

**Basic Financial Statements, Report of
Independent Certified Public Accountants
and Supplemental Schedules**

TOWN OF ASHFORD, CONNECTICUT

June 30, 2012

Contents

	Page
Report of Independent Certified Public Accountants	1
Management’s Discussion and Analysis - Unaudited	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Governmental Fund Financial Statements:	
Balance Sheet	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis – General Fund	19
Fiduciary Fund Financial Statements - Unaudited	
Statement of Fiduciary Net Assets	20
Statement of Changes in Fiduciary Net Assets	21
Notes to Financial Statements	22
Required Supplementary Information – Unaudited:	
Public Employee Retirement System Supplementary Information	45

Contents *(continued)*

	Page
Combining and Individual Fund Statements and Schedules:	
General Fund:	
Schedule of Revenues and Other Financing Sources – Budget and Actual – Budgetary Basis	46
Schedule of Expenditures and Other Financing Uses – Budget and Actual – Budgetary Basis	48
Schedule of Property Taxes Levied, Collected and Outstanding	53
Schedule of Debt Limitation	54
Combining Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	58
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities	62
Combining Statement Changes in Fiduciary Assets and Liabilities	63



Grant Thornton

An instinct for growth™

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Finance of the
Town of Ashford, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ashford, Connecticut (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ashford, Connecticut as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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 January 30, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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.

Grant Thornton LLP
124 Hebron Avenue, Suite 200
Glastonbury, CT 06033

T 860.781.6700
F 860.633.0480
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the public employee retirement system supplementary information on page 45 be presented to supplement the basic financial statements. Such information, although not a required 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 established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

Glastonbury, Connecticut
January 30, 2013

TOWN OF ASHFORD, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ashford, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$16,899,822 (net assets). Of this amount, \$3,095,434 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$362,223.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,540,471, an increase of \$37,693 in comparison with the prior year. Approximately 67% or \$1,700,987 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,700,987 or 12.2% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.46 months of General Fund operating expenditures.
- The Town's total long-term debt decreased by \$382,500 or 10.5%, from \$3,287,500 as of June 30, 2011 to \$2,905,000 as of June 30, 2012, during the current fiscal year due to scheduled debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town has no business-type activities. The governmental activities of the Town include public safety, public works, health and welfare, planning and development, education, library, recreation, and general administrative services.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

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

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Nonrecurring Fund, Educational Grants Fund, and Small Cities Grant Program Fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs.

The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found on page 45 of this report. Combining and individual fund statements and schedules can be found on pages 46 through 62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Over time, net assets may serve as one measure of a government's financial position. Total net assets of the Town totaled \$16,899,822 and \$16,537,599 as of June 30, 2012 and 2011, respectively, and are summarized as follows:

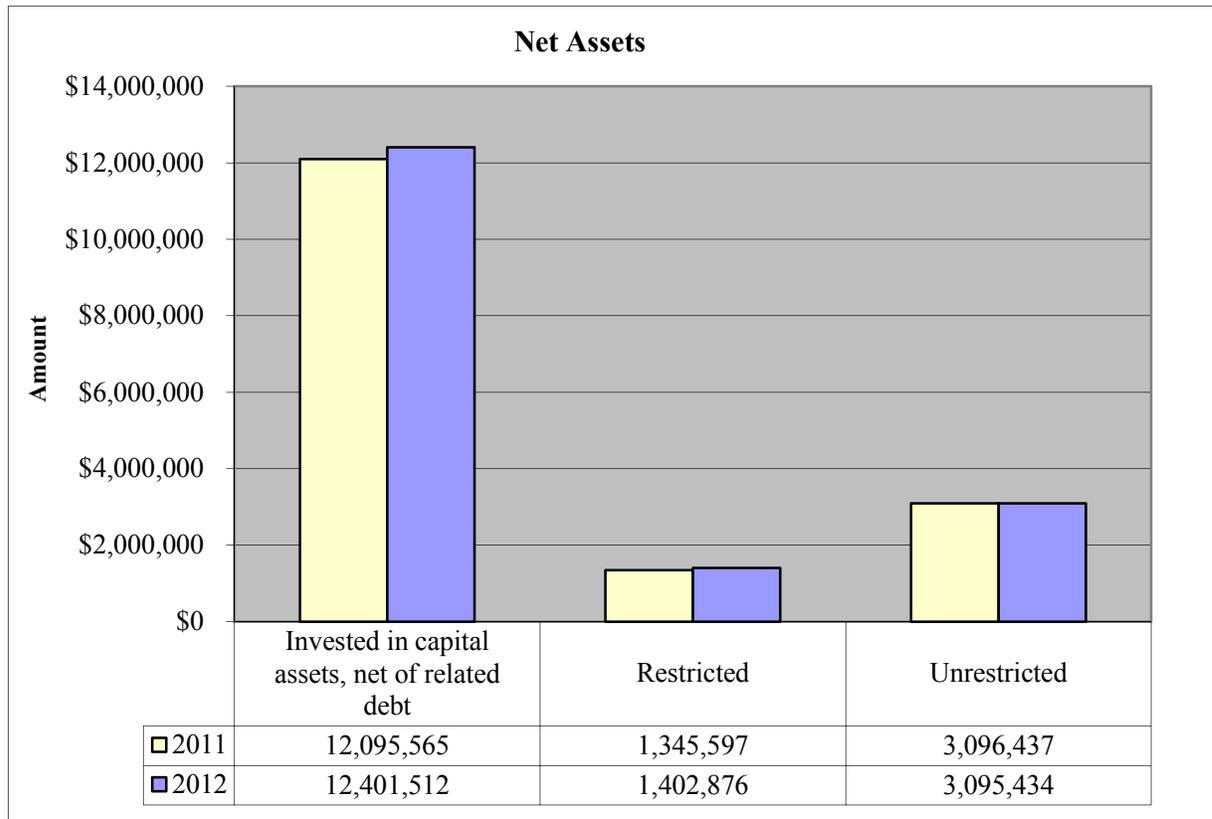
Town of Ashford Connecticut
Net Assets
June 30, 2012 and 2011

	Governmental Activities	
	2012	2011
Current and other assets	\$ 5,237,303	\$ 5,282,328
Capital assets	15,306,512	15,051,523
Total assets	20,543,815	20,333,851
Other liabilities	698,497	471,185
Long-term debt liabilities	2,945,496	3,325,067
Total liabilities	3,643,993	3,796,252
Net assets:		
Invested in capital assets, net of related debt	12,401,512	12,095,565
Restricted	1,402,876	1,345,597
Unrestricted	3,095,434	3,096,437
Total net assets	\$ 16,899,822	\$ 16,537,599

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Assets (Continued)



Of the Town's net assets, 73.4% reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

8.3% of the Town's net assets are subject to external restrictions on how they may be used and are therefore presented as restricted net assets.

The remainder of the Town's net assets are considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net assets increased by \$362,223.

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets

Changes in net assets for the years ended June 30, 2012 and 2011 are as follows:

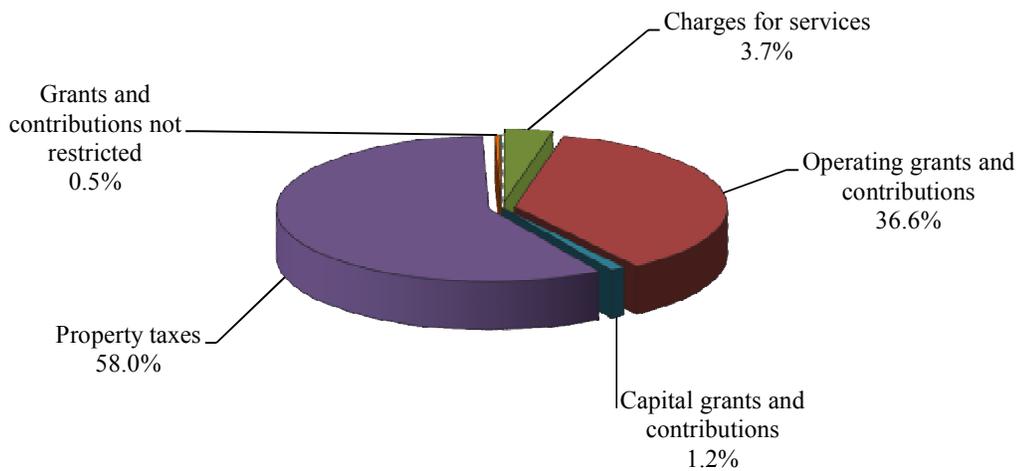
Town of Ashford, Connecticut				
Changes in Net Assets				
June 30, 2012 and 2011				
	Governmental Activities			
	2012	2011	\$ Variance	% Variance
Revenues				
Program revenues:				
Charges for services	\$ 572,316	\$ 478,923	\$ 93,393	19.5%
Operating grants and contributions	5,678,654	5,459,914	218,740	4.0%
Capital grants and contributions	178,863	104,964	73,899	70.4%
General revenues:				
Property taxes	9,000,976	8,823,060	177,916	2.0%
Grants and contributions not restricted	53,582	89,124	(35,542)	-39.9%
Unrestricted investment earnings	23,454	26,700	(3,246)	-12.2%
Total revenues	<u>15,507,845</u>	<u>14,982,685</u>	525,160	3.51%
Expenses				
General government	1,272,048	1,097,605	174,443	15.89%
Public safety	212,032	266,191	(54,159)	-20.35%
Public works	903,912	1,085,287	(181,375)	-16.71%
Health and welfare	79,449	90,804	(11,355)	-12.50%
Planning and development	286,995	168,115	118,880	70.71%
Education	12,005,702	11,805,713	199,989	1.69%
Library	175,690	184,001	(8,311)	-4.52%
Recreation	96,736	96,696	40	0.04%
Interest on long-term debt	113,058	122,416	(9,358)	-7.64%
Total expenses	<u>15,145,622</u>	<u>14,916,828</u>	228,794	1.53%
Change in net assets	<u>\$ 362,223</u>	<u>\$ 65,857</u>	296,366	450.01%

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

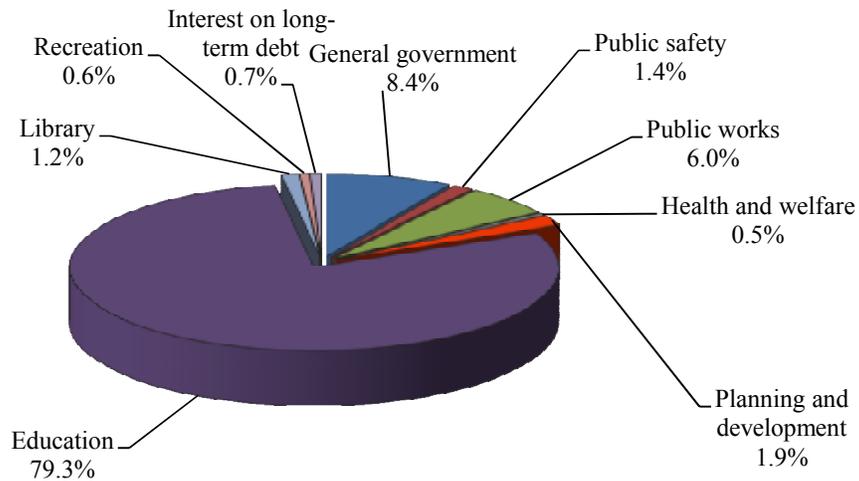
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)

**2012 Revenues by Source -
Governmental Activities**



**2012 Expenses by Function -
Governmental Activities**



**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Governmental activities increased the Town's net assets by \$362,223. Revenues generated by the Town increased by approximately \$525,000 due primarily to an increase in operating grants and contributions of \$218,740 and an increase in property taxes of \$177,916. The increase in operating grants and contributions was primarily due to an increase in the education equalization grant of approximately \$564,000. The increase in property taxes was due primarily to an increase in the mill rate from 25.43 to 25.6. The increase in revenues was offset by an increase in expense of approximately \$229,000 when compared to the prior year due to an increase in other expenses of \$372,531. The increase in expenditures was due primarily to an increase in education expenditures of \$199,989, which was driven by an increase in Education Jobs Funds grant expenditures of approximately \$112,000.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,540,471, an increase of \$37,693 in comparison with the prior year. Of this amount, \$1,700,987 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,700,987, while total fund balance was \$1,822,521. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance for the General Fund was 12.1% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.46 months of General Fund operating expenditures.

