Program expenses:						
General government	9,388	8,955			9,388	8,955
Public safety	25,774	25,676			25,774	25,676
Public works	11,712	11,754			11,712	11,754
Public health and social services	4,830	4,297			4,830	4,297
Recreation	538	569			538	569
Education	75,143	76,423			75,143	76,423
Debt interest and costs	1,939	1,098			1,939	1,098
Sewer			3,291	3,565	3,291	3,565
Transfers				993	-	993
Total program expenses and transfers	<u>129,324</u>	<u>128,772</u>	<u>3,291</u>	<u>4,558</u>	<u>132,615</u>	<u>133,330</u>
Increase (Decrease) in Net Assets	\$ <u>(2,724)</u>	\$ <u>(1,766)</u>	\$ <u>2,056</u>	\$ <u>(595)</u>	\$ <u>(668)</u>	\$ <u>(2,361)</u>

Governmental Activities: There was a modest increase in the 2010 Grand list of .86% which contributed to a \$718 increase in property tax revenues to \$76,367 and a level mill rate of 32.50. There was an appropriation of \$1,700 from the health insurance fund included in the 2011/2012 budget but no appropriation was made from General Fund Balance.

Grant funds and Contributions of \$42,469 were expended for public safety, public works, educational and miscellaneous operating costs and capital projects.

**TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General government	\$ 9,388	\$ 8,955	\$ 4,031	\$ 4,010
Public safety	25,774	25,676	24,460	22,866
Public works	11,712	11,754	10,463	9,542
Education	75,143	76,423	38,188	40,682
All others	7,307	5,964	4,204	3,403
Totals	<u>\$ 129,324</u>	<u>\$ 128,772</u>	<u>\$ 81,346</u>	<u>\$ 80,503</u>

Although the total cost of governmental services increased by \$552 (.43%) to \$129 million in 2011/2012, the net cost of services increased by \$843 (1.05%) to \$81,346. The increased net cost was mainly due to reduced grant funding for public safety. (See Table 3)

Business Type Activities: Revenues of the City’s WPCA business-type activities remained level at \$4 million. Expenses decreased to \$3.3 million.

Sewer user fees remained unchanged for fiscal year 2011/2012. The residential rate was \$194.00/unit. The commercial rate was \$194.00 per 65,000 gallons of volume of flow.

Financial Analysis of the Government’s Funds

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

Governmental Funds - The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, uncommitted fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$12,477, an increase of \$1,541 over the previous year. The largest portion of the increase was to the General Fund. A total of \$4,317 constitutes unassigned fund balance which is available for spending at the government’s discretion. The \$8,160 remainder of fund balance is classified as either non-spendable, restricted, committed or assigned (see page 26 of financial statements for clarification) to indicate that it is not available for new spending because it has already been committed to liquidate contracts, purchase orders or other obligations.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,361, while total fund balance was \$5,202. Unassigned fund balance represents 3.75% of total General Fund expenditures, while total fund balance represents 4.47% of that same amount.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. WPCA activity which is recorded in the proprietary fund portion of the financial statements has already been addressed in the business-type activities.

The activity of the Internal Service Funds (self insured health insurance and equipment maintenance chargeback fund) is also contained in the proprietary fund financial statements. Net assets of the internal service funds decreased by \$54 (1.4%) to \$3,881.

General Fund Budgetary Highlights

- Less than budgeted revenues from charges for services due to poor economy
- State funding for education was less than budgeted
- \$3 million STP and LOCIP Project Balances - Both Revenues and Expenses (projects removed from General Fund and will be accounted for in separate funds for fiscal year 2011/2012)
- \$0 fund balance appropriation
- Continued funding for capital projects and purchase reserves
- Substantial surplus in overtime and sand/salt due to mild winter
- Unspent balance of \$127 remaining in contingency
- Unexpended budget balances in various departments

Capital Assets and Debt Administration

Capital Assets - The City's capital assets for its governmental and business type-activities as of June 30, 2012 amount to \$122,188 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net decrease of \$2,454 in the City's capital assets includes depreciation, acquisition and disposal activity for the current year. (See Table 4)

The net decrease was due to the following:

- Depreciation
- Public Works Equipment Purchases
- Public Safety Equipment Purchases
- Dispatch Project
- New Harwinton Pump Station

TABLE 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,797	\$ 3,797	\$	\$	\$ 3,797	\$ 3,797
Land improvements	1,369	699	160	165	1,529	864
Buildings	65,787	65,353	584	606	66,371	65,959
Furniture and equipment	7,447	6,629	2,490	2,758	9,937	9,387
Infrastructure	19,971	21,540	5,906	4,682	25,877	26,222
Construction in progress	14,677	18,413			14,677	18,413
Total	\$ 113,048	\$ 116,431	\$ 9,140	\$ 8,211	\$ 122,188	\$ 124,642

Debt - At the end of the current fiscal year, the City had bonded debt outstanding of \$32,920 and Clean Water Notes outstanding of \$2,312. (See Table 5) These liabilities are backed by the full faith and credit of the City. In addition to this debt, the City also had outstanding liabilities at June 30, 2012 totaling \$30,832 for compensated absences, capital leases, retirement obligations, net pension obligation, landfill closure and other post employment benefit costs.

City's Outstanding Bond and Clean Water Fund Debt:

Long-Term Debt

TABLE 5
OUTSTANDING DEBT, AT YEAR-END
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 32,595	\$ 35,441	\$ 325	\$ 834	\$ 32,920	\$ 36,275
Clean Water Fund Loans	640	995	1,672	2,119	2,312	3,114
Total	\$ 33,235	\$ 36,436	\$ 1,997	\$ 2,953	\$ 35,232	\$ 39,389

No bonded debt was issued in 2011/2012.

The City's governmental and business type total bonded debt decreased by \$3,355 (9.25%) during the current fiscal year.

In May of 2012, the City was issued an "Aa3" rating from Moody's Investors Services for general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City at 10% is higher than the State average of 8.9%
- Population growth: Torrington 0%, State of CT .8%
- Job Growth: Torrington -.5%, State of CT -.3%

All of these factors were considered in preparing the City's budget for the 2012/2013 fiscal year.

The fiscal year 2012/2013 mill rate of 33.47 is .97 mills above that of fiscal year 2011/2012.

There was no designation of fund balance applied to the 2012/2013 budget.

The total budget for fiscal year 2012/2013 is \$116,344.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller, 140 Main Street, Torrington, CT 06790.

CITY OF TORRINGTON, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 22,411,968	\$ 1,811,679	\$ 24,223,647
Receivables, net	8,470,054	29,475	8,499,529
Inventory	30,116		30,116
Due from fiduciary	1,344,620		1,344,620
Prepaid assets	125,000		125,000
Capital assets not being depreciated	18,473,749		18,473,749
Capital assets being depreciated, net	94,574,306	9,140,394	103,714,700
Total assets	<u>145,429,813</u>	<u>10,981,548</u>	<u>156,411,361</u>
Liabilities:			
Accounts and other payables	9,346,728	356,190	9,702,918
Unearned revenue	639,125		639,125
Noncurrent liabilities:			
Due within one year	5,460,937	745,044	6,205,981
Due in more than one year	58,412,759	1,445,481	59,858,240
Total liabilities	<u>73,859,549</u>	<u>2,546,715</u>	<u>76,406,264</u>
Net Assets:			
Invested in capital assets, net of related debt	79,429,233	7,143,237	86,572,470
Restricted for:			
Trust purposes:			
Nonexpendable	4,843		4,843
Unrestricted	(7,863,812)	1,291,596	(6,572,216)
Total Net Assets	<u>\$ 71,570,264</u>	<u>\$ 8,434,833</u>	<u>\$ 80,005,097</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE 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
Governmental activities:							
General government	\$ 9,387,982	\$ 4,081,034	\$ 853,306	\$ 422,500	\$ (4,031,142)		\$ (4,031,142)
Public safety	25,774,147	940,770	254,430	118,559	(24,460,388)		(24,460,388)
Public works	11,711,878	223,022	726,482	299,634	(10,462,740)		(10,462,740)
Public health and social services	4,830,433	497,660	1,647,993		(2,684,780)		(2,684,780)
Recreation	537,516	233,192			(304,324)		(304,324)
Board of Education	75,143,072	826,248	36,128,677		(38,188,147)		(38,188,147)
Debt interest and costs	1,939,054		633,795		(1,305,259)		(1,305,259)
Total governmental activities	129,324,082	6,801,926	40,244,683	840,693	(81,436,780)	-	(81,436,780)
Business-type activities:							
Sewer	3,291,404	3,949,678		1,397,141		2,055,415	2,055,415
Total	\$ 132,615,486	\$ 10,751,604	\$ 40,244,683	\$ 2,237,834	(81,436,780)	2,055,415	(79,381,365)
General revenues:							
Property taxes					76,366,984		76,366,984
Grants and contributions not restricted to specific programs					2,224,974		2,224,974
Unrestricted investment earnings					55,810	367	56,177
Miscellaneous					64,601		64,601
Total general revenues					78,712,369	367	78,712,736
Change in net assets					(2,724,411)	2,055,782	(668,629)
Net Assets at Beginning of Year					74,294,675	6,379,051	80,673,726
Net Assets at End of Year					\$ 71,570,264	\$ 8,434,833	\$ 80,005,097

