

TOWN OF SHARON

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Year Ended June 30, 2011

**BAUDE & ROLFE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
35 Huntington Street
New London, CT 06320**

TOWN OF SHARON

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INDEPENDENT AUDITOR'S REPORT

Board of Finance
Town of Sharon
Sharon, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, Connecticut, as of and for the year ended June 30, 2011, 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 of Sharon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "*Government Auditing Standards*" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, Connecticut, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary information 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 December 16, 2011 on our consideration of the Town of Sharon, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "*Government Auditing Standards*" and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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 of Sharon, Connecticut's financial statements as a whole. The supplemental and combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Baude & Rolfe, P.C.

Baude & Rolfe, P.C.
Certified Public Accountants

New London, Connecticut
December 16, 2011

TOWN OF SHARON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

As management of the Town of Sharon, we offer readers of the Town of Sharon's financial statements this narrative overview and analysis of the financial activities of the Town of Sharon for the fiscal year ended June 30, 2011.

Financial Highlights:

- The assets of the Town of Sharon exceeded its liabilities at the close of the most recent fiscal year by \$12,638,001. Of this amount, \$4,181,371 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$563,855. This increase is mostly attributable to grant revenues and a decrease in expenditures.
- As of the close of the current fiscal year, the Town of Sharon's governmental funds reported combined ending fund balances of \$(1,800,314). This deficit is attributable to two capital projects that will be permanently financed in future years. \$1,291,212 is available for spending at the government's discretion (unassigned fund balance). The Town strives to maintain an adequate unassigned fund balance. Through the FYE 2011 budgetary process, the Town made a decision to provide a tax relief through the use of excess fund balances in the amount of \$50,000 in the FYE 2012 budget.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,291,212 or 13.4% of total general fund expenditures on a budgetary basis.
- The Town of Sharon's total long-term debt decreased by \$594,107 (17.2%) during the current fiscal year.
- The Town of Sharon has bond anticipation notes payable of \$7,274,000 as of June 30, 2011 related to capital projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Sharon's basic financial statements. The Town of Sharon'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.

It is important to note that the Town of Sharon implemented the new requirements outlined in GASB 34 July 1, 2003 (for the fiscal year ending June 30, 2004). The statements, therefore, contained within this report as of June 30, 2011, are the Town of Sharon's eighth report using the new model.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Sharon's finances, in a manner similar to a private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

The *statement of net 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 of Sharon is improving or deteriorating. It speaks to the question of whether or not, the Town, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes to the Town's tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

The *statement of activities* presents information showing how the government'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 only result in cash flows in future fiscal periods; uncollected taxes and earned but unused vacation leave are examples.

The governmental activities of the Town of Sharon include education, general government services, public safety, and public works, planning and development, human services and civic and cultural. Property taxes, charges for services, and state and federal grants finance most of these activities. The Town maintains one business-type activity, the Sewer and Water Commission.

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 10-11 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 of Sharon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial 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 of Sharon maintains sixteen 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, the Bonded Projects Capital Project Fund and the Capital Non-Recurring Capital Projects Fund which are considered to be major funds. There are ten Special Revenue Funds and three Capital Projects Funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Sharon adopted an annual appropriated budget for its general fund.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 12-14 of this report.

Proprietary funds: The Town of Sharon maintains one proprietary fund.

The proprietary fund is the Sewer and Water Commission.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The funds are combined into single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support services to the Town's constituency. The Town has a Pension Trust Fund and an Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Included in the notes is the information concerning the Town of Sharon's funding of its obligation to provide pension benefits to its employees. The notes to the financial statements can be found on pages 21-39 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found beginning on page 40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$12,638,001 at the close of the fiscal year ended June 30, 2011.

By far the largest portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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.

	June 30, 2011			June 30, 2010		
	Net Assets			Net Assets		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
ASSETS						
Current and Other Assets	\$ 6,950,507	\$ 789,201	\$ 7,739,708	\$ 3,750,477	\$ 1,151,504	\$ 4,901,981
Capital Assets	9,475,748	5,990,660	15,466,408	5,901,770	5,721,752	11,623,522
TOTAL ASSETS	16,426,255	6,779,861	23,206,116	9,652,247	6,873,256	16,525,503
LIABILITIES						
Long-Term Liabilities Outstanding	585,045	1,513,040	2,098,085	748,888	2,279,347	3,028,235
Other Liabilities	7,892,943	577,087	8,470,030	1,206,622	216,500	1,423,122
TOTAL LIABILITIES	8,477,988	2,090,127	10,568,115	1,955,510	2,495,847	4,451,357
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	4,404,596	3,922,034	8,326,630	4,898,825	3,264,812	8,163,637
Restricted for Capital Improvements	-	130,000	130,000	-	524,769	524,769
Restricted for Permanent Fund	-	-	-	120,170	-	120,170
Unrestricted	3,543,671	637,700	4,181,371	2,677,742	587,828	3,265,570
TOTAL NET ASSETS	\$ 7,948,267	\$ 4,689,734	\$ 12,638,001	\$ 7,696,737	\$ 4,377,409	\$ 12,074,146

Governmental Activities

Governmental activities increased the Town's net assets by \$563,855. Key elements of this increase are as follows:

	June 30, 2011			June 30, 2010		
	Changes in Net Assets			Changes in Net Assets		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Revenues:						
Program Revenues:						
Charges for services	\$ 296,642	\$ 549,021	\$ 845,663	\$ 425,078	\$ 536,017	\$ 961,095
Operating grants and contributions	491,551	-	491,551	429,105	-	429,105
Capital grants and contributions	219,617	310,570	530,187	19,550	379,855	399,405
General Revenues:						
Property Taxes	9,218,788	-	9,218,788	8,752,736	-	8,752,736
Grants and contributions not restricted to specific programs	95,912	-	95,912	81,424	-	81,424
Other	143,160	20,096	163,256	74,996	14,273	89,269
Total Revenues	10,465,670	879,687	11,345,357	9,782,889	930,145	10,713,034
Expenses:						
General Government	1,524,829	-	1,524,829	1,305,132	-	1,305,132
Public Safety	264,197	-	264,197	266,818	-	266,818
Public Works	1,627,441	-	1,627,441	1,221,221	-	1,221,221
Health Welfare	62,702	-	62,702	73,864	-	73,864
Parks and Recreation	201,739	-	201,739	214,647	-	214,647
Miscellaneous	119,524	-	119,524	117,598	-	117,598
Board of Education	6,302,783	-	6,302,783	6,426,237	-	6,426,237
Sewer and Water Commission	-	567,362	567,362	-	498,806	498,806
Interest on Long-Term Debt	110,925	-	110,925	46,382	-	46,382
Total Expenses	10,214,140	567,362	10,781,502	9,671,899	498,806	10,170,705
Inc (Dec) in net assets	251,530	312,325	563,855	110,990	431,339	542,329
Net Assets - July 1,	7,696,737	4,377,409	12,074,146	7,585,747	3,946,070	11,531,817
Net Assets - June 30,	\$ 7,948,267	\$ 4,689,734	\$ 12,638,001	\$ 7,696,737	\$ 4,377,409	\$ 12,074,146

Major revenue factors included:

- Property tax revenues recorded for fiscal year 2011 reflect an amount approximately \$40,000 more than budgeted.
- The Sewer and Water Commission recorded capital grants of approximately \$310,000 for the fiscal year.

For Governmental Activities, more than 61% of the Town's expenditures related to education, 16% relate to public works, 15% to general governmental/services, and the remainder relates to public safety and other areas.

Major expenditure factors include:

- Increases in public work expenses due to abnormal snow removal costs.
- Public works expenses due to road and equipment expenses.
- Employee benefit costs continue to rise due to health insurance costs.

Business-type Activities

The Town maintains one major business-type activity at the present time; The Sewer and Water Commission. The objective of this fund is to be self-supporting through fees charged for services.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Sharon'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 of Sharon's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the Town of Sharon's governmental funds reported combined ending fund balances of \$(1,800,314), a decrease of \$3,488,205 in comparison with the prior year. This is mainly attributable to capital projects that will be permanently financed in future years. The nonspendable portion amounts to \$808. The restricted portion amounts to \$273,737. The committed portion amounts to \$729,063 which includes a designation of \$50,000 to be used in the FYE 2012 budget. The general fund unassigned fund balance amounts to \$1,291,212.

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 \$1,291,212, while total fund balance was \$1,427,564. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.4 percent of the total General Fund expenditures, while total fund balance represents 14.9 percent of that same amount.

The fund balance of the Town of Sharon's General Fund increased by \$133,653 during the current fiscal year. Key factors in this decrease are as follows:

- Actual expenditures for the fiscal year ending 2011 were approximately \$240,000 less than budgeted.
- The final budget of the Town for fiscal year ending 2011 included a planned draw down of fund balance of \$162,500, representing a portion of the unassigned fund balance from prior years.

Proprietary funds. The Town of Sharon’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The final budget contained additional appropriations approved during the year of \$112,500.

During the year, actual revenues on a budgetary basis were \$9.79 million, which were above budgetary estimates by \$111,961. Actual tax revenues were above the budget by \$40,406. There was higher than anticipated revenue from other sources.

Actual expenditures on a budgetary basis totaled \$9.60 million. Actual revenues exceeded expenditures on a budgetary basis by \$189,723. Actual expenditures came in under the final budget by \$240,262 with the Board of Education not expending \$38,507 (Regional High School portion \$ 38,507 and Town portion \$ 0) of their appropriation and town departments not expending \$201,755.

Capital Assets and Debt Administration

Capital Assets. The Town of Sharon’s investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$8,977,320 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- The renovation of the school roof at a cost of \$325,302.
- The acquisition of a public works equipment at a cost of \$154,356.
- The reconstruction of many town roads at a cost of \$3,182,238.

Additional information on the Town of Sharon’s capital assets can be found in Note 7 of this report.

Long-Term Debt. At the end of the current fiscal year, the Town of Sharon had total debt outstanding of \$8,071,152. This entire debt is backed by the full faith and credit of the government.