Capital and Nonrecurring Fund

The fund balance of the Capital and Nonrecurring Fund decreased by \$319,966 during the current fiscal year. This decrease is primarily related to current year capital outlays funded through the use of fund balance.

Educational Grants Fund

The Educational Grants Fund has a minimal fund balance because the fund primarily records activity related to cost reimbursement grants and contracts. Consequently, grant and contract revenues equal expenditures.

Small Cities Grant Program Fund

The fund balance of the Small Cities Grant Program Fund decreased by \$21,424 during the current fiscal year. The decrease is primarily related to additional small cities loans made during the year.

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget consisted primarily of an appropriation of \$31,000 for the purchase of supplies and materials.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2012 and 2011 totaled \$15,306,512 and \$15,383,065, respectively (net of accumulated depreciation). This investment in capital assets includes land and land development rights, buildings and improvements, machinery, equipment and vehicles and infrastructure assets such as roads and bridges. The total decrease in the Town's investment in capital assets for the current fiscal year was \$76,553 or 0.5%, which consisted of capital additions of \$369,795 offset by current year depreciation of \$422,697 and disposals net of depreciation of \$23,651.

Major capital asset additions during the current fiscal year consisted of the following:

- the purchase of a school bus in the amount of \$82,554 for the benefit of education;
- parking lot paving and lighting improvements in the amount of \$149,996 to the Town's educational facility;

The following table is a two year comparison of the investment in capital assets:

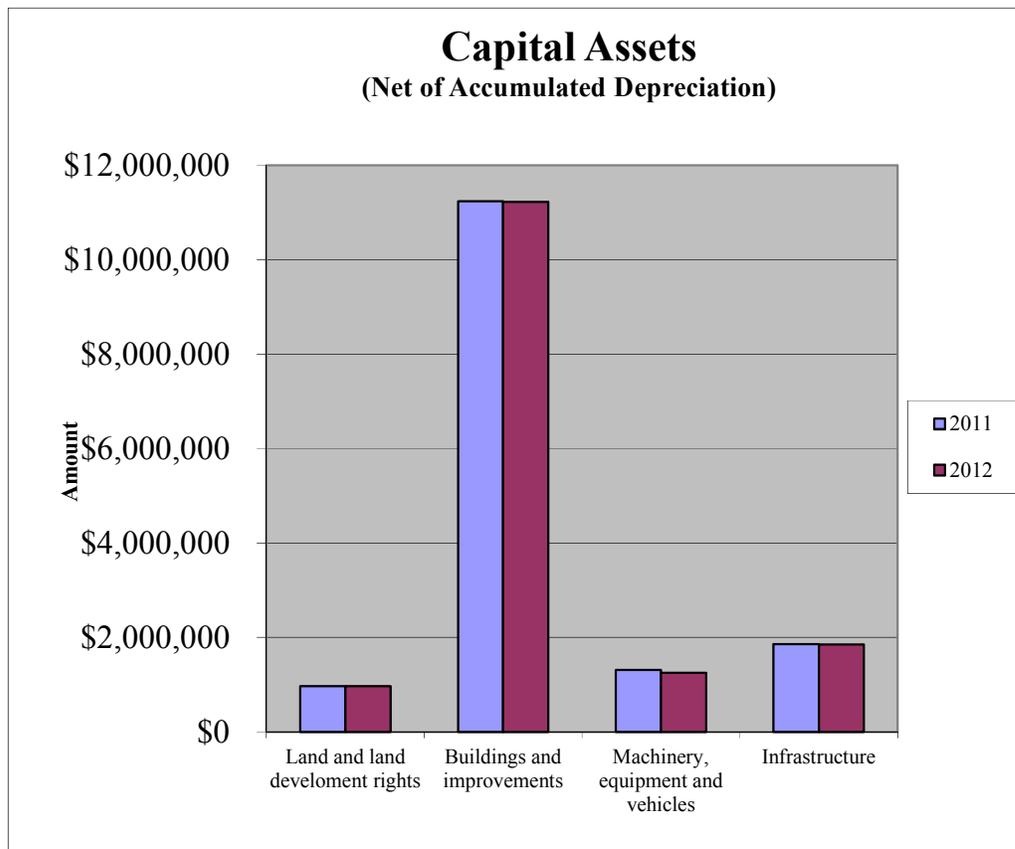
**Town of Ashford, Connecticut
Capital Assets, net
June 30, 2012 and 2011**

	Governmental Activities	
	2012	2011
Land and land development rights	\$ 968,756	\$ 968,756
Buildings and improvements	11,226,126	11,240,278
Machinery, equipment and vehicles	1,254,859	1,310,554
Infrastructure	1,856,771	1,863,477
Totals	\$ 15,306,512	\$ 15,383,065

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)



Additional information on the Town's capital assets can be found in Note 4 on page 34 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had \$2,905,000 of long-term debt outstanding. The entire amount is comprised of debt backed by the full faith and credit of the Town. Total long-term debt decreased by \$382,500 or 11.6% due to scheduled debt service payments. The Town maintains an "AA" rating from Standard & Poor's and Fitch and an "Aa" rating from Moody's Investor Service for its general obligation debt.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$62,236,202, which is significantly in excess of the Town's outstanding long-term debt.

**TOWN OF ASHFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt (Continued)

The following table is a two year comparison of long-term debt:

**Town of Ashford, Connecticut
Long- Term Debt
June 30, 2012 and 2011**

	Governmental Activities	
	2012	2011
Bonds payable	\$2,275,000	\$ 2,635,000
Note payable	630,000	652,500
Totals	<u>\$2,905,000</u>	<u>\$ 3,287,500</u>

Additional information on the Town's long-term debt can be found in Note 8 on pages 36 through 38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive.
- The unemployment rate for the Town compares favorably to the state's average unemployment rate of 8.3% and the national unemployment rate of 7.9%.
- Inflationary trends in the region compare favorably to national indices.

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

The Town has not assigned any portion of fund balance of the General Fund for spending in the 2013 fiscal year budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the First Selectman's Office, Town of Ashford, 5 Town Hall Road, Ashford, CT 06278.

TOWN OF ASHFORD, CONNECTICUT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,882,973
Investments	75,000
Receivables:	
Property taxes, net of allowance for uncollectibles of \$99,000	485,687
Interest on property taxes, net of allowance for uncollectibles of \$110,000	286,659
Grants and contracts	17,975
Other	151,928
Prepaid items and other	39,388
Loans receivable, long-term	1,297,693
Capital assets:	
Non-depreciable	968,756
Depreciable, net	14,337,756
Total assets	20,543,815
LIABILITIES	
Accounts payable	310,855
Accrued liabilities:	
Salaries and benefits payable	342,572
Accrued interest	41,406
Unearned revenue	3,664
Noncurrent liabilities:	
Due within one year	240,599
Due in more than one year	2,704,897
Total liabilities	3,643,993
NET ASSETS	
Invested in capital assets, net of related debt	12,401,512
Restricted for:	
Endowments:	
Nonexpendable	81,000
Planning and development	1,321,876
Unrestricted	3,095,434
Total net assets	\$ 16,899,822

The accompanying notes are an integral part of these financial statements .

TOWN OF ASHFORD, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 1,272,048	\$ 198,288	\$ 128,742	\$ -	(945,018)
Public safety	212,032	5,583	-	-	(206,449)
Public works	903,912	-	144,658	178,863	(580,391)
Health and welfare	79,449	-	-	-	(79,449)
Planning and development	286,995	-	-	-	(286,995)
Education	12,005,702	327,520	5,403,907	-	(6,274,275)
Library	175,690	1,418	1,347	-	(172,925)
Recreation	96,736	39,507	-	-	(57,229)
Interest expense	113,058	-	-	-	(113,058)
Total governmental activities	<u>\$ 15,145,622</u>	<u>\$ 572,316</u>	<u>\$ 5,678,654</u>	<u>\$ 178,863</u>	<u>(8,715,789)</u>
General revenues:					
Property taxes, levied for general purposes					9,000,976
Grants and contributions not restricted to specific programs					53,582
Unrestricted investment earnings					23,454
Total general revenues					<u>9,078,012</u>
Change in net assets					<u>362,223</u>
Net assets - beginning					<u>16,537,599</u>
Net assets - ending					<u>\$ 16,899,822</u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ASHFORD, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital Nonrecurring Fund	Educational Grants Fund	Small Cities Grant Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,680,928	\$ 126,495	\$ -	\$ 24,183	\$ 51,367	\$ 2,882,973
Investments	-	-	-	-	75,000	75,000
Receivables:						
Property taxes, net of allowance for doubtful accounts of \$99,000	485,687	-	-	-	-	485,687
Grants and contracts	-	6,829	-	-	11,146	17,975
Loans	-	-	-	1,297,693	-	1,297,693
Other	149,905	-	-	-	2,023	151,928
Due from other funds	15,679	336,847	11,728	-	106,617	470,871
Prepaid assets	37,878	1,484	-	-	26	39,388
Total assets	<u>\$ 3,370,077</u>	<u>\$ 471,655</u>	<u>\$ 11,728</u>	<u>\$ 1,321,876</u>	<u>\$ 246,179</u>	<u>\$ 5,421,515</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 303,965	\$ 3,997	\$ 2,761	\$ -	\$ 1,390	\$ 312,113
Salaries and benefits payable	333,009	-	7,628	-	1,935	342,572
Due to other funds	455,193	-	-	-	14,420	469,613
Unearned/deferred revenue	455,389	-	1,270	1,297,693	2,394	1,756,746
Total liabilities	<u>1,547,556</u>	<u>3,997</u>	<u>11,659</u>	<u>1,297,693</u>	<u>20,139</u>	<u>2,881,044</u>
Fund Balances:						
Nonspendable:						
Prepaid assets	37,878	1,484	-	-	26	39,388
Permanent fund principal	-	-	-	-	81,000	81,000
Restricted for:						
Planning and development	-	-	-	24,183	-	24,183
Other purposes	-	-	-	-	14,412	14,412
Committed to:						
Public safety	-	-	-	-	41,824	41,824
Education	-	-	69	-	40,102	40,171
Library	19,035	-	-	-	-	19,035
Recreation	-	-	-	-	19,770	19,770
Capital improvements	-	466,174	-	-	-	466,174
Other purposes	7,136	-	-	-	28,906	36,042
Assigned to:						
Public safety	45,229	-	-	-	-	45,229
Other purposes	12,256	-	-	-	-	12,256
Unassigned	1,700,987	-	-	-	-	1,700,987
Total fund balances	<u>1,822,521</u>	<u>467,658</u>	<u>69</u>	<u>24,183</u>	<u>226,040</u>	<u>2,540,471</u>
Total liabilities and fund balances	<u>\$ 3,370,077</u>	<u>\$ 471,655</u>	<u>\$ 11,728</u>	<u>\$ 1,321,876</u>	<u>\$ 246,179</u>	<u>\$ 5,421,515</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHFORD, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances for governmental funds	\$	2,540,471
--	----	-----------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land and land development rights	\$	968,756	
Buildings and improvements		14,212,992	
Machinery, equipment and vehicles		3,254,695	
Infrastructure		2,068,099	
Less: accumulated depreciation and amortization		<u>(5,198,030)</u>	
Total capital assets, net			15,306,512

Accrued interest on property taxes, net of the allowance for uncollectibles is not susceptible to accrual and therefore is not reported in the funds.	286,659
---	---------

Some of the Town's taxes and loans will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds.	1,753,082
--	-----------

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.