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>City Hall Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 9,754,752	\$	\$ 7,613,789	\$ 17,368,541
Receivables, net	7,036,384		1,400,668	8,437,052
Due from other funds	1,530,542			1,530,542
Inventories			30,116	30,116
Total Assets	<u>\$ 18,321,678</u>	<u>\$ -</u>	<u>\$ 9,044,573</u>	<u>\$ 27,366,251</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and claims payable	\$ 6,897,605	\$ 3,522	\$ 996,744	\$ 7,897,871
Deferred revenue	6,222,309		729,204	6,951,513
Due to other funds		40,270		40,270
Total liabilities	<u>13,119,914</u>	<u>43,792</u>	<u>1,725,948</u>	<u>14,889,654</u>
Fund balances:				
Nonspendable			30,116	30,116
Restricted			2,659,080	2,659,080
Committed	343,629		4,629,429	4,973,058
Assigned	497,431			497,431
Unassigned	4,360,704	(43,792)		4,316,912
Total fund balances	<u>5,201,764</u>	<u>(43,792)</u>	<u>7,318,625</u>	<u>12,476,597</u>
Total Liabilities and Fund Balances	<u>\$ 18,321,678</u>	<u>\$ -</u>	<u>\$ 9,044,573</u>	<u>\$ 27,366,251</u>

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2012

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

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

Fund balances - total governmental funds	\$ 12,476,597
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	\$ 209,738,605
Less accumulated depreciation	<u>(96,690,550)</u>
Net capital assets	113,048,055
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:	
School building grant receivable	6,222,309
Sewer receivable	90,079
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.	
	3,881,368
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(32,595,000)
Interest payable on bonds	(274,448)
Clean Water fund loans	(639,734)
Early retirement settlements	(6,789,177)
Net pension obligation	(549,963)
Net OPEB obligation	(18,340,400)
Landfill closure and postclosure	(468,000)
Compensated absences	(4,107,334)
Capital lease obligation	<u>(384,088)</u>
Net Assets of Governmental Activities (Exhibit I)	<u>\$ 71,570,264</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>City Hall Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 76,366,984	\$	\$	\$ 76,366,984
Sewer line fees			42,040	42,040
Intergovernmental	36,025,609		7,358,540	43,384,149
Charges for services	4,892,578			4,892,578
Investment income	49,759		980	50,739
Program income			1,438,588	1,438,588
Other revenues	157,934	422,500	1,258,625	1,839,059
Total revenues	<u>117,492,864</u>	<u>422,500</u>	<u>10,098,773</u>	<u>128,014,137</u>
Expenditures:				
Current:				
General government	3,885,861		989,522	4,875,383
Public safety	14,740,757		279,129	15,019,886
Public works	7,386,531		839,361	8,225,892
Public health and social services	2,682,268		2,088,392	4,770,660
Pension and miscellaneous	12,344,063			12,344,063
Recreation	337,100		169,874	506,974
Education	69,524,879		4,981,597	74,506,476
Other	146,928			146,928
Capital outlay		269,687	2,272,856	2,542,543
Debt service	5,234,089			5,234,089
Total expenditures	<u>116,282,476</u>	<u>269,687</u>	<u>11,620,731</u>	<u>128,172,894</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,210,388</u>	<u>152,813</u>	<u>(1,521,958)</u>	<u>(158,757)</u>
Other Financing Sources (Uses):				
Transfers in	1,700,000		1,293,748	2,993,748
Transfers out	(1,293,748)			(1,293,748)
Total other financing sources	<u>406,252</u>	<u>-</u>	<u>1,293,748</u>	<u>1,700,000</u>
Net Change in Fund Balances	1,616,640	152,813	(228,210)	1,541,243
Fund Balances at Beginning of Year	<u>3,585,124</u>	<u>(196,605)</u>	<u>7,546,835</u>	<u>10,935,354</u>
Fund Balances at End of Year	<u>\$ 5,201,764</u>	<u>\$ (43,792)</u>	<u>\$ 7,318,625</u>	<u>\$ 12,476,597</u>

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 1,541,243
---	--------------

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

Capital outlay	3,280,307
Depreciation expense	(5,247,434)

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

Change in net assets differs from the change in fund balance by the cost of the assets sold	(18,285)
Change in net assets differs from the change in fund balance by the amount transferred to business-type activities	(1,397,141)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Sewer receivable - accrual basis change	(2,349)
School building grants	(1,417,188)

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

Bond principal payments	2,846,000
Clean Water fund loan payments	355,622
Capital lease payments	108,609

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(168,778)
Net OPEB obligation	(4,318,300)
Net pension obligation	88,389
Landfill closure and postclosure	36,000
Early retirement settlements	1,658,303
Accrued interest	(15,196)

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

(54,213)

Change in Net Assets of Governmental Activities (Exhibit II)

\$ <u>(2,724,411)</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Business-Type Activities</u> <u>WPCA Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:		
Cash and cash equivalents	\$ 1,811,679	\$ 5,043,427
Receivables, net	29,475	33,002
Prepaid expenses		125,000
Capital assets, net of accumulated depreciation	9,140,394	
Total assets	<u>10,981,548</u>	<u>5,201,429</u>
Liabilities:		
Current liabilities:		
Accounts and other payables	356,190	1,174,409
Due to other funds		145,652
Notes payable	410,153	
Bonds payable	325,000	
Compensated absences	9,891	
Total current liabilities	<u>1,101,234</u>	<u>1,320,061</u>
Noncurrent liabilities:		
Bonds and notes payable	1,262,004	
Compensated absences	183,477	
Total noncurrent liabilities	<u>1,445,481</u>	<u>-</u>
Total liabilities	<u>2,546,715</u>	<u>1,320,061</u>
Net Assets:		
Invested in capital assets, net of related debt	7,143,237	
Unrestricted	1,291,596	3,881,368
Total Net Assets	<u>\$ 8,434,833</u>	<u>\$ 3,881,368</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities</u> WPCA <u>Enterprise Fund</u>	<u>Governmental Activities</u> Internal <u>Service Funds</u>
Operating Revenues:		
Charges for services	\$ 3,447,404	\$ 18,026,884
Other	502,274	3,591
Total operating revenues	<u>3,949,678</u>	<u>18,030,475</u>
Operating Expenses:		
Payroll and employee benefits	1,266,828	458,523
Professional services	9,049	
Repairs and maintenance	58,230	214,723
Materials and supplies	117,019	23,435
Utilities	408,400	575,823
Other operating expense	648,814	2,961
Insurance and program services	87,063	15,114,294
Administrative expense	99,993	
Depreciation	521,794	
Total operating expenses	<u>3,217,190</u>	<u>16,389,759</u>
Operating Income	732,488	1,640,716
Nonoperating revenue (expense):		
Interest expense	(74,214)	
Capital Contributions	1,397,141	
Income on investments	367	5,071
Income before Transfers	2,055,782	1,645,787
Transfers Out		<u>(1,700,000)</u>
Change in Net Assets	2,055,782	(54,213)
Net Assets at Beginning of Year	<u>6,379,051</u>	<u>3,935,581</u>
Net Assets at End of Year	<u>\$ 8,434,833</u>	<u>\$ 3,881,368</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>WPCA</u>	<u>Internal</u>
	<u>Enterprise Fund</u>	<u>Service Funds</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 3,447,404	\$ 18,024,792
Cash payments to employees for services	(1,353,891)	
Cash payments to supplies for goods and services	(1,060,995)	
Cash received from other sources	493,578	
Cash payments for insurance claims and premiums		(16,672,026)
Net cash provided by operating activities	<u>1,526,096</u>	<u>1,352,766</u>
Cash Flows from Noncapital Financing Activities:		
Transfers out	<u>-</u>	<u>(1,700,000)</u>
Cash Flows from Capital Financing Activities:		
Acquisitions of capital assets	(53,929)	
Principal payments	(955,695)	
Interest paid	(74,214)	
Net cash used in capital financing activities	<u>(1,083,838)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest received on investments	<u>367</u>	<u>5,071</u>
Net Increase (Decrease) in Cash and Cash Equivalents	442,625	(342,163)
Cash and Cash Equivalents at Beginning of Year	<u>1,369,054</u>	<u>5,385,590</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,811,679</u>	<u>\$ 5,043,427</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 732,488	\$ 1,640,716
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	521,794	
(Increase) decrease in accounts receivable	(8,696)	(5,683)
(Increase) decrease in prepaid expenses		(125,000)
Decrease in due to other funds		32,135
Increase (decrease) in accounts payable	<u>280,510</u>	<u>(189,402)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,526,096</u>	<u>\$ 1,352,766</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 352,138	\$ 652,937
Investments:		
Bond funds	14,320	
Mutual funds - fixed income	26,599,246	
Mutual funds - equities	43,059,304	
Receivables:		
Other	<u>145,788</u>	
Total assets	<u>70,170,796</u>	<u>\$ 652,937</u>
Liabilities:		
Accounts and other payables	12,875	\$ 652,937
Due to other funds	<u>1,344,620</u>	
Total liabilities	<u>1,357,495</u>	<u>\$ 652,937</u>
Net Assets:		
Held in Trust for Pension Benefits	<u>\$ 68,813,301</u>	

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

FIDUCIARY FUNDS - PENSION TRUST FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

Additions:	
Contributions:	
Employer	\$ 4,769,615
Employee	1,129,597
Total contributions	<u>5,899,212</u>
Investment income:	
Interest and dividends	2,190,322
Net depreciation in fair value of investments	<u>(2,033,914)</u>
Net investment income	<u>156,408</u>
Total additions	<u>6,055,620</u>
Deductions:	
Benefits payments and withdrawals	5,985,741
Administration	<u>61,694</u>
Total deductions	<u>6,047,435</u>
Net Increase	8,185
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>68,805,116</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 68,813,301</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City was incorporated as a City in 1740 and chartered as a City in 1923. The City covers an area of 40 square miles and is located in Litchfield County. The City is governed under the provision of its charter and the Connecticut General Statutes. The City operates under a Mayor and a City Council that consists of six members.