**TOWN OF SHARON, CONNECTICUT
LONG TERM DEBT**

	Governmental Activities	
	2011	2010
General Obligation Bonds	\$ 145,000	\$ 355,000
67 Main Street Note	402,152	421,204
Soil Contamination Note	-	226,741
School Roof Project Note	250,000	-
	\$ 797,152	\$ 1,002,945

In addition, the Town had Bond Anticipation Notes in the amount of \$7,274,000 outstanding as of June 30, 2011.

The total long-term debt decreased \$205,793 or 20.5 percent during the year.

The overall statutory debt limit for the Town of Sharon is equal to seven times annual receipts from taxation or \$64 million. As of June 30, 2011, the Town recorded long-term debt of \$8.9 million related to Governmental Activities, and \$2.1 million related to business-type activities, well below its statutory debt limits.

Additional information on the Town of Sharon's long-term debt can be found in Note 8 on of this report, including information regarding the long-term debt of the Enterprise Fund.

Economic Factors and Next Year's Budgets and Rates

The management of the Town of Sharon considered in preparing the FY 2012 budget:

- Continued low interest rates on investment income.
- Continued draw down from surplus.
- Hard-to-control increases in health and liability insurance.
- Condition of the state's economy and the effect on state revenues and tax collections.
- Additional costs and borrowings related to road improvements.
- Debt service costs related to additional financing.

During the fiscal year, unassigned fund balance in the general fund increased to \$1,291,212.

Request for Information

This financial report from which this management discussion is designed to provide a general overview of the Town of Sharon finances for all those with an interest in the government's finances. The financial statements themselves are available at the Town Offices. Questions concerning any of the information provided in this discussion or requests for additional information should be addressed to the Finance Office, Town of Sharon, 63 Main Street, Sharon, Connecticut, 06069.

**BASIC
FINANCIAL
STATEMENTS**

TOWN OF SHARON
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,363,560	\$ 675,764	\$ 6,039,324
Investments	236,295	-	236,295
Receivables (Net of Uncollectible)			
Property Taxes	454,710	-	454,710
Accounts Receivable	160,870	87,872	248,742
Grants Receivable	-	23,416	23,416
Inventories	808	-	808
Long-Term Receivables	25,676	-	25,676
Other Long-Term Assets	708,588	2,149	710,737
Capital Assets, Net of Accumulated Depreciation:			
Assets not being depreciated	498,428	135,354	633,782
Assets being depreciated	8,977,320	5,855,306	14,832,626
TOTAL ASSETS	\$ 16,426,255	\$ 6,779,861	\$ 23,206,116
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 274,856	\$ 21,501	\$ 296,357
Advance Tax Collections	28,980	-	28,980
Security Deposits	1,000	-	1,000
Performance Bonds	102,000	-	102,000
Bond Anticipation Notes Payable	7,274,000	-	7,274,000
Non-current Liabilities:			
Due within one year	212,107	555,586	767,693
Due in more than one year	585,045	1,513,040	2,098,085
TOTAL LIABILITIES	8,477,988	2,090,127	10,568,115
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	4,404,596	3,922,034	8,326,630
Restricted for Capital Improvements	-	130,000	130,000
Unrestricted	3,543,671	637,700	4,181,371
TOTAL NET ASSETS	\$ 7,948,267	\$ 4,689,734	\$ 12,638,001

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

TOWN OF SHARON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
General Government	\$ (1,524,829)	\$ 148,094	\$ 71,365	\$ 219,617	\$ (1,085,753)	\$ -	\$ (1,085,753)
Public Safety	(264,197)	-	-	-	(264,197)	-	(264,197)
Public Works	(1,627,441)	91,022	201,219	-	(1,335,200)	-	(1,335,200)
Health Welfare	(62,702)	-	-	-	(62,702)	-	(62,702)
Parks and Recreation	(201,739)	8,975	-	-	(192,764)	-	(192,764)
Miscellaneous	(119,524)	17,084	-	-	(102,440)	-	(102,440)
Interest on Long-Term Debt	(110,925)	-	-	-	(110,925)	-	(110,925)
Board of Education	(6,302,783)	31,467	218,967	-	(6,052,349)	-	(6,052,349)
Total Governmental activities	(10,214,140)	296,642	491,551	219,617	(9,206,330)	-	(9,206,330)
Business-Type activities:							
Sewer and Water Commission	(567,362)	549,021	-	310,570	-	292,229	292,229
Total Primary government	\$ (10,781,502)	\$ 845,663	\$ 491,551	\$ 530,187	(9,206,330)	292,229	(8,914,101)
General revenues:							
Property Taxes					9,218,788	-	9,218,788
Grants and contributions not restricted to specific programs					95,912	-	95,912
Unrestricted investment earnings					143,160	20,096	163,256
Total general revenues and transfers					<u>9,457,860</u>	<u>20,096</u>	<u>9,477,956</u>
Change in net assets					251,530	312,325	563,855
Net assets - beginning					<u>7,696,737</u>	<u>4,377,409</u>	<u>12,074,146</u>
Net assets - ending					<u>\$ 7,948,267</u>	<u>\$ 4,689,734</u>	<u>\$ 12,638,001</u>

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

TOWN OF SHARON
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Bonded Projects</u>	<u>Capital and Non-Recurring Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,571,454	\$ 3,158,764	\$ 307,803	\$ 325,539	\$ 5,363,560
Investments	-	-	-	236,295	236,295
Receivables (Net of Uncollectible)					
Property Taxes	454,710	-	-	-	454,710
Other Receivables	2,455	-	-	158,415	160,870
Inventories	-	-	-	808	808
Due from Other Funds	137,296	-	47,750	-	185,046
TOTAL ASSETS	<u>\$ 2,165,915</u>	<u>\$ 3,158,764</u>	<u>\$ 355,553</u>	<u>\$ 721,057</u>	<u>\$ 6,401,289</u>
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 148,160	\$ -	\$ 3,500	\$ 48,456	\$ 200,116
Advance Tax Collections	28,980	-	-	-	28,980
Deferred Revenues	410,461	-	-	-	410,461
Due to Other Funds	47,750	-	-	137,296	185,046
Security Deposit	1,000	-	-	-	1,000
Bond Anticipation Notes Payable	-	6,514,000	-	760,000	7,274,000
Performance Bonds	102,000	-	-	-	102,000
TOTAL LIABILITIES	<u>738,351</u>	<u>6,514,000</u>	<u>3,500</u>	<u>945,752</u>	<u>8,201,603</u>
FUND BALANCES					
Nonspendable	-	-	-	808	808
Restricted	-	-	-	273,737	273,737
Committed	136,352	-	352,053	240,658	729,063
Unassigned	1,291,212	(3,355,236)	-	(739,898)	(2,803,922)
TOTAL FUND BALANCES	<u>1,427,564</u>	<u>(3,355,236)</u>	<u>352,053</u>	<u>(224,695)</u>	<u>(1,800,314)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,165,915</u>	<u>\$ 3,158,764</u>	<u>\$ 355,553</u>	<u>\$ 721,057</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,475,748
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,144,725
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(871,892)</u>

Net assets of governmental activities \$ 7,948,267

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

TOWN OF SHARON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>General</u>	<u>Bonded Projects</u>	<u>Capital and Non-Recurring Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
General Property Taxes	\$ 9,144,398	\$ -	\$ -	\$ -	\$ 9,144,398
Intergovernmental	524,413	-	-	481,008	1,005,421
Investment Income	11,548	60,021	1,021	70,570	143,160
Licenses, Fees and Charges	265,175	-	-	-	265,175
Other Revenue	64,429	-	-	25,822	90,251
Contributions	-	-	-	5,660	5,660
Sales	-	-	-	31,467	31,467
TOTAL REVENUES	<u>10,009,963</u>	<u>60,021</u>	<u>1,021</u>	<u>614,527</u>	<u>10,685,532</u>
EXPENDITURES					
Current:					
General Government	1,057,621	-	-	288,635	1,346,256
Public Safety	264,197	-	-	-	264,197
Public Works	1,259,070	-	-	239,410	1,498,480
Health Welfare	55,344	-	-	7,358	62,702
Parks and Recreation	201,739	-	-	-	201,739
Miscellaneous	117,395	-	-	2,129	119,524
Debt Service	260,805	233,019	-	-	493,824
Education	6,438,520	-	-	116,983	6,555,503
Capital Outlay	-	3,182,238	154,356	544,918	3,881,512
TOTAL EXPENDITURES	<u>9,654,691</u>	<u>3,415,257</u>	<u>154,356</u>	<u>1,199,433</u>	<u>14,423,737</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	355,272	(3,355,236)	(153,335)	(584,906)	(3,738,205)
OTHER FINANCING SOURCES (USES)					
Note Proceeds	-	-	-	250,000	250,000
Transfers In	36,450	-	244,069	89,000	369,519
Transfers Out	(258,069)	-	(105,500)	(5,950)	(369,519)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(221,619)</u>	<u>-</u>	<u>138,569</u>	<u>333,050</u>	<u>250,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	133,653	(3,355,236)	(14,766)	(251,856)	(3,488,205)
FUND BALANCES, BEGINNING	<u>1,293,911</u>	<u>-</u>	<u>366,819</u>	<u>27,161</u>	<u>1,687,891</u>
FUND BALANCES, ENDING	<u>\$ 1,427,564</u>	<u>\$ (3,355,236)</u>	<u>\$ 352,053</u>	<u>\$ (224,695)</u>	<u>\$ (1,800,314)</u>

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

TOWN OF SHARON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 13)	\$ (3,488,205)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
	3,573,978
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	32,857
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	205,793
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	<u>(72,893)</u>
Change in net assets of governmental activities (page 11)	<u><u>\$ 251,530</u></u>

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

TOWN OF SHARON
STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES –
BUDGET TO ACTUAL – GENERAL FUND
Year Ended June 30, 2011