Long-term debt:			
Bond and note payable		(2,905,000)	
Accrued interest payable		(41,406)	
Other long-term liabilities:			
Compensated absences		<u>(40,496)</u>	
Total long-term liabilities			<u>(2,986,902)</u>

Net assets of governmental activities	\$	<u><u>16,899,822</u></u>
---------------------------------------	----	--------------------------

TOWN OF ASHFORD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGED IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Nonrecurring Fund	Educational Grants Fund	Small Cities Grant Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 8,882,703	\$ -	\$ -	\$ -	\$ -	\$ 8,882,703
Intergovernmental	5,120,557	178,864	500,266	125,000	86,610	6,011,297
Charges for services	334,478	-	-	24,985	150,135	509,598
Interest earnings	21,870	702	-	-	882	23,454
Miscellaneous	62,932	-	-	-	-	62,932
Total revenues	<u>14,422,540</u>	<u>179,566</u>	<u>500,266</u>	<u>149,985</u>	<u>237,627</u>	<u>15,489,984</u>
EXPENDITURES						
Current:						
General government	796,643	-	-	-	8,077	804,720
Public safety	153,495	-	-	-	17,662	171,157
Public works	714,441	-	-	-	-	714,441
Health and welfare	49,498	-	-	-	-	49,498
Planning and development	115,586	-	-	171,409	-	286,995
Education	11,084,777	-	500,439	-	229,500	11,814,716
Library	170,517	-	-	-	-	170,517
Recreation	-	-	-	-	92,626	92,626
Employee benefits and insurance	348,880	-	-	-	-	348,880
Capital outlays	-	499,532	-	-	-	499,532
Debt service:						
Principal payments	382,500	-	-	-	-	382,500
Interest and fiscal charges	116,709	-	-	-	-	116,709
Total expenditures	<u>13,933,046</u>	<u>499,532</u>	<u>500,439</u>	<u>171,409</u>	<u>347,865</u>	<u>15,452,291</u>
Excess (deficiency) of revenues over expenditures	489,494	(319,966)	(173)	(21,424)	(110,238)	37,693
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	93,463	93,463
Transfers out	(93,463)	-	-	-	-	(93,463)
Total other financing sources (uses)	<u>(93,463)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,463</u>	<u>-</u>
Net change in fund balances	396,031	(319,966)	(173)	(21,424)	(16,775)	37,693
Fund balances - beginning	<u>1,426,490</u>	<u>787,624</u>	<u>242</u>	<u>45,607</u>	<u>242,815</u>	<u>2,502,778</u>
Fund balances - ending	<u>\$ 1,822,521</u>	<u>\$ 467,658</u>	<u>\$ 69</u>	<u>\$ 24,183</u>	<u>\$ 226,040</u>	<u>\$ 2,540,471</u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ASHFORD, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	37,693
--	----	--------

Total change in net assets reported for governmental activities in the statement of activities is different because:

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

Expenditures for capital assets	\$	369,795	
Depreciation and amortization expense		<u>(422,697)</u>	
Net adjustment			(52,902)

The net effect of various miscellaneous transactions involving capital assets is as follows:

The statement of activities reports losses arising from the disposal of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a disposal of capital assets.	(23,651)
---	----------

Interest on property taxes receivables are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year reduced revenues recognized in the funds.	17,506
--	--------

Intergovernmental revenue on school construction grants is not susceptible to accrual and therefore is only reported as revenue in the funds when the cash is received by the Town. In the government-wide financial statements, the cash received reduces the grant receivable recognized in the government-wide statement of net assets.	(100,412)
--	-----------

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred revenues in governmental funds. This amount represents the change in deferred revenue.	100,767
---	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt is as follows:

Principal repayments on bond and note payable	382,500
---	---------

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Compensated absences	(2,929)	
Accrued interest	<u>3,651</u>	
		<u>722</u>

Change in net assets of governmental activities	\$	<u><u>362,223</u></u>
---	----	-----------------------

The accompanying notes are an integral part of these financial statements .

TOWN OF ASHFORD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET

AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 8,796,816	\$ 8,796,816	\$ 8,882,703	\$ 85,887
Intergovernmental	4,463,762	4,463,762	4,499,870	36,108
Charges for services	327,047	327,047	327,126	79
Investment income	28,000	20,000	21,869	1,869
Miscellaneous revenue	33,032	33,032	66,982	33,950
Total revenues	<u>13,648,657</u>	<u>13,640,657</u>	<u>13,798,550</u>	<u>157,893</u>
EXPENDITURES				
Current:				
General government	826,807	876,765	796,094	(80,671)
Public safety	152,922	155,922	153,495	(2,427)
Public works	754,351	773,804	714,441	(59,363)
Health and welfare	49,653	49,653	49,498	(155)
Planning and development	127,676	130,230	115,586	(14,644)
Education	6,845,003	6,845,003	6,816,883	(28,120)
Education - Regional School District No. 19	3,654,317	3,654,317	3,654,317	-
Other	494,319	448,949	348,880	(100,069)
Debt service				
Principal payments	382,500	382,500	382,500	-
Interest and fiscal charges	116,709	116,709	116,709	-
Total expenditures	<u>13,404,257</u>	<u>13,433,852</u>	<u>13,148,403</u>	<u>(285,449)</u>
Excess of revenues over expenditures	244,400	206,805	650,147	443,342
OTHER FINANCING (SOURCES) USES				
Transfers out	<u>(244,400)</u>	<u>(225,765)</u>	<u>(254,163)</u>	<u>(28,398)</u>
Total other financing uses, net	<u>(244,400)</u>	<u>(225,765)</u>	<u>(254,163)</u>	<u>(28,398)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (18,960)</u>	395,984	<u>\$ 414,944</u>
Fund balance - beginning			<u>1,398,636</u>	
Fund balance - ending			<u>\$ 1,794,620</u>	

The accompanying notes are an integral part of these financial statements .

TOWN OF ASHFORD, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 122,923	\$ 29,130	\$ 54,065
Investments, at fair value:			
Certificates of deposit	50,833	1,764	-
U.S. Agencies securities	6,173	-	-
U.S. Treasury securities	38,113	-	-
Corporate and foreign bonds	92,819	-	-
Mutual funds	-	129,888	-
Equity securities	507,126	-	-
Contributions receivable:			
Employer	54,170	-	-
Due from other funds	-	-	9,930
Total assets	<u>872,157</u>	<u>160,782</u>	<u>\$ 63,995</u>
LIABILITIES			
Accounts payable	-	-	\$ 9,230
Due to other funds	-	9,930	1,258
Due to others	-	-	53,507
Total liabilities	<u>-</u>	<u>9,930</u>	<u>\$ 63,995</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 872,157</u>	<u>\$ 150,852</u>	

The accompanying notes are an integral part of these financial statements .

TOWN OF ASHFORD, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 54,170	\$ -
Total contributions	<u>54,170</u>	<u>-</u>
Investment earnings:		
Interest and dividends	24,459	3,429
Net increase (decrease) in the fair value of investments	<u>(7,495)</u>	<u>576</u>
Total investment earnings	16,964	4,005
Less: investment expense	<u>7,704</u>	<u>-</u>
Net investment earnings	9,260	4,005
Total additions	<u>63,430</u>	<u>4,005</u>
DEDUCTIONS		
Benefit payments	97,314	3,350
Administrative expenses	<u>-</u>	<u>755</u>
Total deductions	<u>97,314</u>	<u>4,105</u>
Change in net assets	(33,884)	(100)
Net assets - beginning	<u>906,041</u>	<u>150,952</u>
Net assets - ending	<u>\$ 872,157</u>	<u>\$ 150,852</u>

The accompanying notes are an integral part of these financial statements .

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ashford, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

Financial Reporting Entity

History and Organization

The Town of Ashford, Connecticut was settled in 1714 and covers 39.5 square miles located in Windham County. The Town operates under a Board of Selectmen, Town Meeting and Board of Finance form of government and provides the following services as authorized by its charter: public safety, public works, health and welfare services, recreation, education, planning and development, and general administrative services.

The legislative power of the Town is with the Board of Selectmen and Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

The basic financial statements of the reporting entity include only the funds of the Town as no component units exist based on operational or financial relationships with the Town.

Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

The Town reports the following major governmental funds:

General Fund - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Nonrecurring Fund - This fund is used to account for the revenues and expenditures relating to capital construction, repairs and purchases.

Educational Grants Fund - This fund is used to account for the financial resources to be used for educational grants received from the state and federal government. Revenues in this fund include grant and related revenues restricted to allowable expenditure per the grant agreement.

Small Cities Grant Program Fund - This fund is used to account for program income received from federal and state funded loans repaid to the Town and expenditures made on new loans.

In addition, the Town reports the following fiduciary fund types:

Private Purpose Trust Fund - This fund type is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town utilizes private purpose trust funds to account for activities of funds held in trust for student scholarships.

Pension Trust Fund - This fund is used to account for the activities of the Town Employees' Retirement System, which accumulates resources for retirement benefit payments to qualified employees.

Agency Funds - These funds are used to account for resources held by the Town in a purely custodial capacity.

Measurement Focus and Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The 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 government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

The pension, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Assets, Liabilities and Fund Equity

Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities and Fund Equity *(Continued)*

Investments

Investments for the Town are reported at fair value (generally based on quoted market prices) except as described below.

The Town invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office. STIF operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, STIF qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. STIF is subject to regulatory oversight even though it is not registered by the SEC.

Donor-restricted Endowments

The Town allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective October 1, 2007. UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town.

Property Taxes

Property taxes are assessed as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes of \$99,000 as of June 30, 2012.

Loans Receivable

The Town administers a Residential Rehabilitation Loan Program for low to moderate income families. The loans bear an interest rate of 0%. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or the subject property is no longer the applicant's principal place of residence. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2012, the outstanding loans receivable totaled \$1,297,693 under this program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 for machinery, equipment and vehicles, \$20,000 for land, building and improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. 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 a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10-100
Machinery, equipment and vehicles	7-30
Infrastructure	20-100

Unearned/Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

Compensated Absences

Town employees may accumulate unused vacation and sick pay benefits (“compensated absences”). All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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 the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Assets, Liabilities and Fund Equity (Continued)

Long-term Obligations (*Continued*)

In the fund financial statements, governmental funds 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.

Fund Equity

The government-wide statement of net assets presents the Town's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net assets - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This category consists of net assets which do not meet the definition of the two preceding categories.

The Town's governmental funds report the following fund balance categories:

Nonspendable - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

Committed - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Finance (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action. The formal action required to be taken by the Board of Finance to commit fund balance includes formal voting procedures regulated by the Town Charter, which is consistent with the Town's budgeting procedures as described in Note 2.