The City provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The City Hall Renovation fund is used to account for the renovation of the City Hall on Main Street.

The City reports the following major proprietary fund:

The Water Pollution Control Authority (WPCA) fund is used to account for activities that are funded by charging rates designed to cover the operations of the WPCA, including related capital assets.

Additionally, the City reports the following fund types:

The Internal Service Funds account for employee health insurance as well as maintenance provided to departments of the City and Board of Education.

The Pension Trust Funds account for the activities of the Public Employees' Retirement System, which accumulates resources for pension benefit payments to qualified City employees and Board of Education custodians.

Agency Funds account for monies held as a custodian for outside groups and agencies.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and of the City's internal service funds, are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

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

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

Investments for the City are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of an allowance for uncollectibles.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are billed and due July 1 and motor vehicle supplement taxes are billed and due January 1. Certificates of continuing lien are filed against the real estate represented by delinquent real estate taxes within the year in which the tax is due. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Building and building improvements	25-50
Infrastructure	10-65
Machinery and equipment	5-20
Licensed vehicles	8

Property, plant and equipment owned by the City’s proprietary funds (WPCA) are recorded at acquisition cost, or if contributed property, at fair market value at the time of contribution.

Depreciation has been calculated on each class of depreciable property using the straight-line method, over the estimated useful lives ranging from 5 to 50 years.

H. Compensated Absences

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies but does not vest until the employee reaches retirement age. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for the remainder of the vacation and sick leave including an estimate of the non-vested portion, expected to be paid in the future from governmental funds, is accounted for within the liabilities section of the government-wide financial statements. The vesting method using historical data used to calculate the liability.

Vested sick leave and accumulated vacation leave of the City's proprietary fund is recorded as an expense and liability within the fund, as the benefits accrue to employees.

I. Long-Term Obligations

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

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

J. Fund Equity

Equity in the government-wide financial statements is defined as "net assets" and is classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City currently has no assets under restriction.

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (City Council).

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

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

General budget policies are as follows:

The City adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. On or before February 15 of each year, every department, board or commission of the City shall furnish to the City Council an estimate of the amount of money required for its business for the ensuing year. On or before March 20 of each year, the Board of Finance reviews the budgets submitted by the City Council. The Board of Education shall submit its proposed budget to the Board of Finance on or before the 15th day of April.

The Board of Finance/City Council held public hearings on the budget in May to obtain taxpayer comments. In mid-May, a joint meeting of the City Council and Board of Finance is held to make final recommendations on the budget. Prior to June 1, the Board of Finance votes final approval of the proposed budget and adopts the budget ordinance.

- Upon request by the City Council, the Board of Finance may authorize the transfer of any unencumbered appropriation from one department to another during the year. The Board of Finance may approve additional appropriations up to \$100,000. Additional appropriations of over \$100,000 must be approved by voter referendum whenever there is no offsetting revenue source to the appropriation so that it falls below this threshold. Additional appropriations totaled \$315,948 for the year ended June 30, 2012, none of which required a referendum.
- Formal budgetary integration is employed as a management control device during the year.
- The Board of Education, which is not a separate legal entity but a function of the City, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval.

B. Deficit Fund Equity and Accumulated Deficits

The City Hall Renovations Fund had an accumulated deficit at June 30, 2012 of \$43,972. The fund balance deficit will be funded with permanent financing of ongoing projects.

The Maintenance Fund had a net asset deficit of \$166,261 as of June 30, 2012, which will be funded by future General Fund contributions.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposit will not be returned. The City does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$20,936,040 of the City’s bank balance of \$21,943,131 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 18,782,380
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name	<u>2,153,660</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 20,936,040</u>

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2012, the City's cash equivalents amounted to \$4,987,232. All cash equivalents are invested in Bank of America Money Market Fund and is not rated.

Investments

As of June 30, 2012, the City had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Year)	
			1-10	More Than 10
Interest-bearing investments:				
Government backed fixed income funds	AAA	\$ 1,032,508	\$ 1,021,235	\$ 11,273
Other investments:				
Mutual funds fixed	N/A	25,581,059		
Mutual funds equity	N/A	<u>43,059,303</u>		
Total Investments		<u>\$ 69,672,870</u>		

Interest Rate Risk - The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The City investment policy states that assets shall be invested in a manner consistent with generally accepted fiduciary standards. Assets are to be diversified in order to minimize the impact of large losses in individual investments. Investments held by the City are mutual fund type investments which are not rated.

Concentration of Credit Risk - The City's investment policy does not limit an investment in any one issuer in excess of five percent of the City's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

4. RECEIVABLES

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

	<u>General</u>	<u>WPCA</u>	<u>Nonmajor and Other</u>	<u>Total</u>
Receivables:				
Accounts	\$ 168,408	\$ 29,475	\$ 423,005	\$ 620,888
Intergovernmental	6,867,976		677,629	7,545,605
Loans			478,824	478,824
	<u>7,036,384</u>	<u>29,475</u>	<u>1,579,458</u>	<u>8,645,317</u>
Net Total Receivables	<u>\$ 7,036,384</u>	<u>\$ 29,475</u>	<u>\$ 1,579,458</u>	<u>\$ 8,645,317</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Grant drawdowns prior to meeting all eligibility requirements	\$	\$ 160,301
Loans receivable		478,824
Sewer receivable	90,079	
School construction grants receivable	<u>6,222,309</u>	
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,312,388</u>	<u>\$ 639,125</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,797,034	\$	\$	\$ 3,797,034
Construction in progress	18,412,748	1,168,146	4,904,179	14,676,715
Total capital assets not being depreciated	<u>22,209,782</u>	<u>1,168,146</u>	<u>4,904,179</u>	<u>18,473,749</u>
Capital assets being depreciated:				
Land improvements	4,702,587	880,149		5,582,736
Building and system	84,665,939	2,316,194		86,982,133
Furniture and equipment	23,527,220	2,422,856	520,121	25,429,955
Infrastructure	73,270,032			73,270,032
Total capital assets being depreciated	<u>186,165,778</u>	<u>5,619,199</u>	<u>520,121</u>	<u>191,264,856</u>
Less accumulated depreciation for:				
Land improvements	4,003,644	210,577		4,214,221
Building and system	19,313,249	1,880,441		21,193,690
Furniture and equipment	16,898,233	1,586,785	501,836	17,983,182
Infrastructure	51,729,826	1,569,631		53,299,457
Total accumulated depreciation	<u>91,944,952</u>	<u>5,247,434</u>	<u>501,836</u>	<u>96,690,550</u>
Total capital assets being depreciated, net	<u>94,220,826</u>	<u>371,765</u>	<u>18,285</u>	<u>94,574,306</u>
Governmental Activities Capital Assets, Net	<u>\$ 116,430,608</u>	<u>\$ 1,539,911</u>	<u>\$ 4,922,464</u>	<u>\$ 113,048,055</u>
Business-type activities:				
Capital assets being depreciated:				
Land improvements	\$ 824,300	\$	\$	\$ 824,300
Building and system	915,600			915,600
Furniture and equipment	10,691,378	53,929		10,745,307
Infrastructure	6,182,574	1,397,141		7,579,715
Total capital assets being depreciated	<u>18,613,852</u>	<u>1,451,070</u>	<u>-</u>	<u>20,064,922</u>
Less accumulated depreciation for:				
Land improvements	659,553	4,841		664,394
Building and system	309,865	22,022		331,887
Furniture and equipment	7,933,031	321,921		8,254,952
Infrastructure	1,500,285	173,010		1,673,295
Total accumulated depreciation	<u>10,402,734</u>	<u>521,794</u>	<u>-</u>	<u>10,924,528</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,211,118</u>	<u>\$ 929,276</u>	<u>\$ -</u>	<u>\$ 9,140,394</u>

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

Governmental activities:	
General government	\$ 151,853
Public safety	786,231
Public works	2,278,092
Health and safety	67,771
Recreation	30,542
Education	<u>1,932,945</u>
Total Depreciation Expense - Governmental Activities	\$ <u>5,247,434</u>
Business-type activities:	
Water	\$ <u>521,794</u>

Construction Commitments

The status of appropriation for current capital projects as of June 30, 2012 is presented below:

	<u>Project Authorization</u>	<u>Expenditures</u>	<u>Balance</u>
City Hall Renovations	\$ 14,982,597	\$ 14,172,985	\$ 809,612

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from primary government:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Pension Trust Fund	\$ 1,344,620
General Fund	Internal Service Fund	145,652
General Fund	City Hall Renovations	<u>40,270</u>
		<u>\$ 1,530,542</u>

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

Interfund transfers:

	<u>Transfers In</u>		<u>Total Transfers Out</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	
Transfers out:			
General Fund	\$ 1,700,000	\$ 1,293,748	\$ 1,293,748
Internal Service Fund	<u>1,700,000</u>	<u>1,293,748</u>	<u>1,700,000</u>
Total Transfers In	<u>\$ 1,700,000</u>	<u>\$ 1,293,748</u>	<u>\$ 2,993,748</u>