		Budgeted Amounts			Variance With
		Original	Final	Actual	Final Budget Favorable (Unfavorable)
REVENUES					
Taxes, Interest and Lien Fees	\$	9,108,792	\$ 9,108,792	\$ 9,149,198	\$ 40,406
Intergovernmental Revenue		239,874	239,874	268,693	28,819
Investment Income		20,000	20,000	11,121	(8,879)
Licenses, Fees and Charges		263,800	263,800	271,125	7,325
Other Revenue		43,600	43,600	57,390	13,790
Operating Transfer In		-	-	30,500	30,500
TOTAL REVENUES		9,676,066	9,676,066	9,788,027	111,961
EXPENDITURES					
General Government		1,158,839	1,163,339	1,027,543	135,796
Public Safety		278,321	278,321	269,013	9,308
Public Works		1,303,303	1,405,303	1,393,697	11,606
Health Welfare		64,138	64,138	56,844	7,294
Parks and Recreation		221,360	227,360	214,303	13,057
Miscellaneous		117,059	122,665	122,665	-
Debt Service		301,105	295,499	270,805	24,694
Education		6,281,941	6,281,941	6,243,434	38,507
TOTAL EXPENDITURES		9,726,066	9,838,566	9,598,304	240,262
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	\$	(50,000)	\$ (162,500)	\$ 189,723	\$ 352,223

The accompanying notes to financial statements are an integral part of this statement.
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TOWN OF SHARON
STATEMENT OF NET ASSETS – PROPRIETARY FUND
June 30, 2011

	<u>Business-Type Activities Enterprise Fund Sewer & Water Commission</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 675,764
Accounts Receivable, Net of Allowance for Doubtful Accounts	87,872
Grants Receivable	<u>23,416</u>
TOTAL CURRENT ASSETS	787,052
NONCURRENT ASSETS	
Security Deposit	240
Refinancing Costs, Net of Accumulated Amortization	<u>1,909</u>
	2,149
CAPITAL ASSETS	
Land	135,354
Utility Plant, Net of Accumulated Depreciation	<u>5,855,306</u>
	<u>5,990,660</u>
TOTAL NONCURRENT ASSETS	<u>5,992,809</u>
TOTAL ASSETS	<u><u>\$ 6,779,861</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 21,501
Current Portion of Notes Payable	<u>555,586</u>
TOTAL CURRENT LIABILITIES	577,087
LONG-TERM LIABILITIES	
Notes Payable, Net of Current Portion	<u>1,513,040</u>
TOTAL LIABILITIES	2,090,127
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,922,034
Restricted for Capital Improvements	130,000
Unrestricted	<u>637,700</u>
TOTAL NET ASSETS	<u><u>\$ 4,689,734</u></u>

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

TOWN OF SHARON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
PROPRIETARY FUND
Year Ended June 30, 2011

	Business-Type Activities <u>Enterprise Fund</u> <u>Sewer & Water</u> <u>Commission</u>
OPERATING REVENUE	
Water Sales	\$ 386,355
Sewer Services	162,666
	549,021
TOTAL OPERATING REVENUES	549,021
OPERATING EXPENSES	
Management Services	176,128
Chemicals	8,521
Depreciation and Amortization	163,322
Electric	22,349
Repairs and Maintenance	23,336
Supplies	4,197
Telephone	3,115
Fuel	10,221
Other Costs	3,813
Professional Services	4,963
Wages and Payroll Taxes	14,291
Insurance	10,450
Lab Fees	11,497
Sludge Removal	10,000
	466,203
TOTAL OPERATING EXPENSES	466,203
OPERATING INCOME	82,818
NON-OPERATING REVENUES (EXPENSES)	
Grant Revenue	310,570
Interest Income	3,437
Finance Charge Revenue	16,659
Interest Expense	(97,297)
Bad Debt Expense	(3,862)
	229,507
TOTAL NON-OPERATING REVENUES (EXPENSES)	229,507
CHANGE IN NET ASSETS	312,325
TOTAL NET ASSETS, BEGINNING	4,377,409
TOTAL NET ASSETS, ENDING	\$ 4,689,734

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

**TOWN OF SHARON
STATEMENT OF CASH FLOWS –
PROPRIETARY FUND
Year Ended June 30, 2011**

	Business-Type Activities Enterprise Fund Sewer & Water Commission
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from Customers	\$ 546,368
Cash payments to Suppliers for Goods and Services	(301,033)
Cash payments to Employees and Professional Contractors for Services	<u>(19,254)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	226,081
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Borrowings	700,000
Principal Repayments	(1,088,314)
Interest Paid	(97,297)
Payments for Capital Acquisitions	(431,883)
Construction Grants	<u>309,994</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(607,500)
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of Interest	<u>3,437</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,437</u>
NET DECREASE IN CASH	(377,982)
CASH, BEGINNING OF YEAR	<u>1,053,746</u>
CASH, END OF YEAR	<u><u>\$ 675,764</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 82,818
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization Expense	163,322
Receipt of Other Revenue	16,659
(Increase) Decrease in Accounts Receivable	(19,312)
Increase (Decrease) in Accounts Payable	<u>(17,406)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 226,081</u></u>

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

TOWN OF SHARON
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
June 30, 2011

	<u>Pension Trust Fund</u>	<u>Agency Fund Student Activity Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 16,967
Investments	<u>698,914</u>	<u>-</u>
TOTAL ASSETS	<u>698,914</u>	<u>16,967</u>
LIABILITIES		
Accounts Payable	-	397
Due to Student Groups	<u>-</u>	<u>16,570</u>
TOTAL LIABILITIES	<u>-</u>	<u>16,967</u>
NET ASSETS HELD IN TRUST	<u><u>\$ 698,914</u></u>	<u><u>\$ -</u></u>

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

TOWN OF SHARON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
Year Ended June 30, 2011

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	\$ 66,640
INVESTMENT GAIN	<u>108,295</u>
TOTAL ADDITIONS	<u>174,935</u>
DEDUCTIONS	
Benefits	-
Administration	<u>750</u>
TOTAL DEDUCTIONS	<u>750</u>
CHANGE IN NET ASSETS	174,185
NET ASSETS HELD IN TRUST	
Beginning of the Year	<u>524,729</u>
End of Year	<u><u>\$ 698,914</u></u>

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

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Sharon, Connecticut's (the "Town") government provides the following services as authorized by state statutes: public safety, public works, planning and development, human services, community services, education, sewer and solid waste disposal, and general government services. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies used by the Town.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the Town.

Government-Wide Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, when levied for, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town, or specifically identified.

The government reports the following major governmental funds:

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

The Bonded Projects Fund: it accounts for resources to construct and improve town roads and facilities.

The Capital and Non-Recurring Fund: it accounts for the resources to purchase and construct town projects.

The government reports one major proprietary fund: Sewer and Water Commission.

Additionally, the government reports the following fund types:

Pension Trust Fund is used to account for the activities of the Town's pension plan, which accumulates resources for pension benefit payments to qualified employees.

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

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

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

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

Property Taxes

Property taxes are assessed on property as of October 1. Real estate and personal property taxes are billed in the following July and are due quarterly installments, July 1, October 1, January 1, and April 1. Motor vehicle taxes are billed July 1 and are due in a single payment on July 1. Liens are effective on the assessment date and are continued by filing on July 1, following the due date.

Property taxes that have been levied and are due on or before year-end are recognized as revenue if they have been collected within sixty days after year-end. Property taxes receivable not collected within sixty days after year-end are reflected as deferred revenue. An allowance based on historical collection experience is provided for uncollectible taxes.

Cash and Investments

The Town considers all highly liquid investments and those with original maturities of three months or less when purchased to be cash equivalents. This same maturity threshold is utilized for the statement of cash flows.

Investments are recorded at fair value based on quoted market price.

Effective July 1, 2004, the Town adopted Statement Number 40 of the Governmental Accounting Standards Board (GASB). The required implementation date for GASB Statement 40 is for periods beginning after June 15, 2004.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method. Donated federal commodities are valued at fair market value on a FIFO basis. Inventory in the School Cafeteria consists of food and expendable supplies held for consumption. Food donated to the School Cafeteria Fund is recognized as revenue and purchases in the year received and charged to cost of sales in the year used.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. GASBS No. 34 requires the Town to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Town has implemented the general provisions of GASBS No. 34 with the exception of the retroactive reporting of infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Machinery and Equipment	5-20

Capital outlay is considered an expenditure in the governmental fund financial statements.

Compensated Absences

Employees are paid by a prescribed formula for absences due to sickness or vacation. The liability as of June 30, 2011 has been shown in full, as a current year liability.

Long-Term Obligation

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

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category represents the net assets of the Town, which are restricted for specific purposes, and include capital improvements of the Sewer & Water Commission in the amount of \$130,000.

Unrestricted Net Assets - This category represents the net assets of the Town, which are not restricted for any project of other purpose by third parties.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Effective July 1, 2010, the Town adopted the provisions of Governmental Accounting Standards Board Statement #54 (GASB 54), which defines the different types of fund balances that the Town must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable Fund Balance – These amounts cannot be spent because they are not in spendable form, or because they are legally or contractually required to be maintained intact.

Restricted Fund balance – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This represents amounts constrained, prior to year-end, for a specific purpose by a government using the highest level of decision-making authority (Town of Sharon, Town Meeting).

Assigned Fund Balance – Amounts constrained for the intent to be used for a specific purpose by the Board of Finance.

Unassigned Fund Balance – Includes residual positive fund balance within the General Fund which has not been classified within the other abovementioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Town's policy is to apply expenditures against the applicable fund balances in the following order: nonspendable, restricted, committed, assigned, and unassigned.