Assigned - Amounts are constrained by the Town's intent to be used for specific purposes, but are not restricted or committed. The Board of Finance has delegated the responsibility to assign funds to management of the Town, with the exception of those amounts assigned by the Board of Finance during the Town's annual budgeting process as described in Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Fund Equity (Continued)

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

The Town does not have a formal policy over the use of net assets or fund balance. In accordance with the applicable accounting guidance, when both restricted and unrestricted resources are available for use, it is assumed that the Town will use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

Interfund Activities

Interfund activities are reported as follows:

Interfund 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - BUDGETARY INFORMATION

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements in accordance with provisions of its Charter and Connecticut General Statutes.

- m A budget for the General Fund is authorized annually by the Board of Finance. The Board of Finance follows these procedures in establishing the budgetary data reflected in the General Fund financial statements:
 - o The citizens of the Town vote on the recommended budget
 - o The Board of Finance sets the tax rate for the fiscal year

- m Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Transfers of budgeted amounts between departments must be approved by the Board of Finance. Management may transfer amounts between line items within a department. Additional appropriation requests are submitted by the department heads to the Board of Selectmen. The Board of Selectmen acts on the requests, which, if approved are sent to the Board of Finance. The Board of Finance may approve additional appropriations for a department, provided such additional appropriations do not exceed \$20,000 or are not a second request for an appropriation by the asking board, commission or department. Appropriations in excess of the amount which the Board of Finance may approve or a second request by the requesting board, commission or department, must be approved by vote of a Town Meeting. During the year ended June 30, 2012 the Board of Finance approved additional appropriations from fund balance of \$29,595.

- m Formal budgetary integration is employed as a management control device during the year.

- m The budget is prepared on the modified accrual basis of accounting.

- m Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

- m All unexpended appropriations lapse at year-end, except those for the Capital Nonrecurring Fund. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

TOWN OF ASHFORD, CONNECTICUT
Notes to Financial Statements
June 30, 2012

NOTE 2 - BUDGETARY INFORMATION (Continued)

Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). The differences consist of payments made by the State of Connecticut "on-behalf" of the Town into the State Teacher's Retirement System, which are not recorded for budgetary purposes, and additional revenues and expenditures pertaining to other Town funds, which are not budgeted for by the Town due to perspective differences. A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2012.

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>	<u>Fund Balance</u>
Budgetary basis	\$ 13,798,550	\$ 13,148,403	\$ (254,163)	\$ 395,984	\$ 1,794,620
"On-behalf payments - State Teachers Retirement Fund	613,577	613,577	-	-	-
Babcock Library Fund	9,800	170,517	160,700	(17)	20,765
Other Funds	613	549	-	64	7,136
GAAP basis	<u>\$ 14,422,540</u>	<u>\$ 13,933,046</u>	<u>\$ (93,463)</u>	<u>\$ 396,031</u>	<u>\$ 1,822,521</u>

Expenditures Which Exceed Appropriations

As discussed above, the legal level of control at which expenditures may not legally exceed appropriations is at the department level. During the year ended June 30, 2012, there were no departments whose expenditures exceeded appropriations.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2012, the carrying amount of the Town's cash deposits totaled \$3,089,091. As of June 30, 2012, \$1,953,563 of the Town's bank balance of \$3,246,194 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,758,207
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>195,356</u>
	<u>\$ 1,953,563</u>

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits (Continued)

Custodial Credit Risk (Continued)

All of the Town’s deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank’s risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments in STIF and money market mutual funds totaling \$1,422 are included in cash and cash equivalents in the accompanying statement of net assets. For purposes of disclosure, such amounts are considered investments and are included in the disclosure of investments.

A reconciliation of the Town’s cash deposits as of June 30, 2012 is as follows:

Government-wide statement of net assets:	
Cash and cash equivalents	\$ 2,882,973
Statement of fiduciary net assets:	
Cash and cash equivalents	206,118
	<u>3,089,091</u>
Add: certificates of deposit classified as investments - government-wide financial statements	75,000
Add: certificates of deposit classified as investments - private purpose trust fund	1,764
Less: cash equivalents classified as investments	(1,422)
Total cash deposits	<u><u>\$ 3,164,433</u></u>

TOWN OF ASHFORD, CONNECTICUT
Notes to Financial Statements
June 30, 2012

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2012, the Town's investments consisted of the following:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Debt Securities:				
Short-term Investment Fund (STIF)	\$ 405	\$ 405	\$ -	\$ -
Money market mutual funds	1,017	1,017	-	-
Corporate and foreign bonds	92,818	17,998	67,697	7,123
U.S. Agencies securities	6,173	-	-	6,173
U.S. Treasury securities	38,113	11,364	6,855	19,894
	<u>138,526</u>	<u>\$ 30,784</u>	<u>\$ 74,552</u>	<u>\$ 33,190</u>
Other Investments:				
Mutual funds	180,722			
Equity securities	507,126			
	<u>\$ 826,374</u>			

Because STIF and the money market mutual funds have weighted average maturities of less than 90 days, they have been presented as investments with maturities of less than one year.

A reconciliation of the Town's investments as of June 30, 2012 are as follows:

Government-wide statement of net assets:	
Investments	\$ 75,000
Statement of fiduciary net assets:	
Investments	826,716
	<u>901,716</u>
Less: certificates of deposit classified as investments	(76,764)
Add: investments classified as cash equivalents	1,422
	<u>\$ 826,374</u>

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk

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

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in: (1) obligations of the United States, including its instrumentalities and agencies; (2) in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; (3) in 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; (4) or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. 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 does not specify permitted investments. Therefore, the investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Town's investments in debt securities were rated by Standard & Poor's as follows at June 30, 2012:

Debt Securities	Fair Value	AAA	AA	A	BBB	Unrated
Short-term Investment Fund (STIF)	\$ 405	\$ 405	\$ -	\$ -	\$ -	\$ -
Money market mutual funds	1,017	-	-	-	-	1,017
Corporate and foreign bonds	92,818	-	12,331	54,221	26,266	-
U.S. Agencies securities	6,173	-	6,173	-	-	-
	<u>\$ 100,413</u>	<u>\$ 405</u>	<u>\$ 18,504</u>	<u>\$ 54,221</u>	<u>\$ 26,266</u>	<u>\$ 1,017</u>

No credit risk disclosures are required for U.S. Treasury securities.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in STIF and money market mutual funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Town's remaining investments are not exposed to custodial credit risk at June 30, 2012.

TOWN OF ASHFORD, CONNECTICUT
Notes to Financial Statements
June 30, 2012

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. The Town's investments in certain equity mutual funds were the only individual holdings which exceeded 5% of the Town's total investments as of June 30, 2012.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land and land development rights	\$ 968,756	\$ -	\$ -	\$ 968,756
Total capital assets, not being depreciated	<u>968,756</u>	<u>-</u>	<u>-</u>	<u>968,756</u>
Capital assets, being depreciated:				
Buildings and improvements	14,051,483	161,509	-	14,212,992
Machinery, equipment and vehicles	3,234,769	208,286	(188,360)	3,254,695
Infrastructure	2,068,099	-	-	2,068,099
Total capital assets, being depreciated	<u>19,354,351</u>	<u>369,795</u>	<u>(188,360)</u>	<u>19,535,786</u>
Less accumulated depreciation for:				
Buildings and improvements	2,811,205	175,661	-	2,986,866
Machinery, equipment and vehicles	1,924,215	192,820	(164,709)	1,952,326
Infrastructure	204,622	54,216	-	258,838
Total accumulated depreciation	<u>4,940,042</u>	<u>422,697</u>	<u>(164,709)</u>	<u>5,198,030</u>
Total capital assets, being depreciated, net	<u>14,414,309</u>	<u>(52,902)</u>	<u>(23,651)</u>	<u>14,337,756</u>
Governmental activities capital assets, net	<u>\$ 15,383,065</u>	<u>\$ (52,902)</u>	<u>\$ (23,651)</u>	<u>\$ 15,306,512</u>

TOWN OF ASHFORD, CONNECTICUT
Notes to Financial Statements
June 30, 2012

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:

Education	\$ 190,986
Public works	79,835
General government	71,767
Public safety	40,875
Health & Welfare	29,951
Library	5,173
Recreation	4,110
Total depreciation expense - governmental activities	<u>\$ 422,697</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Records Preservation	\$ 6,436
	Food Bank	258
	School Cafeteria	7,985
	Driveway Bond	<u>1,000</u>
		15,679
Capital Nonrecurring Fund	General Fund	336,847
Educational Grants Fund	General Fund	11,728
Nonmajor Governmental Funds	General Fund	<u>106,617</u>
		<u>\$ 470,871</u>
Fiduciary Funds		
Agency Funds	Private Purpose Trust Fund	<u>\$ 9,930</u>
General Fund	Agency Fund	<u>\$ 1,258</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF ASHFORD, CONNECTICUT
Notes to Financial Statements
June 30, 2012

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
General Fund	Other Governmental Funds	<u>\$ 93,463</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - UNEARNED/DEFERRED REVENUE

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. The components of deferred revenue and unearned revenue are as follows as of June 30, 2012:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 455,389	\$ -
Grant draw downs prior to meeting eligibility requirements	-	3,664
Long-term portion of loans receivable	<u>1,297,693</u>	-
	<u>\$ 1,753,082</u>	<u>\$ 3,664</u>

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bond and note payable	\$ 3,287,500	\$ -	\$ (382,500)	\$ 2,905,000	\$ 232,500
Other liabilities:					
Compensated absences	<u>37,567</u>	<u>31,988</u>	<u>(29,059)</u>	<u>40,496</u>	<u>8,099</u>
	<u>\$ 3,325,067</u>	<u>\$ 31,988</u>	<u>\$ (411,559)</u>	<u>\$ 2,945,496</u>	<u>\$ 240,599</u>

Long-term obligations have typically have been liquidated by the General Fund.

TOWN OF ASHFORD, CONNECTICUT
Notes to Financial Statements
June 30, 2012

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Bond and Note Payable

A summary of bond and note payable outstanding at June 30, 2012 is as follows:

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities					
Bond and Note Payable					
General obligation improvement bond	2003	\$ 4,795,000	2023	2%-4.5%	\$ 2,275,000
USDA - Rural development note	2000	\$ 900,000	2040	4.75%	630,000
					<u>\$ 2,905,000</u>

Annual debt service requirements to maturity on the bond and the note payable are as follows as of June 30, 2012:

<u>Year ending June 30:</u>	<u>Bond and Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 232,500	\$ 107,090
2014	232,500	99,721
2015	232,500	92,222
2016	232,500	84,407
2017	227,500	76,388
2018-2022	1,137,500	253,107
2023-2027	317,500	89,601
2028-2032	112,500	58,781
2033-2037	112,500	32,063
2037-2040	67,500	6,413
	<u>\$ 2,905,000</u>	<u>\$ 899,793</u>

The Town is contingently liable for its pro-rata share of Regional School District No. 19's (the "District") outstanding bonds. At June 30, 2012, the District's total outstanding bonds were \$12,337,000. The Town of Ashford's share will be approximately 21% of the total, or \$1,081,797. Such outstanding indebtedness represents general obligations of the Regional School District No. 19 and its member towns, however, the Town is not required to record its share in the accompanying statement of net assets. Regional School District No. 19 has no authorized, unissued bonds, for which the Town of Ashford would be contingently liable.

School Bond Reimbursements

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for the year ended June 30, 2012 was \$100,412.

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$62,236,202 as of June 30, 2012. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2012.

NOTE 9 - RETIREMENT PLANS

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Town's Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual town basis. For the year ended June 30, 2012, Town teachers contributed \$216,574 to the plan and covered payroll for the year was \$2,987,228.