The above transfers represent normal budgetary and other recurring transfers.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 35,441,000	\$	\$ 2,846,000	\$ 32,595,000	\$ 3,940,000
Clean Water Fund loans	995,356		355,622	639,734	362,800
Capital lease obligation	492,697		108,609	384,088	111,208
Net pension obligation	638,352		88,389	549,963	
Landfill postclosure costs	504,000		36,000	468,000	36,000
OPEB obligation	14,022,100	4,318,300		18,340,400	
Retirement settlements	8,447,480	73,226	1,731,529	6,789,177	731,112
Compensated absences	<u>3,938,556</u>	<u>193,284</u>	<u>24,506</u>	<u>4,107,334</u>	<u>279,817</u>
Governmental Activity Long-Term Liabilities	<u>\$ 64,479,541</u>	<u>\$ 4,584,810</u>	<u>\$ 5,190,655</u>	<u>\$ 63,873,696</u>	<u>\$ 5,460,937</u>
Business-type activities:					
General obligation bonds	\$ 834,000	\$	\$ 509,000	\$ 325,000	\$ 325,000
Clean Water Fund loans	2,118,852		446,695	1,672,157	410,153
Compensated absences	<u>197,892</u>		<u>4,524</u>	<u>193,368</u>	<u>9,891</u>
Business-type activities Long-Term Liabilities	<u>\$ 3,150,744</u>	<u>\$ -</u>	<u>\$ 960,219</u>	<u>\$ 2,190,525</u>	<u>\$ 745,044</u>

Bonds Payable

A summary of general obligation bonds and notes outstanding for governmental and proprietary funds at June 30, 2012 is as follows:

Bonds payable:						
2006 General Obligation Bonds, Industrial Park	10/26/06	2020	3.75-5.0%	\$ 600,000	\$	480,000
2006 General Obligation Bonds, 1999 Refunding, Schools	10/26/06	2020	3.75-5.0%	13,915,000		10,985,000
2006 General Obligation Bonds, Tarringford School	10/26/06	2027	3.75-5.0%	7,855,000		6,505,000
2003 General Obligation Bonds, Middle Schools	02/15/03	2013	2.0-4.0%	7,095,000		620,000
2003 General Obligation Bonds, Sewer	02/15/03	2013	2.0-4.0%	435,000		40,000
2003 General Obligation Bonds, Sewer	02/15/03	2013	2.0-4.0%	2,880,000		285,000
2010 General Obligation Bonds, School	12/01/10	2031	3.0-4.5%	2,150,000		2,150,000
2010 General Obligation Bonds, Build America Bonds	12/01/10	2031	2.6-6.9%	11,855,000		<u>11,855,000</u>
Total Bonds Payable						<u>\$ 32,920,000</u>
Notes Payable:						
Clean Water Fund Notes	03/31/95	2014	2.00%	12,396,479	\$	1,279,473
Clean Water Fund Notes	03/01/11	2031	2.00%	1,123,491		<u>1,032,418</u>
Total Notes Payable						<u>\$ 2,311,891</u>

The annual requirements to amortize bonds payable and clean water fund notes for governmental and proprietary funds as of June 30, 2012 are as follows:

Year Ending June 30,	General Obligation Bonds			Clean Water Fund Loans		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 3,490,000	\$ 1,533,016	\$ 5,023,016	\$ 772,953	\$ 39,179	\$ 812,132
2014	2,510,000	1,396,343	3,906,343	602,181	23,890	626,071
2015	2,515,000	1,293,650	3,808,650	49,283	18,285	67,568
2016	2,525,000	1,184,156	3,709,156	50,277	17,291	67,568
2017	2,530,000	1,067,212	3,597,212	51,293	16,276	67,569
2018-2022	10,065,000	3,599,946	13,664,946	272,414	65,427	337,841
2023-2027	6,345,000	1,771,544	8,116,544	301,039	36,802	337,841
2028-2031	2,940,000	379,414	3,319,414	212,451	7,147	219,598
Total	\$ <u>32,920,000</u>	\$ <u>12,225,281</u>	\$ <u>45,145,281</u>	\$ <u>2,311,891</u>	\$ <u>224,297</u>	\$ <u>2,536,188</u>

The City is to receive \$2,375,149 and \$6,222,309 in federal and state funding from Build America bonds and school construction grants, respectively, related to this debt.

The City's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule (in thousands):

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 171,320	\$ 13,774	\$ 157,546
Schools	342,639	14,634	328,005
Sewer	285,533	2,637	282,896
Urban renewal	247,462		247,462
Pension deficit	228,426		228,426

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$532,994. At June 30, 2012, authorized and unissued bonds for general purposes, school or sewers amounted to \$2,035.

Landfill Post-Closure Costs

State and Federal laws and regulations require landfill closures to meet certain standards. The City landfill has been closed. Estimated monitoring costs for the next 13 years at approximately \$36,000 per year are \$468,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. The estimated liability is recorded within the City's debt.

Capital Leases

The City entered into a capital lease for the purchase of a tanker and the City's financial management system upgrade. Both these leases are included within the City's capital assets as of June 30, 2012. The total cost of the leases was \$217,422 and \$307,876, respectively. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30,

2012	\$	411,605
Less amounts representing interest		<u>(27,517)</u>
Present Value of Future Minimum Lease Payments	\$	<u><u>384,088</u></u>

The schedule of maturities for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 111,208	\$ 10,878	\$ 122,086
2014	113,869	8,255	122,124
2015	116,595	7,316	123,911
2016	<u>42,416</u>	<u>1,068</u>	<u>43,484</u>
	<u>\$ 384,088</u>	<u>\$ 27,517</u>	<u>\$ 411,605</u>

Retirement Settlements

This amount represents scheduled pay outs as well as eligible pay out to Board of Education retirees who have and are expected to take advantage of the City's retirement program. The amount is based on percentages applied to salaries after an employee meets certain age and years of service requirements.

8. RISK MANAGEMENT

The City is exposed to various risks of loss including torts; public official liabilities; police liability; heart and hypertension claims; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss except medical benefits. The City established an internal service fund, health insurance fund, to account for and finance the retained risk of loss for the City's medical benefits claims.

A third party administers the medical insurance plan for which the City pays a fee. The medical insurance fund provides coverage for most City employees. The City purchases stop-loss coverage, which pays claims in excess of 125 percent of the annual estimated claims. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no reduction in insurance coverage from that in the prior year.

Changes in the balances of claims liabilities during the fiscal years ended June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims, July 1	\$ 1,332,067	\$ 1,316,156
Incurred claims (including IBNR)	15,114,294	15,059,218
Claim payments	<u>(15,413,361)</u>	<u>(15,043,307)</u>
Unpaid Claims, June 30	<u>\$ 1,033,000</u>	<u>\$ 1,332,067</u>

The claim reserves reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

9. CONTINGENT LIABILITIES

The City is a party to various legal proceedings which involve claims against the City. In those cases where a loss is probable and measurable, a liability has been recorded. It is the opinion of City management and the City attorney that the ultimate resolution of remaining litigation will not have a material effect on the financial position of the City.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

The City is the administrator of two single employer, contributory, defined benefit pension plans. Plan provisions are established and amended by the plan's Board of Trustees. The plans cover substantially all full-time employees except professional personnel at the Board of Education. The pension plans are part of the City's financial reporting entity and are accounted for in the pension trust funds as the Police and Firemen's Pension, and the Municipal Employees' Retirement. Separate financial statements are not issued.

Police and Firemen's Retirement

The City of Torrington is the administrator of a single employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS is considered to be part of the City of Torrington's financial reporting entity and is included in the City's financial reports as a pension trust fund. The Plan provides normal retirement, death, and disability benefits through a single employer contributory defined benefit plan. All regular members of the Police and Fire Departments of the City shall become members of the Plan. The retirement benefit is calculated at 2% of the member's highest 1 year compensation during the final 5 years of employment multiplied by years of service. Effective September 8, 2000, all police members who have not yet reached the 25th anniversary of date of hire shall have years of service (including any buyback service) maximized at 27 years. In addition, effective September 8, 2005, the benefit for police members shall be based on a salary which is the average annual compensation during the three-year period immediately preceding separation from service. Also, effective September 8, 2000, police members may buy back City service, for benefit accrual purposes only, during the year following September 8, 2000 or during the first year of employment for police hired after that date subject to the restrictions in the plan. Normal Retirement Age is 55 with 10 years of continuous service or following the completion of 25 years of continuous service. Participants are 100 percent vested in their

accrued benefit after 10 years of continuous service as long contributions are returnable of termination or death while active or retired (less any benefits paid) provided, in each case, that no death benefits are otherwise payable. Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increase. Effective May 5, 2008, participants are required to contribute 8% of their gross pay and the yearly credit was raised to 2.5% up to a maximum of 25 years of credited service.

The retirement age assumption for policemen is the earlier of (a) 25 years of service but not before age 53 and age 57 to the earlier of 25 years of service but not before 51 and age 57. The July 1, 2008 valuation no longer assumed that final pay for firemen would be increased by 10% and 4% for police due to inclusion of accrued vacation time, since accrued vacation is now excluded from pension calculations.

Effective May 5, 2008, for police members, the percentage for the yearly credit is 2.5% as shown above however the service is maximized at 37 years, a 10-year of service requirement was added to the disability benefit, and they must contribute 8% of compensation for a maximum of 25 years. For the period May 5, 2008 through May 4, 2011, no more than 5 police members may retire annually under this provision.