Comparative Data/Reclassifications

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$871,892 difference are as follows:

Bonds Payable	\$ 797,152
Accrued Interest Payable	<u>74,740</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets - Governmental Activities	<u><u>\$ 871,892</u></u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 details of this \$3,573,978 difference are as follows:

Capital Outlay	\$ 3,886,243
Depreciation Expense	<u>(312,265)</u>
 Net Adjustment to Increase Net Changes in Fund Balances - total Governmental Funds to arrive at changes in Net Assets of Governmental Activities	 <u>\$ 3,573,978</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$205,793 difference are as follows:

Debt Issued or Incurred:	
Issuance of Notes Payable	\$ (250,000)
 Principal Repayments:	
General Obligation Debt	<u>455,793</u>
 Net Adjustment to Increase Net Changes in Fund Balances - total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	 <u>\$ 205,793</u>

3. BUDGETS AND BUDGETARY ACCOUNTING

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements. All Town departments submit estimated budgets to the Board of Finance for the ensuing fiscal year. By state statute, the Board of Finance holds hearings to review and revise the budget.

- The citizens of the Town vote on the recommended budget.
- The Board of Finance sets the tax rate for the fiscal year.
- All budget transfers must be approved by the Board of Finance.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- Except for encumbrance accounting, the budget is prepared on the modified accrual basis of accounting.

All unencumbered appropriations of the General Fund lapse at year end.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

3. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Additional Appropriations

Departments seeking additional appropriations or appropriation transfers between budgetary line items must make a written request to the Board of Finance through the Board of Selectmen. An additional appropriation to a budgetary line item requires approval at a Town meeting if it exceeds \$20,000 or is a second request by the asking board or department. An additional appropriation of \$20,000 or higher must be voted on by the citizens of the Town. Additional appropriations for the year ended June 30, 2011 amounted to \$112,500.

Legal Level of Control

No officer of the Town shall expend or enter into any contract by which the Town shall become liable for any sum which, with any contract then in force, shall exceed the appropriation for the department, except in case of necessity connected with the repair of highways, bridges, sidewalks, and water and sewer systems and the care of the Town poor, and then not more than \$1,000.

Formal budgetary integration of these budgets is employed as a management control device in the General Fund. Formal budgetary integration is not employed in other funds because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

All encumbered appropriations lapse at year-end except for those in the Capital Projects Fund. Appropriations for these funds are continued until completion of the applicable projects, which often last more than one fiscal year but cannot exceed five (5) years.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (GAAP basis). The major differences between the budget and GAAP basis are as follows:

- Taxes collected 60 days subsequent to June 30 are recognized as revenue for GAAP purposes during the current year compared to recognition in the year received for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current years whereas they are shown as a reservation of fund balances on a GAAP basis of accounting.
- State of Connecticut payments on-behalf of the Town teachers for the State teacher retirement system are reported for GAAP purposes only.
- For budgetary purposes, the Town does not recognize payroll expenditures and certain lawsuit expenditures which had been incurred but had not yet been paid out at June 30. Such amounts were recorded for GAAP purposes.
- An allowance for uncollectible property taxes is reported for GAAP purposes only.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

3. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in the financial statements in conformity with GAAP. A reconciliation of these differences at June 30, 2011 follows:

	General Fund	
	Revenues and Transfers	Expenditures and Transfers
Non-GAAP budgetary basis, Page 15	\$ 9,788,027	\$ 9,598,304
Encumbrances		
June 30, 2010	-	63,723
June 30, 2011	-	-
Implementation of GASB 54 Activity of Certain Special Revenue Funds is now consolidated into the General Fund	10,466	32,798
Implementation of GASB 54 Activity, Elimination of Transfers to/from Special Revenue Funds now consolidated into the General Fund	-	(30,816)
Allowance for Doubtful Accounts	(4,800)	-
Unliquidated Prior Year Encumbrances	-	(3,969)
State on-behalf payments for teacher retirement	252,720	252,720
GAAP basis, Page 13	\$ 10,046,413	\$ 9,912,760

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund. 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, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2011:

Deposits:		
Deposits	\$	6,054,893
Certificates of Deposit		-
Total deposits		6,054,893
Petty Cash		300
Other Cash Equivalents:		
Tax Exempt Proceeds Fund (TEPF)		1,098
Less: Certificates of Deposit Classified as Investments		-
Total Cash and Cash Equivalents	\$	6,056,291

Deposits

At June 30, 2011 the carrying amount of the Town deposits was \$6,054,893 and the bank balance was \$6,197,741.

Custodial Credit Risk – Custodial credit risk is the risk that in event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a policy for custodial credit risk. Of the June 30, 2011 bank balance, \$1,421,544 was covered by Federal Depository Insurance. Section 36a-333 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank’s risk based capital ratio. As of June 30, 2011, \$4,776,197 was not covered by Federal Depository Insurance; however, all bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the town or by its agent in the Town’s name.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2011, the Town’s cash equivalents amounted to \$1,098. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	Standards and Poor's	Moody's Investor Service	Fitch Ratings
Tax Exempt Proceeds Fund (TEPF)	Not Rated	Not Rated	Not Rated

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

Investments as of June 30, 2011 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:		
Certificates of deposit*	\$ -	0.00
Corporate Bonds & Notes	56,392	4.86
Other Investments:		
Non-major Governmental Funds:		
Common Stock	163,403	
Foreign Equities	-	
Pooled open-end mutual fund accounts:		
Mutual Funds	16,500	
Pension Trust Fund	<u>698,914</u>	
Total	<u>\$ 935,209</u>	
 Portfolio weighted average maturity for interest bearing investments		 4.86

*Subject to coverage by Federal Depository Insurance and collateralization as described under "Deposits" above.

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

Credit Risk – Investments – As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. The following table provides a summary of the Town’s investments (excluding US government guaranteed obligations) as rated by a nationally recognized statistical rating organization.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

	<u>Standard & Poor's</u>
Nonmajor Governmental Funds:	
Common Stock:	
Abbott Labs	AA
Automatic Data Processing	AAA
BHP Bilton PLC Sponsored ADR	A+
Devon Energy Corp.	BBB+
Ecolab, Inc.	BBB+
EMC Corp.	A-
Exxon Mobil Corp.	AAA
FMC Corp.	BBB+
General Electric Co.	AA+
Hewlett Packard Co.	BBB+
Johnson & Johnson	AAA
JPMorgan Chase & Co.	A
Lowe's Cos Inc.	A+
McDonalds Corp.	A
Microsoft Corp.	AAA
Oracle Corp.	A
PepsiCo, Inc.	A
Procter & Gamble Co.	AA-
Schlumberger Ltd	A+
United Technologies Corp.	A
US Bancorp Del	A
Corporate Bonds & Notes:	
Baxter International Inc.	A+
Johnson & Johnson	AAA
Closed End Bond Funds:	
Templeton Global Income Fund Inc.	Not Rated
Pension Trust:	
Annuities (American Express)	Not Rated
Annuities (Hartford Life Insurance)	Not Rated

Custodial Credit Risk – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2011, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

5. RECEIVABLES

Receivables at June 30, 2011, including the applicable allowances for collection losses, are as follows:

	<u>General Fund</u>	<u>Non-Major and Other Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property Taxes	\$ 478,810	\$ -	\$ -	\$ 478,810
Accounts Receivable	2,455	158,415	109,840	270,710
Grants Receivable	-	-	23,416	23,416
	<hr/>	<hr/>	<hr/>	<hr/>
Total Gross Receivables	481,265	158,415	133,256	772,936
	<hr/>	<hr/>	<hr/>	<hr/>
Allowance for Collection Losses	24,100	-	21,968	46,068
	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Receivables	<u>\$ 457,165</u>	<u>\$ 158,415</u>	<u>\$ 111,288</u>	<u>\$ 726,868</u>

6. INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS

Interfund Receivables and Payables at June 30, 2011 were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 137,296	\$ 47,750
Capital Non-Recurring Fund	47,750	-
Non-Major Governmental Funds	-	137,296
	<hr/>	<hr/>
Total	<u>\$ 185,046</u>	<u>\$ 185,046</u>

All interfund balances result from the time lag between dates payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 36,450	\$ 258,069
Capital Non-Recurring Fund	244,069	105,500
Non-Major Governmental Funds	89,000	5,950
	<hr/>	<hr/>
Total	<u>\$ 369,519</u>	<u>\$ 369,519</u>

Transfers are used to account for unrestricted revenues collected mainly in the General Fund to finance various programs accounted for in other funds in accordance with budget authorizations.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated	\$ -	\$ -	\$ -	\$ -
Land	274,081	-	-	274,081
Construction in progress	-	224,347	-	224,347
Total Capital Assets, not being depreciated	<u>274,081</u>	<u>224,347</u>	<u>-</u>	<u>498,428</u>
Capital Assets, being depreciated:				
Building and Improvements	8,666,756	325,302	-	8,992,058
Machinery and Equipment	1,864,662	154,356	-	2,019,018
Infrastructure	762,184	3,182,238	-	3,944,422
Total Capital Assets being depreciated	<u>11,293,602</u>	<u>3,661,896</u>	<u>-</u>	<u>14,955,498</u>
Less Accumulated Depreciation for:				
Building and Improvements	4,285,000	141,398	-	4,426,398
Machinery and Equipment	1,315,921	123,802	-	1,439,723
Infrastructure	64,992	47,065	-	112,057
Total Accumulated Depreciation	<u>5,665,913</u>	<u>312,265</u>	<u>-</u>	<u>5,978,178</u>
Total Capital Assets, being depreciated, net	<u>5,627,689</u>	<u>3,349,631</u>	<u>-</u>	<u>8,977,320</u>
Governmental activities capital assets, net	<u>\$ 5,901,770</u>	<u>\$ 3,573,978</u>	<u>\$ -</u>	<u>\$ 9,475,748</u>
Business-Type Activities:				
Capital Assets, not being depreciated	\$ -	\$ -	\$ -	\$ -
Land	135,354	-	-	135,354
Construction in Progress	1,783,144	-	1,783,144	-
Total Capital Assets, not being depreciated	<u>1,918,498</u>	<u>-</u>	<u>1,783,144</u>	<u>135,354</u>
Capital Assets, being depreciated:				
Building and Improvements	4,425,684	2,142,885	-	6,568,569
Machinery and Equipment	1,173,257	72,142	-	1,245,399
Total Capital Assets being depreciated	<u>5,598,941</u>	<u>2,215,027</u>	<u>-</u>	<u>7,813,968</u>
Less Accumulated Depreciation for:				
Building and Improvements	1,506,416	159,045	-	1,665,461
Machinery and Equipment	289,271	3,930	-	293,201
Total Accumulated Depreciation	<u>1,795,687</u>	<u>162,975</u>	<u>-</u>	<u>1,958,662</u>
Total Capital Assets, being depreciated, net	<u>3,803,254</u>	<u>2,052,052</u>	<u>-</u>	<u>5,855,306</u>
Business-Type activities capital assets, net	<u>\$ 5,721,752</u>	<u>\$ 2,052,052</u>	<u>\$ 1,783,144</u>	<u>\$ 5,990,660</u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

7. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:		
General Government Services	\$	44,576
Public Works, including depreciation of general infrastructure assets		128,961
Education		<u>138,728</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u>312,265</u>
 Business-Type Activities:		
Sewer and Water Commission	 \$	 <u>162,975</u>

8. GENERAL LONG-TERM DEBT

Changes in General Long-Term Debt are summarized below:

	Governmental Activities	Business-Type Activities	Total
Bonds and Debt Payable, July 1, 2010	\$ 1,002,945	\$ 2,456,940	\$ 3,459,885
Additions	250,000	700,000	950,000
Deductions	<u>(455,793)</u>	<u>(1,088,314)</u>	<u>(1,544,107)</u>
 Bonds and Debt Payable, June 30, 2011	 <u>\$ 797,152</u>	 <u>\$ 2,068,626</u>	 <u>\$ 2,865,778</u>

The annual requirements to amortize all outstanding debt are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2012	\$ 212,107	\$ 555,585	\$ 767,692
2013	69,502	159,899	229,401
2014	72,022	164,371	236,393
2015	74,622	168,968	243,590
2016	77,322	173,665	250,987
2017-2041	291,577	846,138	1,137,715
	<u>\$ 797,152</u>	<u>\$ 2,068,626</u>	<u>\$ 2,865,778</u>

Bonds and Debt payable at June 30, 2011 are comprised of the following obligations:

Bonds payable dated 10-2002 to 05-2012 payable at various annual installments plus interest between 2.00% and 3.30% - General Fund.	\$ 145,000
Note payable dated 08-2010 to Salisbury Bank and Trust Company, payable \$54,577.97 per year, including interest at 2.95%, final payment due 08-2015 - General Fund.	250,000
Note payable dated 09-2005 to Salisbury Bank and Trust Company, payable \$3,272 a month, including interest at 4.90%, final payment due 09-2025 - General Fund.	402,152

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

8. GENERAL LONG-TERM DEBT (CONTINUED)

Note payable dated 10-2010 to Salisbury Bank and Trust Company, payable \$3,469 a month, including interest at the 4.25% final payment due 10-2040 – Enterprise Fund.	692,146
Note payable dated 12-1999 to State of Connecticut Clean Water Fund, payable \$6,568 a month, including interest at 2.77%, final payment due 05-2017 – Enterprise Fund.	424,122
Note payable dated 12-2000 to State of Connecticut Drinking Water Fund, payable \$1,110 a month, including interest at 2.60%, final payment due 06-2020 – Enterprise Fund.	106,764
Note Payable dated 06/01 to State of Connecticut Clean Water Fund, payable \$5,503 a month, including interest at 2.77%, final payment due 12-2020 – Enterprise Fund.	551,001
Note Payable dated 06-2004 to State of Connecticut Drinking Water Fund, payable \$2,275 a month, including interest at 2.40% after first payment of \$27,166 in December 2004, final payment due 12-2023 –Enterprise Fund.	<u>294,593</u>
TOTAL BONDS AND NOTES PAYABLE	<u><u>\$ 2,865,778</u></u>

The approximate annual requirements to amortize all bonds and notes payable at June 30, 2011 are as follows:

	Principal	Interest	Total
2012	767,692	78,900	846,592
2013	229,401	67,482	296,883
2014	236,393	60,490	296,883
2015	243,590	53,292	296,882
2016	250,987	45,895	296,882
2017	190,971	38,213	229,184
2018	130,191	33,292	163,483
2019	134,429	29,055	163,484
2020	138,788	24,696	163,484
2021	96,673	20,477	117,150
2022	66,425	17,709	84,134
2023	69,034	15,100	84,134
2024	58,009	12,474	70,483
2025	46,654	10,177	56,831
2026	19,003	8,379	27,382
2027	9,673	7,892	17,565
2028	10,077	7,488	17,565
2029	10,541	7,024	17,565
2030	11,004	6,561	17,565
2031	11,488	6,077	17,565
2032	11,977	5,588	17,565
2033	12,519	5,046	17,565
2034	13,069	4,496	17,565
2035	13,644	3,921	17,565
2036	14,234	3,331	17,565
2037	14,869	2,696	17,565
2038	15,523	2,042	17,565
2039	16,205	1,360	17,565
2040	16,915	650	17,565
2041	5,800	38	5,838
	<u>\$ 2,865,778</u>	<u>\$ 579,841</u>	<u>\$ 3,445,619</u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

8. GENERAL LONG-TERM DEBT (CONTINUED)

Of the above amounts, the Enterprise Fund is responsible for principal payments amounting to \$2,068,626 and interest payments amounting to \$394,843. The balance will be paid via General Fund appropriations.

The town's indebtedness does not exceed the legal debt limitations as established by Connecticut general statutes as reflected in the supplementary schedule. The total overall statutory debt limit for the town is equal to seven times annual receipts from taxation or \$64,170,995.

Sharon is a member of the Regional School District #1. The Town of Sharon's share of the school district's indebtedness as of June 30, 2011 was \$808,545. These are general obligations of Regional School District #1 and its member town.

Bond anticipation note payable activity for the year ended June 30, 2011 was as follows:

Description	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
	Bond anticipation note	5/26/10	5/25/11	1.50%	\$ 760,000	\$ -	\$ 760,000
Bond anticipation note	11/3/10	8/2/11	1.50%	-	6,000,000	-	6,000,000
Bond anticipation note	5/25/11	8/2/11	1.00%	-	1,274,000	-	1,274,000
Totals				\$ 760,000	\$ 7,274,000	\$ 760,000	\$ 7,274,000

9. DEFICIT FUND BALANCES

As of June 30, 2011, the SSRRA capital project fund nonmajor fund reported a deficit fund balance of \$739,898, and the Bonded Projects major capital project fund reported a deficit fund balance of \$3,335,236. These deficits have been supported by bond anticipation notes and will be funded by permanent financing of the projects in a future year.

10. PENSION PLAN

Substantially all town and non-certified Board of Education employees are eligible to participate in a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. To be eligible to participate in the plan, the employee must be at least twenty one years of age and complete one year of service. Employees who work less than one thousand hours per annum are not eligible to participate. The town contributes seven percent of base compensation. Plan assets are held in investment accounts through the Plan Administrator. Vesting is immediate. Employer contributions of \$66,640 amount to 7% of covered payroll \$952,000, which is of 31% of total town payroll \$3,021,822. A summary of changes in plan assets for the year ended June 30, 2011 is presented below:

Balance, July 1, 2010	\$ 524,729
Contributions:	
Town	66,640
Investment Earnings (Loss)	108,295
Expenses:	
Distributions	-
Administrative	(750)
Balance, June 30, 2011	<u>\$ 698,914</u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

10. PENSION PLAN (CONTINUED)

Teachers Retirement System:

All teachers employed by the Town of Sharon participate in the Connecticut Teacher's Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or (2) attained any age and had accumulated thirty-five years of credited service in the public schools of Connecticut.

The Board of Education withholds seven percent (7%) of all teachers and administrators annual salaries and transmits the funds to the State Teachers Retirement Board. Teacher and administrators payroll subject to retirement amounted to approximately \$1,647,803 or 54% of the total town payroll of \$3,021,822.

The retirement system for teachers is funded by the state based upon the recommendation of the Teacher's Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. For the year ended June 30, 2011 the town has recorded in the General Fund, intergovernmental revenue and education expenditures in the amount of \$252,720 for payments made by the State of Connecticut on-behalf of the town. The town does not have any liability for teacher pensions.

11. LITIGATION

Legal counsel indicates that there are no material or substantial claims against the town nor is there pending litigation which would be finally determined so as to result in a final judgment against the town which would materially adversely affect its financial position.

12. SUPPLEMENTAL DISCLOSURE FOR THE STATEMENT OF CASH FLOWS

During the year ended June 30, 2011, the Town of Sharon Sewer and Water Commission paid interest expense in the amount of \$97,297. There were no non-cash investing or financing activities for the year ended June 30, 2011.

13. AMORTIZATION

During the year ended June 30, 2000, the Sewer and Water Commission refinanced existing debt and incurred refinancing costs in the amount of \$ 5,900. These costs are being amortized over the life of the new loan. Amortization expense amounted to \$ 347 for the year ended June 30, 2011.

14. RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage and manages risk through employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The Town is currently not involved in any litigation matters. In the estimation of the Town's management and legal counsel, there are not any matters outstanding that will materially affect the financial condition of the Town. During the past three years, there were no deductibles paid by the Town and there have been no reductions in insurance coverage.

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

15. RESTRICTED NET ASSETS

At June 30, 2011, the Board of Commissioners of the Sewer and Water Commission has restricted \$130,000 of retained earnings for capital improvements. The following is a summary of these designations:

Contractor Projects	<u>\$ 130,000</u>
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16. GRANTS RECEIVABLE

At June 30, 2011, the Town of Sharon Sewer and Water Commission had grants receivable related to a construction project in process. These amounts represent monies expended by the Sewer and Water Commission and to be reimbursed from federal and state grants. They total \$23,416 as of June 30, 2011.