The Town has reported "on-behalf" payments of \$613,577 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Town of Ashford Retirement Plan

The Town established a single employer defined contribution plan (the "Plan") to provide retirement benefits for all of its full-time employees. Under the provisions of the Plan, all full-time employees (except those covered under a comparable employer plan) may participate. The Town is required to contribute an amount equal to 7% of employee covered payroll. Plan participants are not required to contribute to the Plan.

The Plan does not issue stand alone financial statements and is part of the Town's financial reporting entity since the Town has trustee responsibilities related to the participant accounts which contain employer contributions. As such, the Plan is accounted for in the fiduciary fund financial statements as a pension trust fund.

The Plan is accounted for using the accrual basis of accounting. Town contributions are recognized when due and the Town has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

NOTE 9 - RETIREMENT PLANS (Continued)

Town of Ashford Retirement Plan (Continued)

Employer contributions totaled \$54,170 for the year ended June 30, 2012.

Contribution requirements of the Town are established and may be amended by the Board.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Town's Board of Education administers one single-employer defined benefit healthcare plan (the "Plan"). The Plan provides healthcare and dental insurance benefits for all eligible Board of Education retirees and their spouses through the Board of Education's group healthcare and dental insurance plans. Benefits provisions are established by contract and may be amended by union negotiations each three-year bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Funding Policy

Contribution requirements of the participants and the Town are established by and may be amended through negotiations between the Town and the union representing the employees. Currently, participants are required to contribute 100% of their healthcare and dental premiums to the Town, less any reimbursements received by the Town from the State Retirement Board. The Town pays the benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), which is an amount actuarially determined. 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 over a period not to exceed thirty years. The Town's annual OPEB cost is entirely attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the Town for access to premium rates offered to the Town's active employees.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed by the Town for such benefits, and changes in the Town's net OPEB asset.

Annual required contribution	\$ 33,796
Amortization of Actuarial (Gains) / Losses	(5,088)
Annual OPEB cost (expense)	28,708
Contributions made	35,381
Change in net OPEB obligation	(6,673)
Net OPEB asset, beginning of year	-
Net OPEB asset, end of year	<u>\$ (6,673)</u>

TOWN OF ASHFORD, CONNECTICUT
Notes to Financial Statements
June 30, 2012

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2012 and 2011 is as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2012	\$ 28,708	123%	\$ 6,673
2011	36,201	42%	-
2010	35,216	173%	20,875

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 (the date of the most recent actuarial valuation) was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	Unfunded AAL (UAAL) (B- A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 116,856	\$ 116,856	0%	N/A	N/A

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in 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 Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive Plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing of benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and Plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation date:	July 1, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level Dollar
Remaining amortization period:	7 years
Asset valuation method:	Fair Value
Actuarial assumptions:	
Investment rate of return	4.00%
Inflation rate	2.50%
Healthcare cost trend rate	10.00% (Initial)
	5.00% (Final)

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except workers' compensation insurance for which it participates in a risk pool. During 2012, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years.

The Town is currently a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the CGS, for workers' compensation coverage. CIRMA has approximately 215 members in the workers' compensation pool. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence.

For the policy year 2011-2012, the Town paid approximately \$71,000 in premiums.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

There are several legal matters pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates

that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (*Continued*)

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

NOTE 13 – RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB has issued several new accounting standards that will become effective in future years. Management is currently evaluating the effect implementation of these standards, as applicable, will have on its financial statements. A summary of recently issued accounting standards that will become effective in future years is as follows:

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 and early adoption is permitted.

The GASB has issued Statement No. 67, *Financial Reporting for Pension Plans - An amendment of GASB Statement No. 25*, which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. The provisions in GASB 67 are effective for financial statements for periods beginning after June 15, 2013 and early adoption is permitted.

NOTE 13 – RECENTLY ISSUED ACCOUNTING STANDARDS (*Continued*)

The GASB has issued Statement No. 66, *Technical Corrections – 2012*, which amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for 1) operating lease payments that vary from a straight-line basis, 2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and 3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions in GASB 66 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

The GASB has issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of GASB 65 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

The GASB has issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB 63 also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The provisions of GASB 63 are effective for financial statements for periods beginning after December 15, 2011 and early adoption is permitted.

NOTE 13 – RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

In December 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 incorporates into the GASB authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The adoption of this standard has no retroactive or current impact on the Town's financial statements.

TOWN OF ASHFORD, CONNECTICUT

PUBLIC EMPLOYEE RETIREMENT SYSTEM SUPPLEMENTARY INFORMATION - Unaudited

FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	Unfunded AAL (UAAL) B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Other Post-Employment Benefit Plan*							
July 1, 2011	2012	\$ -	\$ 116,856	\$ 116,856	\$ -	N/A	N/A
July 1, 2008	2009	-	270,629	270,629	-	N/A	N/A

* - The Town is required to obtain an actuarial valuation every three years.

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Current year tax collections	\$ 8,626,351	\$ 8,626,351	\$ 8,570,427	\$ (55,924)
Prior year tax collections	70,000	70,000	151,643	81,643
Tax interest and liens	38,000	38,000	80,336	42,336
Motor vehicle supplement	52,000	52,000	69,269	17,269
Telephone access line	10,290	10,290	10,683	393
Miscellaneous	175	175	345	170
TOTAL PROPERTY TAXES	8,796,816	8,796,816	8,882,703	85,887
INTERGOVERNMENTAL REVENUES				
Education cost sharing assistance	3,896,069	3,896,069	3,881,841	(14,228)
Special education	285,000	285,000	252,759	(32,241)
School building grant	100,412	100,412	100,412	-
Town aid road grant	75,411	75,411	73,209	(2,202)
Transportation	49,755	49,755	72,381	22,626
Mohegan-Pequot grant	22,335	22,335	23,875	1,540
Tax relief for the elderly	14,000	14,000	16,654	2,654
Payment in lieu of taxes - AHA	10,000	10,000	-	(10,000)
Payment in lieu of taxes	6,000	6,000	6,002	2
Tax relief for machinery, equipment and commercial vehicles	3,000	3,000	-	(3,000)
Tax relief for veteran exemptions	1,000	1,000	1,091	91
Tax relief for disability exemptions	600	600	768	168
Aircraft reimbursement	180	180	180	-
Miscellaneous grants	-	-	70,698	70,698
TOTAL INTERGOVERNMENTAL REVENUES	4,463,762	4,463,762	4,499,870	36,108
CHARGES FOR SERVICES				
Transportation - E.O. Smith	238,647	238,647	226,020	(12,627)
Building licenses and permits	26,500	26,500	41,659	15,159
Conveyance tax	20,000	20,000	26,342	6,342
Recording fees	16,000	16,000	17,735	1,735
Open space recapture tax	2,000	2,000	-	(2,000)
BOE - bus garage usage	6,000	6,000	5,250	(750)
Copies of records	4,000	4,000	4,443	443
Miscellaneous	50	50	3,060	3,010
Zoning permits	2,400	2,400	893	(1,507)
Dog licenses	650	650	579	(71)
Wetlands permits	1,300	1,300	496	(804)
Recycling and transfer station	2,000	2,000	415	(1,585)
Hunting and fishing licenses	450	450	214	(236)
Marriage licenses	50	50	20	(30)
P&Z - reimbursements for services	5,000	5,000	-	(5,000)
Copies - certified & vitals	2,000	2,000	-	(2,000)
TOTAL CHARGES FOR SERVICES	327,047	327,047	327,126	79

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
INVESTMENT INCOME	\$ 28,000	\$ 20,000	\$ 21,869	1,869
OTHER REVENUES				
Miscellaneous	15,000	15,000	52,479	37,479
Level 3 Communications, LLC	18,032	18,032	14,503	(3,529)
TOTAL OTHER REVENUES	<u>33,032</u>	<u>33,032</u>	<u>66,982</u>	<u>33,950</u>
TOTAL REVENUES	<u>\$ 13,648,657</u>	<u>\$ 13,640,657</u>	<u>\$ 13,798,550</u>	<u>\$ 157,893</u>

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT				
Board of Selectmen:				
Salaries and wages	\$ 94,931	\$ 97,777	\$ 97,728	\$ (49)
Purchased services	5,260	5,260	5,350	90
Supplies and materials	550	550	631	81
Other	510	510	350	(160)
Total Board of Selectman	<u>101,251</u>	<u>104,097</u>	<u>104,059</u>	<u>(38)</u>
Town Council:				
Professional and tech services	<u>50,000</u>	<u>50,000</u>	<u>36,622</u>	<u>(13,378)</u>
Data Processing and Contracted Services	<u>26,169</u>	<u>26,169</u>	<u>26,138</u>	<u>(31)</u>
Knowlton Hall Operations and Maintenance:				
Property services	14,475	14,475	13,336	(1,139)
Purchased services	1,550	1,550	1,355	(195)
Supplies and materials	10,000	10,000	9,157	(843)
Total Knowlton Hall Operations and Maintenance	<u>26,025</u>	<u>26,025</u>	<u>23,848</u>	<u>(2,177)</u>
Town Hall Operations and Maintenance:				
Property services	31,400	31,400	26,229	(5,171)
Purchased services	23,000	23,000	21,232	(1,768)
Supplies and materials	9,000	9,000	9,273	273
Total Town Hall Operations and Maintenance	<u>63,400</u>	<u>63,400</u>	<u>56,734</u>	<u>(6,666)</u>
Town Property Operations/Maintenance:				
Salaries and wages	37,345	39,025	37,402	(1,623)
Property services	13,800	13,800	9,920	(3,880)
Purchased services	4,500	4,500	5,024	524
Supplies and materials	1,100	1,100	643	(457)
Total Town Property Operations/Maintenance:	<u>56,745</u>	<u>58,425</u>	<u>52,989</u>	<u>(5,436)</u>
Earl Smith Senior Center:				
Salaries and wages	26,779	27,577	27,577	-
Property services	9,410	28,567	29,592	1,025
Purchased services	7,850	7,850	6,145	(1,705)
Supplies and materials	7,700	7,700	6,479	(1,221)
Equipment	250	250	-	(250)
Total Earl Smith Senior Center	<u>51,989</u>	<u>71,944</u>	<u>69,793</u>	<u>(2,151)</u>
Board of Finance:				
Salaries and wages	1,330	1,330	1,200	(130)
Professional and tech services	30,010	30,010	20,500	(9,510)
Purchased services	3,300	3,300	430	(2,870)
Supplies and materials	450	450	209	(241)
Total Board of Finance	<u>35,090</u>	<u>35,090</u>	<u>22,339</u>	<u>(12,751)</u>

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Assessors Office:				
Salaries and wages	\$ 84,990	\$ 87,725	\$ 62,770	\$ (24,955)
Purchased services	13,270	13,270	12,647	(623)
Supplies and materials	615	615	846	231
Total Assessors Office	<u>98,875</u>	<u>101,610</u>	<u>76,263</u>	<u>(25,347)</u>
Board of Assessment Appeals:				
Salaries and wages	780	780	780	-
Purchased services	225	225	38	(187)
Supplies and materials	30	30	-	(30)
Total Board of Assessment Appeals	<u>1,035</u>	<u>1,035</u>	<u>818</u>	<u>(217)</u>
Tax Collector:				
Salaries and wages	75,703	78,130	77,670	(460)
Property services	367	367	240	(127)
Purchased services	11,327	11,327	11,096	(231)
Supplies and materials	1,450	1,450	865	(585)
Other	6,039	20,474	20,474	-
Total Tax Collector	<u>94,886</u>	<u>111,748</u>	<u>110,345</u>	<u>(1,403)</u>
Finance Department:				
Salaries and wages	75,914	78,678	77,975	(703)
Professional and tech services	1,737	1,737	2,776	1,039
Purchased services	5,309	5,309	4,873	(436)
Supplies and materials	1,200	1,200	1,049	(151)
Total Finance Department	<u>84,160</u>	<u>86,924</u>	<u>86,673</u>	<u>(251)</u>
Town Clerk:				
Salaries and wages	80,081	82,618	82,249	(369)
Property services	3,525	3,525	2,785	(740)
Purchased services	22,120	22,120	19,382	(2,738)
Supplies and materials	4,250	4,250	2,651	(1,599)
Total Town Clerk	<u>109,976</u>	<u>112,513</u>	<u>107,067</u>	<u>(5,446)</u>
Town Election Expense:				
Salaries and wages	19,296	19,875	15,742	(4,133)
Professional and tech services	2,050	2,050	2,033	(17)
Property services	713	713	-	(713)
Purchased services	2,667	2,667	2,211	(456)
Supplies and materials	2,480	2,480	2,420	(60)
Total Town Election Expense	<u>27,206</u>	<u>27,785</u>	<u>22,406</u>	<u>(5,379)</u>
TOTAL GENERAL GOVERNMENT	<u>826,807</u>	<u>876,765</u>	<u>796,094</u>	<u>(80,671)</u>