Municipal Employees’ Retirement

The City of Torrington is the administrator of a single employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS is in the City’s financial reports as a pension trust fund. The Plan provides normal retirement, early retirement, termination and death benefits through a single employer contributory defined benefit plan. All members of Public Works Employees’ and City Hall and School Maintenance and Custodial Employees’ Local #1579 and their supervisory employees shall become members of the Plan. The retirement benefit for all aforementioned employees other than supervisory employees is calculated at 2% of the participant’s average monthly earnings during the final 3 years of employment multiplied by years of service with a minimum annual benefit of \$240 per year of service, maximum 35 years. Benefits for supervisory employees are based the highest of the last 3 years of annual gross earnings. Normal Retirement Age is age 65 or following age 60 with 25 years of service. Participants are 100 percent vested in their accrued benefit after 5 years of continuous service as long as their employee contributions remain in the fund upon termination. Member’s contributions are returnable on termination or death while active or retired (less any benefits paid) provided in each case that no death benefits are otherwise payable. Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increases.

There were no major plan changes for the July 1, 2010 actuarial valuation.

The membership of the plan consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

	<u>Police and Firemen</u>	<u>Municipal Employees</u>
Retirees, disabled employees and beneficiaries currently receiving benefits	151	121
Terminated plan members entitled to benefits but not yet receiving them	2	8
Current active members	<u>131</u>	<u>136</u>
Total	<u><u>284</u></u>	<u><u>265</u></u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due; investment income is recognized when earned. Expenses (benefits, administration and refunds of contributions) are recognized when incurred.

Investments are reported at fair value.

C. Funding Policy

Police and Firemen's Retirement

Member contributions of 8% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

Municipal Employees' Retirement

Member contributions of 5% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

D. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and accrued required contribution to the PERS as of June 30, 2012 were as follows:

	<u>Police and Firemen</u>	<u>Municipal Employees</u>
Annual required contribution	\$ 3,308,035	\$ 1,374,634
Interest on net pension obligation	27,661	23,406
Adjustment to annual required contribution	<u>(28,446)</u>	<u>(24,064)</u>
Annual pension cost	3,307,250	1,373,976
Contributions made	<u>3,325,432</u>	<u>1,444,183</u>
Decrease in net pension obligation	(18,182)	(70,207)
Net pension obligation, July 1, 2011	<u>345,773</u>	<u>292,579</u>
Net Pension Obligation, June 30, 2012	<u>\$ 327,591</u>	<u>\$ 222,372</u>

The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 3% to 7.00% per year and (c) inflation rate of 3.0%. The assumptions did not include post retirement benefit increases. The unfunded actuarial accrued liability is being amortized using the level dollar method over a thirty year open period.

E. Trend Information

Police and Firemen's Retirement

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 3,307,250	\$ 3,325,432	100.5%	\$ 327,591
6/30/11	2,800,451	2,813,257	100.5%	345,773
6/30/10	2,800,453	2,801,257	100.0	358,579

Municipal Employees' Retirement

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 1,373,976	\$ 1,444,183	105.1%	\$ 222,372
6/30/11	1,124,339	1,271,233	113.1%	292,579
6/30/10	1,124,246	1,257,993	111.9	439,473

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Police and Firemen's Retirement

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability UAAL	Funded Ratio (a/b)	Covered Payroll (c)	UAAL % of Covered Payroll ((b-a)/c)
7/01/10	\$ 37,512,249	\$ 64,596,439	\$ 27,084,190	58.1%	\$ 10,104,595	268.0%
7/01/08	34,783,395	57,231,580	22,448,185	60.8	9,579,705	234.3
7/01/06	30,011,263	49,660,973	19,649,710	60.4	8,642,631	227.4

Municipal Employees' Retirement

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability UAAL	Funded Ratio (a/b)	Covered Payroll (c)	UAAL % of Covered Payroll ((b-a)/c)
7/01/10	\$ 26,132,128	\$ 34,674,221	\$ 8,542,093	75.4%	\$ 7,994,511	106.8%
7/01/08	25,108,239	31,480,212	6,371,973	79.8	8,178,483	77.9
7/01/06	21,735,247	27,504,926	5,769,679	79.0	7,935,981	72.7

Schedule of Employer Contributions

Police and Firemen's Retirement

<u>Fiscal Year Ended</u>		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/12	\$	3,308,035	100.5%
6/30/11		2,801,257	100.5%
6/30/10		2,801,257	100
6/30/09		2,523,618	101
6/30/08		2,523,618	100
6/30/07		2,337,011	101

Municipal Employees' Retirement

<u>Fiscal Year Ended</u>		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/12	\$	1,374,634	105%
6/30/11		1,125,528	113%
6/30/10		1,125,528	112
6/30/09		1,051,488	114
6/30/08		1,051,488	113
6/30/07		969,714	116

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Valuations are performed biannually. Additional information as of the latest actuarial valuation is presented in D above.

G. Financial Information for the Separate Plans

	<u>Police and Firemen</u>	<u>Municipal Employees</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 352,132	\$ 6	\$ 352,138
Investments	40,864,461	28,808,409	69,672,870
Receivables	<u>35,780</u>	<u>110,008</u>	<u>145,788</u>
Total assets	<u>41,252,373</u>	<u>28,918,423</u>	<u>70,170,796</u>
Liabilities:			
Due to other funds	151,116	1,193,504	1,344,620
Accounts and other payables	<u>7,596</u>	<u>5,279</u>	<u>12,875</u>
Total liabilities	<u>158,712</u>	<u>1,198,783</u>	<u>1,357,495</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 41,093,661</u>	<u>\$ 27,719,640</u>	<u>\$ 68,813,301</u>

	<u>Police and Firemen</u>	<u>Municipal Employees</u>	<u>Total</u>
Contributions:			
Employer	\$ 3,325,432	\$ 1,444,183	\$ 4,769,615
Employee	<u>739,690</u>	<u>389,907</u>	<u>1,129,597</u>
Total contributions	4,065,122	1,834,090	5,899,212
Investment income:			
Interest and dividends	1,222,522	967,800	2,190,322
Net depreciation in fair value of investments	<u>(1,111,667)</u>	<u>(922,247)</u>	<u>(2,033,914)</u>
Total additions	<u>4,175,977</u>	<u>1,879,643</u>	<u>6,055,620</u>
Deductions:			
Benefit payments and withdrawals	3,690,115	2,295,626	5,985,741
Administration	<u>32,073</u>	<u>29,621</u>	<u>61,694</u>
Total deductions	<u>3,722,188</u>	<u>2,325,247</u>	<u>6,047,435</u>
Net increase	453,789	(445,604)	8,185
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>40,639,872</u>	<u>28,165,244</u>	<u>68,805,116</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 41,093,661</u>	<u>\$ 27,719,640</u>	<u>\$ 68,813,301</u>

H. Board of Education Employee's Retirement

The City also administers a defined benefit pension plan for 5 retirees of its Board of Education. This plan is not included within the City's pension trust fund reporting.

The most recent actuarial valuation for this Board of Education pension plan was as of June 30, 1970 and current actuarially determined pension information has not been obtained. The City's contribution to this pension plan is primarily based on a "pay-as-you-go" method whereby the City contributes only those funds expected to be needed in the current year. The City's contribution for the pension plan for the year ended June 30, 2012 totaled \$39,007.

I. Teachers' Retirement System

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

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$27,281,100 or 73.6% of the total Board of Education payroll of \$37,071,505.

The retirement system for teachers is funded by the State based upon the recommendation of the State Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The City does not have any liability for teacher pensions. For the year ended June 30, 2012, the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$5,602,727 as payments made by the State of Connecticut on behalf of the City.

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

11. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The City of Torrington in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The City's Post-Retirement Medical Program (RMP) covers City, Board of Education, Police and Fire employees. Retired program members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving those benefits under the City's self-insured medical benefits program. The percentage contribution of the employees and retirees for these benefits vary and are detailed with the City's various bargaining agreements. The City does not issue a separate stand alone financial statement for this program.

At July 1, 2010, plan membership consisted of the following:

	Post- Retirement Medical Program
Retired members	329
Spouses of retired members	227
Active plan members	924
	<hr/>
Total Participants	<u>1,480</u>

B. Funding Policy

The City funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you-go basis. The City has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The City is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund has yet to be established to exclusively control the funding and reporting of postemployment benefits, the City anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability.

The City's funding strategy for postemployment obligations are based upon characteristics of benefits on nine distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

- City Hall employees and Public Works Employees are required to contribute 6% of the contribution for medical and dental coverage to age 65 with none at ages 65 and older. They are eligible to receive medical coverage under various Anthem medical plans, dependent on whether they are under or over age 65 as well as dental coverage only until they reach age 65. They also receive life insurance benefits of \$10,000 at no cost to the retiree.