17. GOVERNMENTAL FUNDS – FUND BALANCES

In Fiscal Year 2011, the Town adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes accounting and financial reporting standards for governmental funds. It establishes criteria for classifying fund balances into specifically defined classification and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following is a table of fund balance categories and classifications at June 30, 2011 for the Town's governmental funds:

	<u>General</u>	<u>Bonded Projects</u>	<u>Capital and Non-Recurring Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances					
Nonspendable					
Inventory	-	-	-	808	808
Restricted					
General Government	-	-	-	47,739	47,739
Public Works	-	-	-	98,095	98,095
Education	-	-	-	4,394	4,394
Health Department	-	-	-	123,509	123,509
Total Restricted	-	-	-	273,737	273,737
Committed					
General Government	58,157	-	-	-	58,157
Public Safety	1,816	-	-	-	1,816
Public Works	76,130	-	-	240,511	316,641
Parks and Recreation	249	-	-	-	249
Capital Outlay	-	-	352,053	147	352,200
Total Committed	136,352	-	352,053	240,658	729,063
Assigned	-	-	-	-	-
Unassigned					
General Government	1,291,212	-	-	-	1,291,212
Capital Projects	-	(3,355,236)	-	(739,898)	(4,095,134)
Total Unassigned	1,291,212	(3,355,236)	-	(739,898)	(2,803,922)
Total Fund Balance	<u>\$ 1,427,564</u>	<u>\$ (3,355,236)</u>	<u>\$ 352,053</u>	<u>\$ (224,695)</u>	<u>\$ (1,800,314)</u>

TOWN OF SHARON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

18. SUBSEQUENT EVENTS

In August 2011, the Town of Sharon issued general obligation bonds in the amount of \$7,235,000. The issuance of the permanent bonding was utilized to pay off existing bond anticipation notes.

In July 2011, the Sewer and Water Commission paid down \$400,000 of the loan balance with Salisbury Bank & Trust Company. This \$400,000 payment has been reflected as a current year maturity in these financial statements, and reflected as a change in the original terms of the original \$700,000 loan.

**SUPPLEMENTAL AND COMBINING
FUND STATEMENTS AND SCHEDULES**

GENERAL FUND

**TOWN OF SHARON
GENERAL FUND
BALANCE SHEET
June 30, 2011**

ASSETS

Cash	\$ 1,571,454
Property Taxes Receivable	478,810
Other Receivables	2,455
Due From Other Funds	<u>137,296</u>

TOTAL ASSETS \$ 2,190,015

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 133,646
Accrued Liabilities	14,514
Advance Tax Collections	28,980
Deferred Property Taxes	410,461
Performance Bonds	102,000
Due To Other Funds	47,750
Security Deposit	<u>1,000</u>

TOTAL LIABILITIES 738,351

FUND BALANCE

Committed	136,352
Unassigned	<u>1,315,312</u>

TOTAL FUND BALANCE 1,451,664

TOTAL LIABILITIES AND FUND BALANCE \$ 2,190,015

TOWN OF SHARON
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND
ENCUMBRANCES – BUDGET TO ACTUAL
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Favorable
				(Unfavorable)
REVENUES				
GENERAL PROPERTY TAXES				
Property Taxes, Interest and Lien Fees	\$ 9,108,792	\$ 9,108,792	\$ 9,149,198	\$ 40,406
INTERGOVERNMENTAL REVENUES				
State of Connecticut:				
ECS	145,798	145,798	124,998	(20,800)
Pilot - State Property	17,160	17,160	17,258	98
Tax Relief - Elderly & Veterans	18,000	18,000	19,868	1,868
Unrestricted - Pequot	6,249	6,249	6,919	670
School Construction Grant	41,533	41,533	41,533	-
Miscellaneous	10,000	10,000	1,070	(8,930)
Pilot-Sharon Ridge	-	-	4,638	4,638
ARRA School Grant	-	-	20,800	20,800
School Transportation	534	534	367	(167)
Boat Grant	-	-	251	251
LOCIP	-	-	6,953	6,953
Federal Property	600	600	24,038	23,438
TOTAL INTERGOVERNMENTAL REVENUES	239,874	239,874	268,693	28,819
INVESTMENT INCOME				
Interest on Temporary Cash Investments	20,000	20,000	11,121	(8,879)
LICENSES, FEES AND CHARGES				
Town Clerk	85,000	85,000	105,892	20,892
Town Beach	7,000	7,000	8,975	1,975
Vital Statistics	25,000	25,000	39,987	14,987
Building Permits	100,000	100,000	91,022	(8,978)
Zoning Permits	4,000	4,000	2,215	(1,785)
Cemetery Fund	10,800	10,800	5,950	(4,850)
Miscellaneous	32,000	32,000	17,084	(14,916)
TOTAL LICENSES, FEES AND CHARGES	263,800	263,800	271,125	7,325
OTHER REVENUES				
Telecommunication Grant	25,000	25,000	17,427	(7,573)
Rental Income	18,600	18,600	19,000	400
Little Rascals	-	-	20,963	20,963
TOTAL OTHER REVENUES	43,600	43,600	57,390	13,790
OPERATING TRANSFERS IN	-	-	30,500	30,500
TOTAL REVENUES	\$ 9,676,066	\$ 9,676,066	\$ 9,788,027	\$ 111,961

TOWN OF SHARON
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND
ENCUMBRANCES – BUDGET TO ACTUAL
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
GENERAL GOVERNMENT				
Office of Selectmen	\$ 72,321	\$ 72,321	\$ 71,088	\$ 1,233
Town Secretary	37,373	37,373	37,373	-
Probate Court	4,444	5,264	5,264	-
Elections	16,080	16,080	12,371	3,709
Board of Finance	2,000	2,000	1,661	339
Auditor	24,345	24,345	24,345	-
Town Treasurer	14,347	14,347	13,952	395
Town Counsel	55,000	55,000	14,485	40,515
Assessors	60,545	60,545	48,526	12,019
Board of Assessment Appeals	800	800	584	216
Tax Collector	35,607	41,016	41,016	-
Town Clerk	71,170	71,170	69,211	1,959
Planning and Zoning Commission	50,683	50,683	28,949	21,734
Town Hall	75,566	80,066	63,397	16,669
67 Main Street	3,000	3,000	1,830	1,170
Town Insurance	121,278	128,286	128,286	-
Employee Benefits	383,537	370,300	342,881	27,419
Building Official/Fire Marshall	86,697	86,697	86,697	-
Miscellaneous Administration	29,122	29,122	23,217	5,905
Community Hall	14,924	14,924	12,410	2,514
TOTAL GENERAL GOVERNMENT	<u>1,158,839</u>	<u>1,163,339</u>	<u>1,027,543</u>	<u>135,796</u>
PUBLIC SAFETY				
Fire	210,395	210,395	205,184	5,211
Police Protection	300	300	200	100
Street Lighting	7,700	7,700	7,437	263
Water Hydrants	52,000	52,000	51,376	624
Civil Preparedness	100	100	-	100
Dog Warden	7,826	7,826	4,816	3,010
TOTAL PUBLIC SAFETY	<u>278,321</u>	<u>278,321</u>	<u>269,013</u>	<u>9,308</u>
PUBLIC WORKS				
Highways and Roadways	924,616	1,026,616	1,015,591	11,025
Municipal Waste	198,687	198,687	198,106	581
Equipment Replacement	180,000	180,000	180,000	-
TOTAL PUBLIC WORKS	<u>1,303,303</u>	<u>1,405,303</u>	<u>1,393,697</u>	<u>11,606</u>
HEALTH DEPARTMENT				
Conservation of Health	26,105	27,573	27,573	-
Sanitary Inspector	500	680	680	-
Public Health Nurse	8,013	6,365	792	5,573
Welfare and Social Services	29,520	29,520	27,799	1,721
TOTAL HEALTH DEPARTMENT	<u>\$ 64,138</u>	<u>\$ 64,138</u>	<u>\$ 56,844</u>	<u>\$ 7,294</u>

TOWN OF SHARON
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND
ENCUMBRANCES – BUDGET TO ACTUAL
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
PARKS AND RECREATION				
Recreation	\$ 19,112	\$ 18,405	\$ 16,809	\$ 1,596
Youth Services	77,102	77,102	74,583	2,519
Town Beach	66,750	66,750	57,808	8,942
Sharon Green	58,396	65,103	65,103	-
TOTAL PARKS AND RECREATION	<u>221,360</u>	<u>227,360</u>	<u>214,303</u>	<u>13,057</u>
MISCELLANEOUS				
Hotchkiss Library	50,000	50,000	50,000	-
Contingency	100	-	-	-
Contributions	33,769	33,769	33,769	-
Other	12,390	22,946	22,946	-
Cemeteries	10,800	5,950	5,950	-
Reserve for Capital Non-Recurring	10,000	10,000	10,000	-
TOTAL MISCELLANEOUS	<u>117,059</u>	<u>122,665</u>	<u>122,665</u>	<u>-</u>
DEBT SERVICE				
School Bond	221,538	221,538	221,538	-
67 Main Street	39,267	39,267	39,267	-
Old Amenia Landfill	10,000	10,000	10,000	-
Contaminated Soil	30,300	24,694	-	24,694
TOTAL DEBT SERVICE	<u>301,105</u>	<u>295,499</u>	<u>270,805</u>	<u>24,694</u>
CAPITAL				
	-	-	-	-
EDUCATION				
Elementary Education	3,614,461	3,614,461	3,614,461	-
Regional Education	2,667,480	2,667,480	2,628,973	38,507
TOTAL EDUCATION	<u>6,281,941</u>	<u>6,281,941</u>	<u>6,243,434</u>	<u>38,507</u>
TOTAL EXPENDITURES	<u>9,726,066</u>	<u>9,838,566</u>	<u>9,598,304</u>	<u>240,262</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (50,000)</u>	<u>\$ (162,500)</u>	<u>\$ 189,723</u>	<u>\$ 352,223</u>