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC SAFETY				
Emergency Services:				
Salaries and wages	\$ 13,047	\$ 13,047	\$ 13,047	\$ -
Professional and tech services	375	375	-	(375)
Property services	750	750	735	(15)
Purchased services	1,710	4,710	2,793	(1,917)
Supplies and materials	100	100	-	(100)
Equipment	20	20	-	(20)
Other	136,920	136,920	136,920	-
Total Emergency Services	152,922	155,922	153,495	(2,427)
TOTAL PUBLIC SAFETY	152,922	155,922	153,495	(2,427)
PUBLIC WORKS				
Public Works Administration:				
Salaries and wages	275,162	281,960	256,838	(25,122)
Total Public Works Administration	275,162	281,960	256,838	(25,122)
Roads and Bridges:				
Property services	12,500	12,500	5,159	(7,341)
Supplies and materials	126,300	95,300	101,718	6,418
Total Roads and Bridges	138,800	107,800	106,877	(923)
Building, Maintenance and Repair:				
Property services	15,500	15,500	8,714	(6,786)
Purchased services	3,850	3,850	2,344	(1,506)
Supplies and materials	11,225	18,460	14,716	(3,744)
Total Building, Maintenance and Repair	30,575	37,810	25,774	(12,036)
Maintenance of Equipment:				
Property services	7,750	11,300	11,504	204
Supplies and materials	62,500	93,500	98,754	5,254
Total Maintenance of Equipment	70,250	104,800	110,258	5,458
Recycling Center:				
Salaries and wages	47,889	49,759	49,961	202
Professional and tech services	750	750	660	(90)
Property services	188,700	188,700	162,242	(26,458)
Purchased services	425	425	510	85
Supplies and materials	1,000	1,000	521	(479)
Other	800	800	800	-
Total Recycling Center	239,564	241,434	214,694	(26,740)
TOTAL PUBLIC WORKS	754,351	773,804	714,441	(59,363)

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
HEALTH & WELFARE				
Ashford Historical Society	\$ 160	\$ 160	\$ 165	\$ 5
Agent for the Elderly	1,485	1,485	1,330	(155)
Commission on Aging	500	500	498	(2)
Contributions to Other Agencies	47,508	47,508	47,505	(3)
TOTAL HEALTH & WELFARE	49,653	49,653	49,498	(155)
PLANNING AND DEVELOPMENT				
Planning and Zoning:				
Salaries and wages	14,994	15,103	14,303	(800)
Professional and tech services	8,000	8,000	1,950	(6,050)
Purchased services	1,900	1,900	521	(1,379)
Supplies and materials	1,800	1,800	1,195	(605)
Total Planning and Zoning	26,694	26,803	17,969	(8,834)
Zoning Board of Appeals:				
Purchased services	1,400	1,400	-	(1,400)
Inland Wetlands:				
Salaries and wages	7,777	7,852	7,527	(325)
Professional and tech services	7,000	7,000	7,560	560
Purchased services	2,200	2,200	639	(1,561)
Supplies and materials	800	800	549	(251)
Total Inland Wetlands	17,777	17,852	16,275	(1,577)
Conservation Commission:				
Purchased services	800	800	188	(612)
Supplies and materials	1,300	1,300	444	(856)
Total Conservation Commission	2,100	2,100	632	(1,468)
Building Department:				
Salaries and wages	60,589	62,959	60,990	(1,969)
Purchased services	500	500	500	-
Supplies and materials	3,150	3,150	3,114	(36)
Equipment	1,000	1,000	2,404	1,404
Total Building Department	65,239	67,609	67,008	(601)

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PLANNING AND DEVELOPMENT (Continued)				
Economic Development:				
Salaries and wages	\$ 900	\$ 900	\$ 525	\$ (375)
Professional and tech services	550	550	944	394
Purchased services	225	225	185	(40)
Supplies and materials	1,645	1,645	1,533	(112)
Total Economic Development	3,320	3,320	3,187	(133)
Water Pollution Control:				
Purchased services	30	30	-	(30)
Supplies and materials	10	10	-	(10)
Equipment	10	10	-	(10)
Total Building Department	50	50	-	(50)
Sexton:				
Salaries and wages	2,400	2,400	2,400	-
Purchased services	7,746	7,746	7,585	(161)
Supplies and materials	950	950	530	(420)
Total Sexton	11,096	11,096	10,515	(581)
TOTAL PLANNING AND DEVELOPMENT	127,676	130,230	115,586	(14,644)
EDUCATION				
Ashford Board of Education	6,845,003	6,845,003	6,816,883	(28,120)
Regional School District No. 19	3,654,317	3,654,317	3,654,317	-
TOTAL EDUCATION	10,499,320	10,499,320	10,471,200	(28,120)
OTHER				
Employee Benefits	389,319	393,324	321,251	(72,073)
Insurance	30,000	30,000	27,629	(2,371)
Contingency	75,000	25,625	-	(25,625)
TOTAL OTHER	494,319	448,949	348,880	(100,069)
DEBT SERVICE				
Principal	382,500	382,500	382,500	-
Interest	116,709	116,709	116,709	-
TOTAL DEBT SERVICE	499,209	499,209	499,209	-
TOTAL EXPENDITURES	13,404,257	13,433,852	13,148,403	(285,449)
OTHER FINANCING USES				
Transfers out:				
Animal Fund	11,000	11,219	11,218	(1)
Babcock Library Fund	157,400	160,700	160,700	-
Recreation Fund	50,000	51,246	51,245	(1)
Youth Services Fund	26,000	2,600	26,000	23,400
School Lunch Fund	-	-	5,000	5,000
TOTAL OTHER FINANCING USES	244,400	225,765	254,163	28,398
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 13,648,657	\$ 13,659,617	\$ 13,402,566	\$ (257,051)

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2012

Grand List Year	Balance Uncollected June 30, 2011	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2012
			Additions	Deductions			Taxes	Interest and Lien Fees	Total	
1996 and prior	\$ 12,587	\$ -	\$ -	\$ 7,516	\$ -	\$ 5,071	\$ -	\$ -	\$ -	\$ 5,071
1997	4,051	-	-	-	-	4,051	-	-	-	4,051
1998	6,353	-	-	-	-	6,353	321	737	1,058	6,032
1999	6,529	-	-	-	-	6,529	447	949	1,396	6,082
2000	8,140	-	-	-	660	7,480	283	569	852	7,197
2001	14,104	-	-	-	1,244	12,860	356	645	1,001	12,504
2002	40,032	-	-	-	1,660	38,372	462	740	1,202	37,910
2003	32,979	-	-	-	636	32,343	222	452	674	32,121
2004	32,190	-	-	-	620	31,570	310	357	667	31,260
2005	36,918	-	-	-	643	36,275	1,978	1,819	3,797	34,297
2006	46,372	-	-	33	1,517	44,822	8,188	4,645	12,833	36,634
2007	52,555	-	-	27	773	51,755	13,445	5,959	19,404	38,310
2008	95,760	-	-	2,102	2,163	91,495	41,862	14,435	56,297	49,633
2009	186,890	-	267	2,315	2,009	182,833	83,766	20,958	104,724	99,067
Total prior years	575,460	-	267	11,993	11,925	551,809	151,640	52,265	203,905	400,169
2010	-	8,840,425	5,091	17,470	1,621.00	8,826,425	8,641,907	28,420	8,670,327	184,518
Total	\$ 575,460	\$ 8,840,425	\$ 5,358	\$ 29,463	\$ 13,546	\$ 9,378,234	\$ 8,793,547	\$ 80,685	\$ 8,874,232	\$ 584,687

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2012

Total cash collections for the year ended

June 30, 2012:

Taxes	\$ 8,793,547
Interest and lien fees	80,685
Total	8,874,232

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	16,654
--------------------------------------	--------

Base **\$ 8,890,886**

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 20,004,494	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	40,008,987	-	-	-
3-3/4 times base	-	-	33,340,823	-	-
3-1/4 times base	-	-	-	28,895,380	-
3 times base	-	-	-	-	26,672,658
Total debt limitation	20,004,494	40,008,987	33,340,823	28,895,380	26,672,658
Indebtedness:					
Bond and note payable	2,905,000	-	-	-	-
Bonds payable, net - Regional School District No. 19	-	1,081,797	-	-	-
Total indebtedness	2,905,000	1,081,797	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 17,099,494	\$ 38,927,190	\$ 33,340,823	\$ 28,895,380	\$ 26,672,658
Total capacity of borrowing (7 times base)	\$ 62,236,202				
Total present indebtedness	3,986,797				
Margin for additional borrowing	\$ 58,249,405				

TOWN OF ASHFORD, CONNECTICUT
COMBINING BALANCE SHEETNONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Nonmajor Special Revenue Funds			
	Animal Fund	School Cafeteria Fund	Preservation of Historical Records Fund	Recreation Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 13,290	\$ 17,665	\$ -
Investments	-	-	-	-
Receivables:				
Intergovernmental	-	11,146	-	-
Other	1,072	80	-	-
Due from other funds	41,192	-	-	21,817
Prepaid assets	-	-	-	26
Total assets	<u>\$ 42,264</u>	<u>\$ 24,516</u>	<u>\$ 17,665</u>	<u>\$ 21,843</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 150	\$ -	\$ -	\$ 402
Salaries and benefits payable	290	-	-	1,645
Due to other funds	-	7,985	6,435	-
Unearned/deferred revenue	-	2,394	-	-
Total liabilities	<u>440</u>	<u>10,379</u>	<u>6,435</u>	<u>2,047</u>
Fund Balances:				
Nonspendable:				
Prepaid assets	-	-	-	26
Permanent fund principal	-	-	-	-
Restricted for:				
Other purposes	-	-	-	-
Committed to:				
Public safety	41,824	-	-	-
Education	-	14,137	-	-
Recreation	-	-	-	19,770
Other purposes	-	-	11,230	-
Total fund balances	<u>41,824</u>	<u>14,137</u>	<u>11,230</u>	<u>19,796</u>
Total liabilities and fund balances	<u>\$ 42,264</u>	<u>\$ 24,516</u>	<u>\$ 17,665</u>	<u>\$ 21,843</u>

TOWN OF ASHFORD, CONNECTICUT

COMBINING BALANCE SHEETNONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2012