- Police and Fire employees who meet certain criteria for retirement are eligible to receive medical coverage under various Anthem medical plans, dependent on whether they are under or over age 65, dental coverage only until they reach age 65 as well as life insurance benefits of \$3,000 at no cost to the retiree. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.
- City supervisory employees who meet certain criteria for retirement are eligible to receive medical coverage under various Anthem medical plans, dependent on whether they are under or over age 65, dental coverage only until they reach age 65 as well as life insurance benefits of \$5,000 at a contribution rate of 5% or 10% of the contribution with no contribution over age 65. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.
- Teachers are eligible for medical and dental coverage if they retire under the State Teacher’s Plan and must contribute 100% of the cost for this coverage.
- BOE Cafeteria employees are eligible for medical and dental coverage if they retire at age 60 with 10 years of service or qualify under disability retirement and must contribute 100% of the cost for this coverage.
- BOE Custodians who retire age 55 with 20 years or qualify under disability retirement can receive dental coverage to age 65 and medical coverage for ages 65 and over and must contribute 7% of the contribution. They may also receive life insurance benefits of \$5,000.
- BOE Nurses and paraprofessionals who retire age 60 with 10 years of service or qualify under disability retirement can receive medical benefits with a 25% contribution rate up to age 65 with their spouse at 100%, dental coverage at 25% of the contribution only until they reach the age of 65 and life insurance benefits of \$5,000.

C. Annual OPEB Cost and Net OPEB Obligations

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

	Post- Retirement Medical Program
Annual required contribution (ARC)	\$ 7,445,000
Interest on net OPEB obligation	841,300
Adjustment to annual required contribution	(961,100)
Annual OPEB cost	7,325,200
Contributions made	(3,006,900)
Increase in net OPEB obligation	4,318,300
Net OPEB obligation, beginning of year	14,022,100
Net OPEB Obligation, End of Year	\$ 18,340,400

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is presented below.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/12	\$ 7,325,200	\$ 3,006,900	41%	\$ 18,340,400
6/30/11	6,915,000	2,439,200	35	14,022,100
6/30/10	6,817,400	1,882,700	28	9,546,300

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/07	\$	\$ 53,234,609	\$ 53,234,609	0%	\$ 33,251,100	160.10%
7/1/08		60,692,600	60,692,600	0%	49,450,999	122.73%
7/1/10		68,120,000	68,120,000	0%	50,158,119	136.00%

Schedule of Employer Contribution

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/10	\$ 6,856,800	27.5%
6/30/11	6,996,500	34.8%
6/30/12	7,445,000	40.3%

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used, with level percentage amortization over a 30 year period. The plan assumes an interest rate of 6% with a medical trend rate of 10% reducing by 1% for each year, to a final 5%.

12. FUND BALANCE CLASSIFICATIONS

The components of fund balance for the governmental funds at June 30, 2012 are as follows:

	<u>General Fund</u>	<u>City Hall Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 30,116	\$ 30,116
Restricted for:				
Trust purposes			4,843	4,843
Grants			2,654,237	2,654,237
Committed to:				
Revaluation	343,629			343,629
Education			437,233	437,233
Capital projects			3,941,381	3,941,381
Health and social services			250,815	250,815
Assigned to:				
Education	436,412			436,412
General government	27,976			27,976
Public safety	30,235			30,235
Public works	2,808			2,808
Unassigned	<u>4,360,704</u>	<u>(43,792)</u>		<u>4,316,912</u>
 Total Fund Balances	 <u>\$ 5,201,764</u>	 <u>\$ (43,792)</u>	 <u>\$ 7,318,625</u>	 <u>\$ 12,476,597</u>

Encumbrances outstanding at year end of \$497,431 are reported as assigned fund balance.

CITY OF TORRINGTON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
Property Taxes:				
Property taxes	\$ 75,560,244	\$ 75,560,244	\$ 75,615,508	\$ 55,264
Motor vehicle supplemental tax	720,000	720,000	751,476	31,476
Total property taxes	76,280,244	76,280,244	76,366,984	86,740
Intergovernmental:				
Board of Education Grants:				
Nonpublic transportation	56,481	56,481	55,959	(522)
Education cost sharing	23,933,343	23,933,343	23,855,141	(78,202)
Public transportation	450,950	450,950	440,591	(10,359)
Special education	2,000,000	2,000,000	1,765,127	(234,873)
Nonpublic health and welfare	30,005	30,005	30,136	131
Total Board of Education grants	26,470,779	26,470,779	26,146,954	(323,825)
Federal and State Grants:				
Elderly exemptions	5,998	5,998	6,000	2
Circuit breaker	310,000	310,000	318,598	8,598
In lieu of taxes	560,000	560,000	676,514	116,514
Disabled persons	7,230	7,230	7,813	583
Taxes on manufacturing facilities	485,000	485,000	480,403	(4,597)
Additional veterans' grant	28,000	28,000	30,018	2,018
Pequot fund grant	255,281	255,281	292,477	37,196
Enterprise zone	125,000	125,000	134,792	9,792
Middle school	704,117	704,117	704,117	-
Street lights	1,045	1,045	1,045	-
FEMA		204,947	277,314	72,367
Torrington High School	357,347	357,347	357,348	1
Southwest school	399,649	399,649	399,649	-
Vogel elementary school	258,875	258,875	258,876	1
State- Property Tax Relief	140,000	140,000		(140,000)
Build American Bonds Subsidy	330,963	330,963	330,964	1
Total federal and state grants	3,968,505	4,173,452	4,275,928	102,476
Total Intergovernmental	30,439,284	30,644,231	30,422,882	(221,349)

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
General Government:				
Building fees	\$ 287,000	\$ 287,000	\$ 211,664	\$ (75,336)
Planning and zoning fees	45,000	45,000	31,845	(13,155)
City real estate	20,000	20,000	17,907	(2,093)
City clerk	778,000	778,000	799,947	21,947
Insurance payments	2,888,901	2,888,901	2,564,313	(324,588)
Telephone access lines	110,000	110,000	117,047	7,047
CRRA refund	44,000	44,000	31,564	(12,436)
Miscellaneous income	195,000	195,000	157,934	(37,066)
Probate	24,917	24,917	20,013	(4,904)
Total general government	4,392,818	4,392,818	3,952,234	(440,584)
Public Safety:				
Parking authority	70,000	70,000	64,532	(5,468)
Canine - Hotchkiss trust	2,500	2,500	2,560	60.0
Miscellaneous	50,000	50,000	41,197	(8,803)
Fire:				
Outside duty	4,000	4,000		(4,000)
Insurance payments	40,000	40,000	95,126	55,126
Police:				
Tickets and permits	125,000	125,000	77,916	(47,084)
Outside duty	250,000	361,000	337,345	(23,655)
Insurance payments	80,000	80,000	120,094	40,094
Testing	5,000	5,000	2,000	(3,000)
Total public safety	626,500	737,500	740,770	3,270
Public Works:				
Insurance payments			19,041	19,041
Street openings	7,500	7,500	6,360	(1,140)
Engineering	500	500	331	(169)
Street department miscellaneous	20,000	20,000	9,612	(10,388)
Water division fees	145,000	145,000	165,860	20,860
Landfill - tire income	2,000	2,000	2,031	31
Miscellaneous	10,000	10,000	69,588	59,588
Recycling income	500	500	790	290
Free-waste receptacles	25,000	25,000	16,439	(8,561)
Total public works	210,500	210,500	290,052	79,552
Investment Income	90,000	90,000	49,711	(40,289)
Recreation:				
Swimming fees	15,000	15,000	16,943	1,943

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Education:				
Tuition	\$ <u>15,000</u>	\$ <u>15,000</u>	\$ <u>50,513</u>	\$ <u>35,513</u>
Total revenues	<u>112,069,346</u>	<u>112,385,293</u>	<u>111,890,089</u>	<u>(495,204)</u>
Other Financing Sources:				
Operating transfer in	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>-</u>
Total Revenue and Other Financing Sources	\$ <u>113,769,346</u>	\$ <u>114,085,293</u>	113,590,089	\$ <u>(495,204)</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers'				
Retirement System for Town teachers are not budgeted.				
			5,602,727	
Revaluation fund interest income				
			<u>48</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit IV)			\$ <u>119,192,864</u>	

CITY OF TORRINGTON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
General Government:				
Assessor	\$ 325,440	\$ 326,888	\$ 322,556	\$ 4,332
Board of tax review	5,250	5,250	3,034	2,216
Boards and agencies	339,023	339,023	325,596	13,427
Building	309,190	318,430	317,242	1,188
City real estate	77,275	83,973	82,061	1,912
City and town clerk	648,482	647,732	617,806	29,926
Comptroller	247,741	242,907	236,036	6,871
Corporate counsel	188,059	153,059	151,609	1,450
Election	53,750	53,750	39,182	14,568
Mayor	216,387	216,387	214,191	2,196
Personnel	196,208	212,156	211,874	282
Planning and zoning	217,032	219,613	218,220	1,393
Purchasing	110,315	110,148	100,608	9,540
Registrars	132,968	102,325	96,565	5,760
Services for the elderly	314,046	320,815	300,102	20,713
Treasurer	37,447	42,114	42,079	35
Data processing	496,649	538,844	524,220	14,624
Economic development	66,459	66,459	64,811	1,648
Probate	45,186	45,186	41,443	3,743
Citywide	1,501,006	75,000		
Total general government	<u>5,527,913</u>	<u>4,120,059</u>	<u>3,909,235</u>	<u>135,824</u>
Public Safety:				
Dispatch		7,583	7,583	-
Civil preparedness	28,096	29,406	27,940	1,466
Fire	4,600,740	4,845,795	4,834,121	11,674
Police	7,446,676	7,833,459	7,694,231	139,228
Public safety miscellaneous	1,848,460	1,971,016	1,863,818	107,198
Canine Control	101,480	101,748	101,748	-
Traffic	223,159	224,944	224,944	-
Total public safety	<u>14,248,611</u>	<u>15,013,951</u>	<u>14,754,385</u>	<u>259,566</u>
Public works:				
Administration	127,920	131,175	133,055	(1,880)
City hall	238,719	221,582	184,432	37,150
Engineering	465,700	488,588	484,624	3,964
Landfill	1,150,000	1,150,000	1,051,719	98,281
Parks	869,142	1,016,475	910,523	105,952
San sewer / St lights	476,730	476,730	467,300	9,430
Streets	3,839,793	4,570,348	4,084,381	485,967
Total public works	<u>7,168,004</u>	<u>8,054,898</u>	<u>7,316,034</u>	<u>738,864</u>
Public Health and Social Services:				
Health	<u>2,708,293</u>	<u>2,708,293</u>	<u>2,682,268</u>	<u>26,025</u>