TOWN OF SHARON
GENERAL FUND SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES -
BOARD OF EDUCATION
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
SALARIES				
Certified	\$ 1,666,665	\$ 1,666,665	\$ 1,647,803	\$ 18,862
Classified	407,426	407,426	412,641	(5,215)
TOTAL SALARIES	<u>2,074,091</u>	<u>2,074,091</u>	<u>2,060,444</u>	<u>13,647</u>
EMPLOYEE BENEFITS				
Health Insurance	614,990	614,990	530,331	84,659
Social Security	54,465	54,465	60,134	(5,669)
Pension-Classified	29,336	29,336	29,897	(561)
Graduate Reimbursement	3,600	3,600	5,600	(2,000)
Unemployment Compensation	1,000	1,000	-	1,000
Workman's Compensation	12,873	12,873	12,480	393
Life Insurance	3,804	3,804	4,577	(773)
TOTAL EMPLOYEE BENEFITS	<u>720,068</u>	<u>720,068</u>	<u>643,019</u>	<u>77,049</u>
PURCHASED SERVICES				
Board, In-Service	100	100	-	100
Assemblies and Student Activities	14,885	14,885	14,602	283
In Service/ Curriculum Development	11,425	11,425	15,960	(4,535)
Public Relations	600	600	1,822	(1,222)
School Physician	1,000	1,000	600	400
Legal/Negotiation Fees	1,500	1,500	-	1,500
Audit ED 001	5,677	5,677	5,847	(170)
Staff Physicals	100	100	5	95
Technology Support Service	11,844	11,844	9,979	1,865
TOTAL PURCHASED SERVICES	<u>47,131</u>	<u>47,131</u>	<u>48,815</u>	<u>(1,684)</u>
PROPERTY SERVICES				
Water and Sewer	9,325	9,325	8,500	825
Cleaning Services	1,000	1,000	3,005	(2,005)
Refuse Removal	5,527	5,527	4,803	724
Upkeep	13,468	13,468	22,077	(8,609)
Service Office A/V	7,167	7,167	5,320	1,847
Building Repairs	25,833	25,833	46,898	(21,065)
Emergency	10,000	10,000	12,972	(2,972)
Scheduled Painting	10,000	10,000	25,765	(15,765)
Asbestos	280	280	280	-
TOTAL PROPERTY SERVICES	<u>82,600</u>	<u>82,600</u>	<u>129,620</u>	<u>(47,020)</u>
TRANSPORTATION				
Bus Contract	226,278	226,278	228,501	(2,223)
School Class Trips	15,294	15,294	14,625	669
TOTAL TRANSPORTATION	<u>241,572</u>	<u>241,572</u>	<u>243,126</u>	<u>(1,554)</u>
REGION ONE				
High School	1,980,532	1,980,532	1,953,363	27,169
Pupil Services	586,829	586,829	577,599	9,230
Administrative Services	100,119	100,119	98,011	2,108
TOTAL REGION ONE	<u>\$ 2,667,480</u>	<u>\$ 2,667,480</u>	<u>\$ 2,628,973</u>	<u>\$ 38,507</u>

TOWN OF SHARON
GENERAL FUND SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES -
BOARD OF EDUCATION
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER PURCHASED SERVICES				
Multi-Peril Insurance	\$ 37,212	\$ 37,212	\$ 45,484	\$ (8,272)
Student Athletic	475	475	375	100
Postage	2,823	2,823	2,550	273
Telephone	7,000	7,000	7,939	(939)
Advertising	150	150	-	150
Printing	1,200	1,200	1,109	91
Summer School	6,000	6,000	2,683	3,317
Staff Travel	8,736	8,736	5,392	3,344
Test Scoring	250	250	-	250
Capital Improvements/Computers	24,026	24,026	26,246	(2,220)
TOTAL OTHER PURCHASED SERVICES	<u>87,872</u>	<u>87,872</u>	<u>91,778</u>	<u>(3,906)</u>
SUPPLIES AND MATERIALS				
Classroom Supplies	21,667	21,667	21,259	408
Art Supplies	3,000	3,000	3,194	(194)
Music Supplies	3,000	3,000	3,209	(209)
Physical Education Supplies	3,000	3,000	3,094	(94)
Test Materials	1,500	1,500	2,479	(979)
Workbooks	6,729	6,729	7,280	(551)
Nurse Supplies	3,000	3,000	2,168	832
Audio Visual Supplies	1,845	1,845	1,537	308
Computer Software	23,536	23,536	33,335	(9,799)
Office Supplies	9,884	9,884	16,231	(6,347)
PBIS Supplies	250	250	198	52
Graduation Materials	2,500	2,500	2,076	424
Custodial Supplies	22,204	22,204	22,481	(277)
Maintenance Supplies	23,837	23,837	22,028	1,809
Electricity	85,233	85,233	55,451	29,782
Heating Fuel	52,000	52,000	53,890	(1,890)
Diesel Fuel	41,160	41,160	31,686	9,474
Textbooks	13,525	13,525	19,780	(6,255)
Library Replacement	8,440	8,440	7,740	700
Library Supplies	6,400	6,400	5,944	456
TOTAL SUPPLIES AND MATERIALS	<u>332,710</u>	<u>332,710</u>	<u>315,060</u>	<u>17,650</u>
CAPITAL EXPENDITURES				
Equipment - Non-Instructional	608	608	3,610	(3,002)
Equipment - Instructional	22,559	22,559	21,102	1,457
TOTAL CAPITAL EXPENDITURES	<u>23,167</u>	<u>23,167</u>	<u>24,712</u>	<u>(1,545)</u>
MISCELLANEOUS				
Education Connection	250	250	253	(3)
Reserve Fund	-	-	45,134	(45,134)
Cafeteria	5,000	5,000	12,500	(7,500)
TOTAL MISCELLANEOUS	<u>5,250</u>	<u>5,250</u>	<u>57,887</u>	<u>(52,637)</u>
TOTAL	<u>\$ 6,281,941</u>	<u>\$ 6,281,941</u>	<u>\$ 6,243,434</u>	<u>\$ 38,507</u>

NON-MAJOR GOVERNMENTAL FUNDS

**TOWN OF SHARON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	Special Revenue						
	Town Aid Road Fund	School Cafeteria Fund	Special Education Grants Fund	Town Fuel Bank Fund	Local and State Fund	Brown Fund	
ASSETS							
Cash	\$ 114,418	\$ 1,512	\$ -	\$ -	\$ 18,641	\$ 53,794	\$ 58,253
Investments	-	-	-	-	-	-	-
Accounts Receivable	-	2,882	-	-	-	-	11,462
Inventory	-	808	-	-	-	-	-
TOTAL ASSETS	<u>\$ 114,418</u>	<u>\$ 5,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,641</u>	<u>\$ 53,794</u>	<u>\$ 69,715</u>
LIABILITIES							
Accounts Payable	\$ 42,635	\$ -	\$ -	\$ -	\$ 5,821	\$ -	\$ -
BANS Payable	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>42,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,821</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	808	-	-	-	-	-
Restricted	71,783	4,394	-	-	12,820	53,794	69,715
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>71,783</u>	<u>5,202</u>	<u>-</u>	<u>-</u>	<u>12,820</u>	<u>53,794</u>	<u>69,715</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 114,418</u>	<u>\$ 5,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,641</u>	<u>\$ 53,794</u>	<u>\$ 69,715</u>

**TOWN OF SHARON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	<u>Special Revenue</u>			<u>Capital Projects</u>			<u>Total</u>
	<u>Incentive Housing</u>	<u>Energy Grant Fund</u>	<u>Sharon Cemetery Fund</u>	<u>School Roof</u>	<u>STEAP Fund</u>	<u>SSRRA Fund</u>	
ASSETS							
Cash	\$ 1,169	\$ 26,975	\$ 4,216	\$ 147	\$ 26,312	\$ 20,102	\$ 325,539
Investments	-	-	236,295	-	-	-	236,295
Accounts Receivable	-	6,775	-	-	137,296	-	158,415
Inventory	-	-	-	-	-	-	808
TOTAL ASSETS	<u>\$ 1,169</u>	<u>\$ 33,750</u>	<u>\$ 240,511</u>	<u>\$ 147</u>	<u>\$ 163,608</u>	<u>\$ 20,102</u>	<u>\$ 721,057</u>
LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,456
BANS Payable	-	-	-	-	-	760,000	760,000
Due to Other Funds	-	-	-	-	137,296	-	137,296
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,296</u>	<u>760,000</u>	<u>945,752</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	808
Restricted	1,169	33,750	-	-	26,312	-	273,737
Committed	-	-	240,511	147	-	-	240,658
Unassigned	-	-	-	-	-	(739,898)	(739,898)
TOTAL FUND BALANCES	<u>1,169</u>	<u>33,750</u>	<u>240,511</u>	<u>147</u>	<u>26,312</u>	<u>(739,898)</u>	<u>(224,695)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,169</u>	<u>\$ 33,750</u>	<u>\$ 240,511</u>	<u>\$ 147</u>	<u>\$ 163,608</u>	<u>\$ 20,102</u>	<u>\$ 721,057</u>

TOWN OF SHARON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue						
	Town Aid Road Fund	School Cafeteria Fund	Special Education Grant Fund	Town Fuel Bank Fund	Local and State Fund	Brown Fund	
REVENUES							
State of Connecticut Contributions	\$ 177,181	\$ 14,898	\$ 57,904	\$ -	\$ -	\$ -	\$ -
Investment Income	921	-	-	1	-	250	5,660
Other Income	-	-	-	-	25,472	-	260
Sales	-	31,467	-	-	-	-	-
TOTAL REVENUES	<u>178,102</u>	<u>46,365</u>	<u>57,904</u>	<u>1</u>	<u>25,472</u>	<u>250</u>	<u>5,920</u>
EXPENDITURES							
Program Expenditures	239,410	59,079	57,904	2,644	25,789	-	4,714
Capital Outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>239,410</u>	<u>59,079</u>	<u>57,904</u>	<u>2,644</u>	<u>25,789</u>	<u>-</u>	<u>4,714</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(61,308)</u>	<u>(12,714)</u>	<u>-</u>	<u>(2,643)</u>	<u>(317)</u>	<u>250</u>	<u>1,206</u>
OTHER FINANCING SOURCES (USES)							
Note Proceeds	-	-	-	-	-	-	-
Operating Transfers In	-	12,500	-	1,500	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>(61,308)</u>	<u>(214)</u>	<u>-</u>	<u>(1,143)</u>	<u>(317)</u>	<u>250</u>	<u>1,206</u>
FUND BALANCES, BEGINNING	<u>133,091</u>	<u>5,416</u>	<u>-</u>	<u>1,143</u>	<u>13,137</u>	<u>53,544</u>	<u>68,509</u>
FUND BALANCES, ENDING	<u>\$ 71,783</u>	<u>\$ 5,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,820</u>	<u>\$ 53,794</u>	<u>\$ 69,715</u>