	AYSB Fund	Town Clerk Special Fund	Total Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 30,955
Investments	-	-	-
Receivables:			
Intergovernmental	-	-	11,146
Other	823	48	2,023
Due from other funds	25,980	17,628	106,617
Prepaid assets	-	-	26
Total assets	<u>\$ 26,803</u>	<u>\$ 17,676</u>	<u>\$ 150,767</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 838	\$ -	\$ 1,390
Salaries and benefits payable	-	-	1,935
Due to other funds	-	-	14,420
Unearned/deferred revenue	-	-	2,394
Total liabilities	<u>838</u>	<u>-</u>	<u>20,139</u>
Fund Balances:			
Nonspendable:			
Prepaid assets	-	-	26
Permanent fund principal	-	-	-
Restricted for:			
Other purposes	-	-	-
Committed to:			
Public safety	-	-	41,824
Education	25,965	-	40,102
Recreation	-	-	19,770
Other purposes	-	17,676	28,906
Total fund balances	<u>25,965</u>	<u>17,676</u>	<u>130,628</u>
Total liabilities and fund balances	<u>\$ 26,803</u>	<u>\$ 17,676</u>	<u>\$ 150,767</u>

TOWN OF ASHFORD, CONNECTICUT
COMBINING BALANCE SHEETNONMAJOR GOVERNMENTAL FUNDS (Concluded)
JUNE 30, 2012

	Permanent Funds			Total Nonmajor Governmental Funds
	Band and Library Fund	Cemetery Fund	Total	
ASSETS				
Cash and cash equivalents	\$ 6,240	\$ 14,172	\$ 20,412	\$ 51,367
Investments	-	75,000	75,000	75,000
Receivables:				
Intergovernmental	-	-	-	11,146
Other	-	-	-	2,023
Due from other funds	-	-	-	106,617
Prepaid assets	-	-	-	26
Total assets	<u>\$ 6,240</u>	<u>\$ 89,172</u>	<u>\$ 95,412</u>	<u>\$ 246,179</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,390
Salaries and benefits payable	-	-	-	1,935
Due to other funds	-	-	-	14,420
Unearned/deferred revenue	-	-	-	2,394
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,139</u>
Fund Balances:				
Nonspendable:				
Prepaid assets	-	-	-	26
Permanent fund principal	6,000	75,000	81,000	81,000
Restricted for:				
Other purposes	240	14,172	14,412	14,412
Committed to:				
Public safety	-	-	-	41,824
Education	-	-	-	40,102
Recreation	-	-	-	19,770
Other purposes	-	-	-	28,906
Total fund balances	<u>6,240</u>	<u>89,172</u>	<u>95,412</u>	<u>226,040</u>
Total liabilities and fund balances	<u>\$ 6,240</u>	<u>\$ 89,172</u>	<u>\$ 95,412</u>	<u>\$ 246,179</u>

TOWN OF ASHFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Nonmajor Special Revenue Funds			
	Animal Fund	School Cafeteria Fund	Preservation of Historical Records Fund	Recreation Fund
REVENUES				
Intergovernmental	\$ -	\$ 65,810	\$ 3,500	\$ -
Charges for services	5,583	89,440	1,418	39,507
Investment earnings	-	-	91	-
Total revenues	<u>5,583</u>	<u>155,250</u>	<u>5,009</u>	<u>39,507</u>
EXPENDITURES				
Current:				
General government	-	-	8,077	-
Public safety	17,662	-	-	-
Education	-	179,749	-	-
Recreation	-	-	-	92,626
Total expenditures	<u>17,662</u>	<u>179,749</u>	<u>8,077</u>	<u>92,626</u>
Excess (deficiency) of revenues over expenditures	(12,079)	(24,499)	(3,068)	(53,119)
OTHER FINANCING SOURCES (USES)				
Transfers in	11,218	5,000	-	51,245
Total other financing sources (uses)	<u>11,218</u>	<u>5,000</u>	<u>-</u>	<u>51,245</u>
Net change in fund balances	(861)	(19,499)	(3,068)	(1,874)
Fund balances - beginning	<u>42,685</u>	<u>33,636</u>	<u>14,298</u>	<u>21,670</u>
Fund balances - ending	<u><u>41,824</u></u>	<u><u>\$ 14,137</u></u>	<u><u>\$ 11,230</u></u>	<u><u>\$ 19,796</u></u>

TOWN OF ASHFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

	AYSB Fund	Town Clerk Special Fund	Total Special Revenue Funds
REVENUES			
Intergovernmental	\$ 17,300	\$ -	\$ 86,610
Charges for services	12,060	2,127	150,135
Investment earnings	-	-	91
Total revenues	29,360	2,127	236,836
EXPENDITURES			
Current:			
General government	-	-	8,077
Public safety	-	-	17,662
Education	49,751	-	229,500
Recreation	-	-	92,626
Total expenditures	49,751	-	347,865
Excess (deficiency) of revenues over expenditures	(20,391)	2,127	(111,029)
OTHER FINANCING SOURCES (USES)			
Transfers in	26,000	-	93,463
Total other financing sources (uses)	26,000	-	93,463
Net change in fund balances	5,609	2,127	(17,566)
Fund balances - beginning	20,356	15,549	148,194
Fund balances - ending	\$ 25,965	\$ 17,676	\$ 130,628

TOWN OF ASHFORD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*

FOR THE YEAR ENDED JUNE 30, 2012

	Permanent Funds			Total Nonmajor Governmental Funds
	Band and Library Fund	Cemetery Fund	Total Permanent Funds	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 86,610
Charges for services	-	-	-	150,135
Investment earnings	35	756	791	882
Total revenues	<u>35</u>	<u>756</u>	<u>791</u>	<u>237,627</u>
EXPENDITURES				
Current:				
General government	-	-	-	8,077
Public safety	-	-	-	17,662
Education	-	-	-	229,500
Recreation	-	-	-	92,626
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,865</u>
Excess (deficiency) of revenues over expenditures	35	756	791	(110,238)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	93,463
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,463</u>
Net change in fund balances	35	756	791	(16,775)
Fund balances - beginning	<u>6,205</u>	<u>88,416</u>	<u>94,621</u>	<u>242,815</u>
Fund balances - ending	<u>\$ 6,240</u>	<u>\$ 89,172</u>	<u>\$ 95,412</u>	<u>\$ 226,040</u>

TOWN OF ASHFORD, CONNECTICUT
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2012

	<u>School Activity Fund</u>	<u>Babcock Cornet Band Fund</u>	<u>Babcock Fund</u>	<u>Contractor Bond Fund</u>	<u>Ashford Food Bank Fund</u>	<u>Total Agency Funds</u>
ASSETS						
Cash and cash equivalents	\$ 18,586	\$ 15,493	\$ 2,449	\$ 16,675	\$ 862	\$ 54,065
Due from other funds	9,930	-	-	-	-	9,930
Total assets	<u>\$ 28,516</u>	<u>\$ 15,493</u>	<u>\$ 2,449</u>	<u>\$ 16,675</u>	<u>\$ 862</u>	<u>\$ 63,995</u>
LIABILITIES						
Accounts payable	\$ 9,230	\$ -	\$ -	\$ -	\$ -	\$ 9,230
Due to others	19,286	15,493	2,449	15,675	604	53,507
Due to other funds	-	-	-	1,000	258	1,258
Total liabilities	<u>\$ 28,516</u>	<u>\$ 15,493</u>	<u>\$ 2,449</u>	<u>\$ 16,675</u>	<u>\$ 862</u>	<u>\$ 63,995</u>

TOWN OF ASHFORD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance, July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2012</u>
Student Activity Fund				
Assets				
Cash and cash equivalents	\$ 18,168	\$ 37,338	\$ 36,920	\$ 18,586
Accounts receivable	1,280	-	1,280	-
Due from other funds	6,580	9,930	6,580	9,930
Total assets	<u>\$ 26,028</u>	<u>\$ 47,268</u>	<u>\$ 44,780</u>	<u>\$ 28,516</u>
Liabilities				
Accounts payable	\$ 2,382	\$ 9,230	\$ 2,382	\$ 9,230
Due to others	23,646	-	4,360	19,286
Due to other funds	-	-	-	-
Total liabilities	<u>\$ 26,028</u>	<u>\$ 9,230</u>	<u>\$ 6,742</u>	<u>\$ 28,516</u>
Babcock Cornet Band Fund				
Assets				
Cash and cash equivalents	\$ 15,407	\$ 86	\$ -	\$ 15,493
Total assets	<u>\$ 15,407</u>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 15,493</u>
Liabilities				
Due to others	\$ 15,407	\$ 86	\$ -	\$ 15,493
Total liabilities	<u>\$ 15,407</u>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 15,493</u>
Babcock Fund				
Assets				
Cash and cash equivalents	\$ 2,336	\$ 113	\$ -	\$ 2,449
Total assets	<u>\$ 2,336</u>	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ 2,449</u>
Liabilities				
Due to others	\$ 2,336	\$ 113	\$ -	\$ 2,449
Total liabilities	<u>\$ 2,336</u>	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ 2,449</u>

**TOWN OF ASHFORD, CONNECTICUT
 COMBINING STATEMENT OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES (Concluded)
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

Contractor Bond Fund

Assets

Cash and cash equivalents	\$ 16,582	\$ 93	\$ -	\$ 16,675
Due from other funds	1,000	-	1,000	-
Total assets	<u>\$ 17,582</u>	<u>\$ 93</u>	<u>\$ 1,000</u>	<u>\$ 16,675</u>

Liabilities

Due to other funds	\$ -	\$ 1,000	\$ -	\$ 1,000
Due to others	17,582	93	2,000	15,675
Total liabilities	<u>\$ 17,582</u>	<u>\$ 1,093</u>	<u>\$ 2,000</u>	<u>\$ 16,675</u>

Ashford Food Bank Fund

Assets

Cash and cash equivalents	\$ 857	\$ 5	\$ -	\$ 862
Total assets	<u>\$ 857</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 862</u>

Liabilities

Due to others	\$ 857	\$ 5	\$ 258	\$ 604
Due to other funds	-	258	-	258
Total liabilities	<u>\$ 857</u>	<u>\$ 263</u>	<u>\$ 258</u>	<u>\$ 862</u>

Total All Agency Funds

Assets

Cash and cash equivalents	\$ 53,350	\$ 37,635	\$ 36,920	\$ 54,065
Accounts receivable	1,280	-	1,280	-
Due from other funds	7,580	9,930	7,580	9,930
Total assets	<u>\$ 62,210</u>	<u>\$ 47,565</u>	<u>\$ 45,780</u>	<u>\$ 63,995</u>

Liabilities

Accounts payable	\$ 2,382	\$ 9,230	\$ 2,382	\$ 9,230
Due to others	59,828	297	6,618	53,507
Due to other funds	-	1,258	-	1,258
Total liabilities	<u>\$ 62,210</u>	<u>\$ 10,785</u>	<u>\$ 9,000</u>	<u>\$ 63,995</u>

Federal and State Single Audit Reports

Town of Ashford, Connecticut

June 30, 2012

Contents

	Page
INTERNAL CONTROL AND COMPLIANCE REPORT	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters	1
FEDERAL SINGLE AUDIT SECTION	
Report of Independent Certified Public Accountants on Compliance Related to Major Programs (OMB Circular A-133) and on Internal Control over Compliance	3
Report of Independent Certified Public Accountants on the Schedule of Expenditures of Federal Awards	5
Schedule of Expenditures of Federal Awards	
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Federal Findings and Questioned Costs	8
STATE SINGLE AUDIT SECTION	
Report of Independent Certified Public Accountants on Compliance Related to Major Programs (Connecticut State Single Audit Act) and on Internal Control over Compliance	10
Report of Independent Certified Public Accountants on the Schedule of Expenditures of State Financial Assistance	12
Schedule of Expenditures of State Financial Assistance	
Schedule of Expenditures of State Financial Assistance	13
Notes to Schedule of Expenditures of State Financial Assistance	15
Schedule of State Findings and Questioned Costs	16

Internal Control and Compliance Report



Grant Thornton

An instinct for growth™

Grant Thornton LLP
124 Hebron Avenue, Suite 200
Glastonbury, CT 06033

T 860.781.6700

F 860.633.0480

GrantThornton.com

linkd.in/GrantThorntonUS

twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Finance of the
Town of Ashford, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ashford, Connecticut (the “Town”) as of and for the year ended June 30, 2012, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America established by the American Institute of Certified Public Accountants.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Town’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Town's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Grant Thornton LLP

Glastonbury, Connecticut
January 30, 2013

Federal Single Audit Section



Grant Thornton

An instinct for growth™

Grant Thornton LLP
124 Hebron Avenue, Suite 200
Glastonbury, CT 06033

T 860.781.6700
F 860.633.0480
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE RELATED TO MAJOR PROGRAMS (OMB CIRCULAR A-133) AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Finance of the
Town of Ashford, Connecticut

Compliance

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

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

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our audit procedures disclosed an instance of noncompliance, described in the accompanying Schedule of Federal Findings and Questioned Costs as item 2012-1, that is required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control over compliance. Accordingly, we express no such opinion.