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
Pension and Miscellaneous:				
Pension and benefits	\$ 10,682,285	\$ 10,667,775	\$ 10,637,807	\$ 29,968
Insurance	1,371,269	1,354,370	1,310,983	43,387
Tax collector contract	369,250	395,273	395,273	-
Total pension and miscellaneous	<u>12,422,804</u>	<u>12,417,418</u>	<u>12,344,063</u>	<u>73,355</u>
Recreation	<u>381,947</u>	<u>381,947</u>	<u>337,100</u>	<u>44,847</u>
Board of Education	<u>64,502,431</u>	<u>64,502,431</u>	<u>64,488,812</u>	<u>13,619</u>
Second Part Budget:				
Contingency	<u>200,000</u>	<u>274,829</u>	<u>146,928</u>	<u>127,901</u>
Debt Service:				
Bond redemption	3,201,623	3,201,623	3,201,622	1
Interest	<u>2,033,971</u>	<u>2,036,096</u>	<u>2,032,467</u>	<u>3,629</u>
Total debt service	<u>5,235,594</u>	<u>5,237,719</u>	<u>5,234,089</u>	<u>3,630</u>
Total expenditures	<u>112,395,597</u>	<u>112,711,545</u>	<u>111,212,914</u>	<u>1,423,631</u>
Other Financing Uses:				
Operating Transfers Out:				
Capital reserve	304,942	304,942	304,942	-
Revaluation	80,000	80,000	80,000	-
Vehicle replacement	588,310	588,310	588,310	-
Other Capital Projects	398,630	398,630	398,630	-
Other Special Revenue	<u>1,867</u>	<u>1,867</u>	<u>1,866</u>	<u>1</u>
Total other financing uses	<u>1,373,749</u>	<u>1,373,749</u>	<u>1,373,748</u>	<u>1</u>
Total Expenditures and Other Financing Uses	<u>\$ 113,769,346</u>	<u>\$ 114,085,294</u>	112,586,662	<u>\$ 1,423,632</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for

Town teachers are not budgeted.

5,602,727

Encumbrances for purchases and commitments ordered but not received are reported in the year the order

is placed for budgetary purposes, but in the year received for financial reporting purposes.

(373,235)

The Board of Education does not budget for accrued payroll services or early retirement settlements at year end.

The accrued liabilities are charged to the subsequent year's budget. These amounts are recorded as a current

year expenditure for financial statement purposes.

(159,930)

Revaluation Fund Transfer combined and eliminated for financial reporting purposes

(80,000)Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit IV)\$ 117,576,224

CITY OF TORRINGTON, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 9,754,752	\$ 9,247,542
Receivables:		
Intergovernmental	6,867,976	7,714,421
Other	168,408	162,947
Due from other funds	<u>1,530,542</u>	<u>895,408</u>
Total Assets	<u>\$ 18,321,678</u>	<u>\$ 18,020,318</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,897,605	\$ 6,786,046
Deferred revenues	<u>6,222,309</u>	<u>7,639,497</u>
Total liabilities	<u>13,119,914</u>	<u>14,425,543</u>
Fund balance:		
Committed	343,629	263,281
Assigned	497,431	138,410
Unassigned	<u>4,360,704</u>	<u>3,193,084</u>
Total fund balance	<u>5,201,764</u>	<u>3,594,775</u>
Total Liabilities and Fund Balance	<u>\$ 18,321,678</u>	<u>\$ 18,020,318</u>

CITY OF TORRINGTON, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2012

Total Rate Bill on Grant List on October 1, 2010	\$ 75,615,508
Add:	
Supplemental motor vehicle tax	<u>751,476</u>
Received from tax collector during the year ended June 30, 2012	<u>76,366,984</u>
Deduct:	
Lawful corrections and abatements	<u>(231,416)</u>
Net Revenues from Taxation	\$ <u><u>76,135,568</u></u>

CITY OF TORRINGTON, CONNECTICUT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds						Capital Projects
	National School Lunch Program	Nutrition Program	Town Aid Roads	Small Cities Block Grants	Federal and State Educational Grants	Other Special Revenue Funds	Sanitary Sewer Capital Improvement Program
ASSETS							
Cash	\$ 285,204	\$ 57,425	\$ 712,220	\$ 233,254	\$ 269,101	\$ 1,393,015	\$ 1,464,613
Receivables:							
Loans				478,824			
Intergovernmental		255,513		6,016	42,312	373,772	
Other	154,137						90,078
Inventory	30,116						
Total Assets	<u>\$ 469,457</u>	<u>\$ 312,938</u>	<u>\$ 712,220</u>	<u>\$ 718,094</u>	<u>\$ 311,413</u>	<u>\$ 1,766,787</u>	<u>\$ 1,554,691</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 2,108	\$ 62,123	\$ 9,626	\$ 25,966	\$ 81,434	\$ 98,126	\$ 225,471
Deferred revenue				482,256	49,390	107,479	90,079
Total liabilities	<u>2,108</u>	<u>62,123</u>	<u>9,626</u>	<u>508,222</u>	<u>130,824</u>	<u>205,605</u>	<u>315,550</u>
Fund balances:							
Nonspendable	30,116						
Restricted			702,594	209,872	180,589	1,561,182	
Committed	437,233	250,815					1,239,141
Total fund balance	<u>467,349</u>	<u>250,815</u>	<u>702,594</u>	<u>209,872</u>	<u>180,589</u>	<u>1,561,182</u>	<u>1,239,141</u>
Total Liabilities and Fund Balances	<u>\$ 469,457</u>	<u>\$ 312,938</u>	<u>\$ 712,220</u>	<u>\$ 718,094</u>	<u>\$ 311,413</u>	<u>\$ 1,766,787</u>	<u>\$ 1,554,691</u>

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2012

	Capital Projects						Total
	Vehicle Replacement Fund	Capital Reserve Fund	Torrington School	Other Capital Projects	Permanent Fund Captain Bessie	Interfund Eliminations	Nonmajor Governmental Funds
ASSETS							
Cash	\$ 1,128,914	\$ 1,028,532	\$ 631	\$ 1,036,037	\$ 4,843	\$ -	\$ 7,613,789
Receivables:							
Loans							478,824
Intergovernmental				16			677,629
Other							244,215
Inventory							30,116
Total Assets	\$ 1,128,914	\$ 1,028,532	\$ 631	\$ 1,036,053	\$ 4,843	\$ -	\$ 9,044,573
 LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 339,806	\$ 117,244	\$ -	\$ 34,840	\$ -	\$ -	\$ 996,744
Deferred revenue							729,204
Total liabilities	339,806.00	117,244	-	34,840	-	-	1,725,948
Fund balances:							
Nonspendable							30,116
Restricted					4,843		2,659,080
Committed	789,108	911,288	631	1,001,213			4,629,429
Total fund balance	789,108	911,288	631	1,001,213	4,843	-	7,318,625
Total Liabilities and Fund Balances	\$ 1,128,914	\$ 1,028,532	\$ 631	\$ 1,036,053	\$ 4,843	\$ -	\$ 9,044,573

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>Special Revenue Funds</u>						<u>Capital Projects</u>
	<u>National School Lunch Program</u>	<u>Nutrition Program</u>	<u>Town Aid Roads</u>	<u>Small Cities Block Grants</u>	<u>Federal and State Educational Grants</u>	<u>Other Special Revenue Funds</u>	<u>Sanitary Sewer Capital Improvement Program</u>
Revenues:							
Sewer line fees	\$	\$	\$	\$	\$	\$	\$ 42,040
Intergovernmental	998,197	1,171,967	235,134	134,809	3,228,520	1,491,634	
Investment income		24	101	39		168	270
Program income	826,243	393,950				218,395	
Other revenues		25,568		76,794	76,230	829,029	
Total revenues	<u>1,824,440</u>	<u>1,591,509</u>	<u>235,235</u>	<u>211,642</u>	<u>3,304,750</u>	<u>2,539,226</u>	<u>42,310</u>
Expenditures:							
General government				231,163		758,359	
Public safety						279,129	
Public works			115,365			723,996	
Public health and social services		1,619,958				468,434	
Recreation						169,874	
Education	1,733,275				3,248,322		
Capital outlay							566,080
Total expenditures	<u>1,733,275</u>	<u>1,619,958</u>	<u>115,365</u>	<u>231,163</u>	<u>3,248,322</u>	<u>2,399,792.00</u>	<u>566,080</u>
Excess (Deficiency) of Revenues over Expenditures	<u>91,165</u>	<u>(28,449)</u>	<u>119,870</u>	<u>(19,521)</u>	<u>56,428</u>	<u>139,434</u>	<u>(523,770)</u>
Other Financing Sources (Uses):							
Operating transfers in						6,867	
Operating transfers out						(5,000)	
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,867</u>	<u>-</u>
Net Change in Fund Balances	91,165	(28,449)	119,870	(19,521)	56,428	141,301	(523,770)
Fund Balance at Beginning of Year	<u>376,184</u>	<u>279,264</u>	<u>582,724</u>	<u>229,393</u>	<u>124,161</u>	<u>1,419,881</u>	<u>1,762,911</u>
Fund Balance at End of Year	<u>\$ 467,349</u>	<u>\$ 250,815</u>	<u>\$ 702,594</u>	<u>\$ 209,872</u>	<u>\$ 180,589</u>	<u>\$ 1,561,182</u>	<u>\$ 1,239,141</u>

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

Capital Projects

	<u>Vehicle Replacement Fund</u>	<u>Capital Reserves Fund</u>	<u>Torrington School</u>	<u>Other Capital Projects</u>	<u>Permanent Fund Captain Bessie</u>	<u>Interfund Eliminations</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:							
Sewer line fees	\$	\$	\$	\$	\$	\$	\$ 42,040
Intergovernmental				98,279			7,358,540
Investment income	189	180		2	7		980
Program income							1,438,588
Other revenues	37,946	11,298		201,760			1,258,625
Total revenues	<u>38,135</u>	<u>11,478</u>	<u>-</u>	<u>300,041</u>	<u>7</u>	<u>-</u>	<u>10,098,773</u>
Expenditures:							
General government							989,522
Public safety							279,129
Public works							839,361
Public health and social services							2,088,392
Recreation							169,874
Education							4,981,597
Capital outlay	784,992	390,281		531,503			2,272,856
Total expenditures	<u>784,992</u>	<u>390,281</u>	<u>-</u>	<u>531,503</u>	<u>-</u>	<u>-</u>	<u>11,620,731</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(746,857)</u>	<u>(378,803)</u>	<u>-</u>	<u>(231,462)</u>	<u>7</u>	<u>-</u>	<u>(1,521,958)</u>
Other Financing Sources (Uses):							
Operating transfers in	580,046	304,942		562,669		(160,776)	1,293,748
Operating transfers out		(155,776)				160,776	-
Total other financing sources	<u>580,046</u>	<u>149,166</u>	<u>-</u>	<u>562,669</u>	<u>-</u>	<u>-</u>	<u>1,293,748</u>
Net Change in Fund Balances	(166,811)	(229,637)	-	331,207	7	-	(228,210)
Fund Balance at Beginning of Year	<u>955,919</u>	<u>1,140,925</u>	<u>631</u>	<u>670,006</u>	<u>4,836</u>	<u>-</u>	<u>7,546,835</u>
Fund Balance at End of Year	<u>\$ 789,108</u>	<u>\$ 911,288</u>	<u>\$ 631</u>	<u>\$ 1,001,213</u>	<u>\$ 4,843</u>	<u>\$ -</u>	<u>\$ 7,318,625</u>

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2012

	Self Insurance Fund	Maintenance Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 5,043,427	\$	\$ 5,043,427
Prepaid expenses	125,000		125,000
Receivables, net		33,002	33,002
Total assets	<u>5,168,427</u>	<u>33,002</u>	<u>5,201,429</u>
Liabilities:			
Current liabilities:			
Accounts and other payables	1,119,598	54,811	1,174,409
Due to other funds	1,200	144,452	145,652
Total liabilities	<u>1,120,798</u>	<u>199,263</u>	<u>1,320,061</u>
Net Assets:			
Unrestricted	<u>4,047,629</u>	<u>(166,261)</u>	<u>3,881,368</u>
Total Net Assets	<u>\$ 4,047,629</u>	<u>\$ (166,261)</u>	<u>\$ 3,881,368</u>

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Self Insurance Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 16,876,506	\$ 1,150,378	\$ 18,026,884
Other	3,591		3,591
Total operating revenues	<u>16,880,097</u>	<u>1,150,378</u>	<u>18,030,475</u>
Operating Expenses:			
Payroll and employee benefits		458,523	458,523
Repairs and maintenance		214,723	214,723
Materials and supplies		23,435	23,435
Utilities		575,823	575,823
Other operating expense		2,961	2,961
Insurance and program services	15,114,294		15,114,294
Total operating expenses	<u>15,114,294</u>	<u>1,275,465</u>	<u>16,389,759</u>
Operating Income (Loss)	1,765,803	(125,087)	1,640,716
Nonoperating revenue:			
Income on investments	<u>5,071</u>		<u>5,071</u>
Income (Loss) before Transfers	1,770,874	(125,087)	1,645,787
Transfers Out	<u>(1,700,000)</u>		<u>(1,700,000)</u>
Change in Net Assets	70,874	(125,087)	(54,213)
Net Assets at Beginning of Year	<u>3,976,755</u>	<u>(41,174)</u>	<u>3,935,581</u>
Net Assets at End of Year	<u>\$ 4,047,629</u>	<u>\$ (166,261)</u>	<u>\$ 3,881,368</u>

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Self Insurance Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 16,880,097	\$ 1,144,695	\$ 18,024,792
Cash payments for insurance claims and premiums	<u>(15,527,331)</u>	<u>(1,144,695)</u>	<u>(16,672,026)</u>
Net cash provided by operating activities	<u>1,352,766</u>	<u>-</u>	<u>1,352,766</u>
Cash flows from Noncapital Financing Activities:			
Transfers out	<u>(1,700,000)</u>	<u>-</u>	<u>(1,700,000)</u>
Cash Flows from Investing Activities:			
Interest received on investments	<u>5,071</u>	<u>-</u>	<u>5,071</u>
Net Decrease in Cash and Cash Equivalents	(342,163)	-	(342,163)
Cash and Cash Equivalents at Beginning of Year	<u>5,385,590</u>	<u>-</u>	<u>5,385,590</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,043,427</u>	<u>\$ -</u>	<u>\$ 5,043,427</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 1,765,803	\$ (125,087)	\$ 1,640,716
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Decrease (increase) in accounts receivables		(5,683)	(5,683)
Decrease (increase) in prepaid expenses	(125,000)		(125,000)
Increase (decrease) in accounts payable	(226,969)	37,567	(189,402)
Increase (decrease) in due to other funds	<u>(61,068)</u>	<u>93,203</u>	<u>32,135</u>
Net Cash Provided by Operating Activities	<u>\$ 1,352,766</u>	<u>\$ -</u>	<u>\$ 1,352,766</u>

CITY OF TORRINGTON, CONNECTICUT

AGENCY FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Student Activity</u>	<u>Performance Bond</u>	<u>Other Agency Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 349,367	\$ 227,844	\$ 75,726	\$ 652,937
LIABILITIES				
Due to student groups and others	\$ 349,367	\$ 227,844	\$ 75,726	\$ 652,937

CITY OF TORRINGTON, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
School Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>389,317</u>	\$ <u>989,296</u>	\$ <u>1,029,246</u>	\$ <u>349,367</u>
Liabilities:				
Due to student groups and others	\$ <u>389,317</u>	\$ <u>989,296</u>	\$ <u>1,029,246</u>	\$ <u>349,367</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ <u>299,170</u>	\$ <u>52,093</u>	\$ <u>123,419</u>	\$ <u>227,844</u>
Liabilities:				
Due to student groups and others	\$ <u>299,170</u>	\$ <u>52,093</u>	\$ <u>123,419</u>	\$ <u>227,844</u>
Other Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>62,565</u>	\$ <u>54,212</u>	\$ <u>41,051</u>	\$ <u>75,726</u>
Liabilities:				
Due to student groups and others	\$ <u>62,565</u>	\$ <u>54,212</u>	\$ <u>41,051</u>	\$ <u>75,726</u>
TOTAL				
Assets:				
Cash and cash equivalents	\$ <u>751,052</u>	\$ <u>1,095,601</u>	\$ <u>1,193,716</u>	\$ <u>652,937</u>
Liabilities:				
Due to student groups and others	\$ <u>751,052</u>	\$ <u>1,095,601</u>	\$ <u>1,193,716</u>	\$ <u>652,937</u>

CITY OF TORRINGTON, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2012

(In Thousands)

Total cash collections for the year ended June 30, 2012:	
Taxes, interest and lien fees	\$ 76,136
Reimbursement for revenue loss on:	
Tax relief for elderly - elderly freeze	<u>6</u>
Base	<u>\$ 76,142</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitations:					
2-1/4 times base	\$ 171,320	\$	\$	\$	\$
4-1/2 times base		342,639			
3-3/4 times base			285,533		
3-1/4 times base				247,462	
3 times base					<u>228,426</u>
Total debt limitation	<u>171,320</u>	<u>342,639</u>	<u>285,533</u>	<u>247,462</u>	<u>228,426</u>
Indebtedness:					
Bonds and notes payable	12,335	20,260	325		
Clean water fund loans			2,312		
Bonds authorized and unissued	1,439	596			
School construction grant receivable		<u>(6,222)</u>			
Total indebtedness	<u>13,774</u>	<u>14,634</u>	<u>2,637</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 157,546</u>	<u>\$ 328,005</u>	<u>\$ 282,896</u>	<u>\$ 247,462</u>	<u>\$ 228,426</u>

Note 1: In no case shall total debt service exceed seven times annual receipts from taxation (\$532,994).