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

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Town's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Our audit was also not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control over compliance, described in the accompanying Schedule of Federal Findings and Questioned Costs as item 2012-1 that we consider to be a significant deficiency in the Town's internal control over compliance

We did not audit the Town's written response to the matter described in the accompanying Schedule of Federal Findings and Questioned Costs and accordingly, we express no opinion on it.

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

Grant Thornton LLP

Glastonbury, Connecticut
January 30, 2013



Grant Thornton

An instinct for growth™

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Finance of the
Town of Ashford, Connecticut

Grant Thornton LLP
124 Hebron Avenue, Suite 200
Glastonbury, CT, 06033
T 860.781.6700
F 860.633.0480
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

We have audited, in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ashford, Connecticut (the "Town") as of and for the year ended June 30, 2012, and our report dated January 30, 2013, expressed an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on these financial statements that collectively comprise the Town's financial statements.

The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2012 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Glastonbury, Connecticut
January 30, 2013

**TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Grantor; Pass-Through Grantor; Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Connecticut Department of Education:			
National School Lunch Program - Cash	12060-SDE64370-20560	10.555	\$ 54,995
National School Lunch Program - Commodities	-	10.555	4,047
Special Milk Program for Children	12060-SDE64370-20500	10.556	560
Total U.S. Department of Agriculture			<u>59,602</u>
U.S. DEPARTMENT OF THE INTERIOR FISH AND WILDLIFE SERVICE			
Direct:			
Fish and Wildlife Management Assistance	-	15.608	<u>47,510</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through State of Connecticut Department Emergency Services and Public Protection:			
Disaster Grants - Public Assistance	12060-DPS32985-21891	97.036	<u>71,449</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State of Connecticut Department of Economic and Community Development:			
Small Cities Community Development Block Grant	12060-ECD46350-20730	14.228	85,515
Small Cities Community Development Block Grant	12060-ECD46555-20730	14.228	39,727
Total U. S. Department of Housing and Urban Development			<u>125,242</u>
U. S. DEPARTMENT OF EDUCATION			
Direct:			
English Language Acquisition State Grants	-	84.365	<u>840</u>
Rural Education	-	84.358	<u>36,155</u>
Passed through the Connecticut Department of Education:			
Special Education - Grants to States	12060-SDE64370-20977	84.027	109,711
Special Education - Grants to States	12060-SDE64155-20977	84.027	1,000
			<u>110,711</u>
Special Education - Preschool Grants	12060-SDE64370-20983	84.173	<u>7,155</u>
Title I Grants to Local Educational Agencies	12060-SDE64370-20679	84.010	<u>63,544</u>
Education Jobs Grants - ARRA	12060-SDE64370-22405	84.410	<u>132,554</u>
Improving Teacher Quality State Grants	12060-SDE64370-20858	84.367	27,465
Total U. S. Department of Education			<u>378,424</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 682,227</u>

The accompanying notes are an integral part of this schedule.

**TOWN OF ASHFORD, CONNECTICUT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of the Town of Ashford, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of federal awards.

NOTE B - OTHER FEDERAL ASSISTANCE

The United States Department of Agriculture makes available commodities for donations to schools. An amount of \$4,047 is reflected in the expenditures column in the accompanying schedule of expenditures of federal awards and represents the market value of such commodities received during the period.

U.S. Department of Agriculture:

Rural Development Loan Program:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance, July 1, 2011</u>	<u>Loan Repayments</u>	<u>Balance, June 30, 2012</u>
2-00	4.75%	\$ 900,000	\$ 652,500	\$ 22,500	\$ 630,000

No other federal assistance was received in the form of loan guarantees or insurance.

**TOWN OF ASHFORD, CONNECTICUT
 SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

m Material weakness(es) identified? _____ Yes ü No

m Significant deficiency(ies) identified? _____ Yes ü reported

Noncompliance material to financial statements noted? _____ Yes ü No

Federal Awards

Internal control over major programs:

m Material weakness(es) identified? _____ Yes ü No

m Significant deficiency(ies) identified? _____ ü Yes _____ reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ ü Yes _____ No

Identification of major programs:

CFDA Number	Name of Federal Program
14.228	Community Development Block Grants
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ ü Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

m No matters were reported

**TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS (*Continued*)
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2012-1: NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – MAJOR FEDERAL AWARD PROGRAM

Grantor: Department of Education
Program Name: Education Jobs Fund
Federal CFDA Number: 84.410

Criteria

Organizations should have internal controls to ensure that grants and contracts are expended for allowable expenditures.

Condition

Management of the Town's Board of Education allocated certain administrative support personnel salaries to this program which under the terms of the grant agreement are not allowable.

Cause

Management had the understanding that salaries for administrative support personnel were allowable under the program.

Effect

Approximately \$33,000 in salary expenditures were originally recorded to this program that were not allowable in accordance with the terms of the grant. However, management removed the unallowable expenditures and allocated allowable expenditures incurred during the grant period.

Questioned Costs

The amount of unallowable expenditures originally charged to the grant was \$32,279.

Auditor's Recommendation

We recommend that the Town's Board of Education implement policies and procedures to ensure compliance with grant requirements.

Views of Responsible Officials and Planned Corrective Action

Management of the Town's Board of Education has reviewed the terms of the grant and the Board's FY 2012 expenditures noting the existence of other expenditures allowable under the terms of the grant, the total of which exceeded the \$32,279 of disallowed expenditures. Management of the Town's Board of Education has chosen to replace the disallowed expenditures with these allowable expenditures to remedy the noncompliance.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

m Finding 2011-1 has been resolved.

State Single Audit Section



Grant Thornton

An instinct for growth™

Grant Thornton LLP
124 Hebron Avenue, Suite 200
Glastonbury, CT 06033
T 860.781.6700
F 860.633.0480
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE RELATED TO MAJOR PROGRAMS (CONNECTICUT STATE SINGLE AUDIT ACT) AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Finance of the
Town of Ashford, Connecticut

Compliance

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

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

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

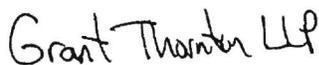
Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major state program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control over compliance. Accordingly, we express no such opinion.

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

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Town's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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



Glastonbury, Connecticut
January 30, 2013



Grant Thornton

An instinct for growth™

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Grant Thornton LLP
124 Hebron Avenue, Suite 200
Glastonbury, CT, 06033
T 860.781.6700
F 860.633.0480
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

To the Board of Finance of the
Town of Ashford, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ashford, Connecticut (the "Town") as of and for the year ended June 30, 2012, and our report dated January 30, 2013, expressed an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on these financial statements that collectively comprise the Town's financial statements.

The accompanying Schedule of Expenditures of State Financial Assistance for the year ended June 30, 2012 is presented for purposes of additional analysis as required by the State Single Audit Act (C.G.S. sections 4-230 to 4-236), and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Glastonbury, Connecticut
January 30, 2013

**TOWN OF ASHFORD, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2012**

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Direct:		
Early Childhood Grant Program	11000-SDE64370-12113	\$ 107,000
Primary Mental Health Grant	11000-SDE64370-12198	15,015
Youth Service Bureau Grant	11000-SDE64370-16201	3,300
Healthy Foods Initiative Grant	11000-SDE64370-16212	4,115
Youth Service Bureau Enhancement Grant	11000-SDE64370-17052	14,000
Child Nutrition Program - School Lunch State Match	11000-SDE64370-16211	1,893
High School Technology Initiative Grant	11000-SDE64370-12332	-
Total Department of Education		<u>145,323</u>
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Local Capital Improvement Program	12050-OPM20600-40254	51,315
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	16,654
Property Tax Relief for Veterans	11000-OPM20600-17024	1,091
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	6,002
Property Tax Relief for Disabled Exemption	11000-OPM20600-17011	768
Total Office of Policy and Management		<u>75,830</u>
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grants	12052-DOT57131-17036	146,418
Small Town Economic Assistance Program	12001-DOT57000-99999	6,829
Total Department of Transportation		<u>153,247</u>
DEPARTMENT OF JUSTICE		
Direct:		
Distribution to Towns	34001-JUD95162-40001	<u>3,060</u>
CONNECTICUT STATE LIBRARY		
Direct:		
Historic Document Preservation	12060-CSL66094-35150	3,500
State Grants to Public Libraries	11000-CSL66051-17003	1,215
Connecticard Payments	11000-CSL66051-17010	132
Total Connecticut State Library		<u>4,847</u>
Total State Financial Assistance Before Exempt Programs		<u>382,307</u>

The accompanying note is an integral part of this schedule.

TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Direct:		
Educational Equalization Grant	11000-SDE64370-17041	\$ 3,881,841
Special Education - Excess Cost Grant	11000-SDE64370-17047	252,759
Commitments for School Construction - Principal	13010-SDE64370-40901	99,342
Transportation of School Children	11000-SDE64370-17027	72,381
Commitments for School Construction - Interest	13009-SDE64370-40896	1,070
Total Department of Education		<u>4,307,393</u>
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Municipal Revenue Sharing	12060-OPM20600-35458	2,132
Mashantucket Pequot Grant	12009-OPM20600-17005	23,875
Total Office of Policy and Management		<u>26,007</u>
Total Exempt Programs		<u>4,333,400</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 4,715,707</u>

The accompanying note is an integral part of this schedule.

**TOWN OF ASHFORD, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ashford, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
m Material weakness(es) identified?	_____ Yes	_____ <u>ü</u>	No None
m Significant deficiency(ies) identified?	_____ Yes	_____ <u>ü</u>	Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>ü</u>	No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:			
m Material weakness(es) identified?	_____ Yes	_____ <u>ü</u>	No None
m Significant deficiency(ies) identified?	_____ Yes	_____ <u>ü</u>	Reported
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	_____ Yes	_____ <u>ü</u>	No

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

<u>State Grantor/ Program</u>	<u>State Grant Program Core- CT Number</u>	<u>Expenditures</u>
Office of Policy and Management:		
Local Capital Improvements	12050-OPM20600-40254	\$ 51,315
Department of Transportation:		
Town Aid Road Grants	12001-DOT57131-17036	146,418

Dollar threshold used to distinguish between Type A and Type B programs: \$100,000

**TOWN OF ASHFORD, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012**

II. FINANCIAL STATEMENT FINDINGS

m No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

m No matters were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

m No matters were reported.