TOWN OF SHARON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue			Capital Projects			Total
	Incentive Hosuing	Energy Grant Fund	Sharon Cemetary Fund	School Roof	STEAP Fund	SSRRA Fund	
REVENUES							
State of Connecticut	\$ -	\$ 11,408	\$ -	\$ -	\$ 219,617	\$ -	\$ 481,008
Contributions	-	-	-	-	-	-	5,660
Investment Income	-	-	67,997	448	101	592	70,570
Other Income	-	-	-	-	350	-	25,822
Sales	-	-	-	-	-	-	31,467
TOTAL REVENUES	-	11,408	67,997	448	220,068	592	614,527
EXPENDITURES							
Program Expenditures	2,129	11,408	230,651	-	4,730	16,057	654,515
Capital Outlay	-	-	-	325,301	219,617	-	544,918
TOTAL EXPENDITURES	2,129	11,408	230,651	325,301	224,347	16,057	1,199,433
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,129)	-	(162,654)	(324,853)	(4,279)	(15,465)	(584,906)
OTHER FINANCING SOURCES (USES)							
Note Proceeds	-	-	-	250,000	-	-	250,000
Operating Transfers In	-	-	-	75,000	-	-	89,000
Operating Transfers Out	-	-	(5,950)	-	-	-	(5,950)
TOTAL OTHER SOURCES (USES)	-	-	(5,950)	325,000	-	-	333,050
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(2,129)	-	(168,604)	147	(4,279)	(15,465)	(251,856)
FUND BALANCES, BEGINNING	3,298	33,750	409,115	-	30,591	(724,433)	27,161
FUND BALANCES, ENDING	\$ 1,169	\$ 33,750	\$ 240,511	\$ 147	\$ 26,312	\$ (739,898)	\$ (224,695)

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

TOWN OF SHARON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS –
SCHEDULE BY SOURCE
June 30, 2011

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 274,081
Buildings and Improvements	8,992,058
Machinery and Equipment	2,019,018
Infrastructure	3,944,422
Construction in Progress	<u>224,347</u>

TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS \$ 15,453,926

Investments in Governmental Funds Capital by source:

Assets put into service prior to July 1, 2011 \$ 15,453,926

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts.

TOWN OF SHARON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS –
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2011

	<u>Land</u>	<u>Building and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government	\$ 100,000	\$ 2,154,699	\$ 114,160	\$ -	\$ 224,347	\$ 2,593,206
Board of Education	174,081	6,610,470	321,350	-	-	7,105,901
Public Works	-	226,889	1,583,508	3,944,422	-	5,754,819
	<u>\$ 274,081</u>	<u>\$ 8,992,058</u>	<u>\$ 2,019,018</u>	<u>\$ 3,944,422</u>	<u>\$ 224,347</u>	<u>\$ 15,453,926</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts.

TOWN OF SHARON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS –
SCHEDULE OF CHANGES
Year Ended June 30, 2011

	General Fixed Assets June 30, 2010	Additions	Deletions	General Fixed Assets June 30, 2011
General Government	\$ 2,342,359	\$ 250,847	\$ -	\$ 2,593,206
Board of Education	6,780,599	325,302	-	7,105,901
Public Works	2,444,725	3,310,094	-	5,754,819
	<u>\$ 11,567,683</u>	<u>\$ 3,886,243</u>	<u>\$ -</u>	<u>\$ 15,453,926</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts.

OTHER SCHEDULES

**TOWN OF SHARON
REPORT OF PROPERTY TAX COLLECTOR
Year Ended June 30, 2011**

Grand List Year	Outstanding Balance July 1, 2010	Net Lawful Corrections	Adjusted Taxes Collectible	Actual Collections During Year				Transfer to Suspense	Outstanding Balance June 30, 2011
				Taxes	Interest	Lien Fees	Total		
2009	\$ 9,171,067	\$ (4,711)	\$ 9,166,356	\$ 8,966,945	\$ 34,671	\$ -	\$ 9,001,616	\$ 818	\$ 198,593
2008	168,255	(591)	167,664	81,259	10,397	960	92,616	-	86,405
2007	58,833	(114)	58,719	11,244	3,431	240	14,915	-	47,475
2006	38,728	19	38,747	2,921	1,712	24	4,657	-	35,826
2005	35,062	(1)	35,061	4,388	2,047	72	6,507	-	30,673
2004	28,859	(28)	28,831	3,415	4,053	48	7,516	-	25,416
2003	19,561	-	19,561	1,162	26	48	1,236	-	18,399
2002	14,089	47	14,136	-	-	-	-	-	14,136
2001	9,404	4	9,408	-	-	-	-	-	9,408
2000	8,578	-	8,578	-	-	-	-	-	8,578
1999	3,100	-	3,100	-	364	-	364	-	3,100
1998	205	-	205	-	-	-	-	-	205
1997	319	-	319	-	-	-	-	-	319
1996	141	-	141	-	-	-	-	-	141
1995	32	-	32	-	-	-	-	-	32
1994	104	-	104	-	-	-	-	-	104
	<u>\$ 9,556,337</u>	<u>\$ (5,375)</u>	<u>\$ 9,550,962</u>	<u>\$ 9,071,334</u>	<u>\$ 56,701</u>	<u>\$ 1,392</u>	9,129,427	<u>\$ 818</u>	<u>\$ 478,810</u>
					Suspense Collections		621		
					60 Days	6/30/2010	(49,199)		
					60 Days	6/30/2011	68,349		
					Total		<u>\$ 9,149,198</u>		

TOWN OF SHARON
SCHEDULE OF CHANGES IN LONG-TERM DEBT
Year Ended June 30, 2011

	General Fund				Enterprise Fund						TOTALS
	Roof Project	67 Main Street	Soil Contamination	General Obligation Refunding Bonds	2005 Drinking Water Fund	1999 Clean Water Fund	2000 Drinking Water Fund	2001 Clean Water Fund	2009 USDA Sewer Debt	2010 Sewer Loan	
LONG-TERM DEBT PAYABLE, JULY 1, 2010	\$ -	\$ 421,204	\$ 226,741	\$ 355,000	\$ 314,565	\$ 490,199	\$ 117,159	\$ 601,017	\$ 934,000	\$ -	\$ 3,459,885
NOTES ISSUED DURING YEAR	250,000	-	-	-	-	-	-	-	-	700,000	950,000
PAYMENTS DURING YEAR	-	19,052	226,741	210,000	19,972	66,077	10,395	50,016	934,000	7,854	1,544,107
LONG-TERM DEBT PAYABLE, JUNE 30, 2011	<u>\$ 250,000</u>	<u>\$ 402,152</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 294,593</u>	<u>\$ 424,122</u>	<u>\$ 106,764</u>	<u>\$ 551,001</u>	<u>\$ -</u>	<u>\$ 692,146</u>	<u>\$ 2,865,778</u>
MATURITIES BY FISCAL YEARS ENDING, JUNE 30:											
2012	47,100	20,007	-	145,000	20,456	67,930	10,668	51,419	-	405,112	767,692
2013	48,493	21,009	-	-	20,953	69,836	10,949	52,862	-	5,299	229,401
2014	49,960	22,062	-	-	21,461	71,795	11,237	54,345	-	5,533	236,393
2015	51,454	23,168	-	-	21,982	73,809	11,532	55,869	-	5,776	243,590
2016	52,993	24,329	-	-	22,515	75,880	11,836	57,437	-	5,997	250,987
2017	-	25,548	-	-	23,062	64,872	12,147	59,048	-	6,293	190,970
2018	-	26,828	-	-	23,621	-	12,467	60,705	-	6,570	130,191
2019	-	28,173	-	-	24,194	-	12,795	62,408	-	6,859	134,429
2020	-	29,585	-	-	24,781	-	13,133	64,158	-	7,131	138,788
2021	-	31,067	-	-	25,383	-	-	32,750	-	7,473	96,673
2022	-	32,624	-	-	25,999	-	-	-	-	7,802	66,425
2023	-	34,259	-	-	26,630	-	-	-	-	8,145	69,034
2024	-	35,976	-	-	13,556	-	-	-	-	8,477	58,009
2025	-	37,779	-	-	-	-	-	-	-	8,875	46,654
2026	-	9,738	-	-	-	-	-	-	-	9,266	19,004
2027	-	-	-	-	-	-	-	-	-	9,673	9,673
2028	-	-	-	-	-	-	-	-	-	10,077	10,077
2029	-	-	-	-	-	-	-	-	-	10,541	10,541
2030	-	-	-	-	-	-	-	-	-	11,004	11,004
2031	-	-	-	-	-	-	-	-	-	11,488	11,488
2032	-	-	-	-	-	-	-	-	-	11,977	11,977
2033	-	-	-	-	-	-	-	-	-	12,519	12,519
2034	-	-	-	-	-	-	-	-	-	13,069	13,069
2035	-	-	-	-	-	-	-	-	-	13,644	13,644
2036	-	-	-	-	-	-	-	-	-	14,234	14,234
2037	-	-	-	-	-	-	-	-	-	14,869	14,869
2038	-	-	-	-	-	-	-	-	-	15,523	15,523
2039	-	-	-	-	-	-	-	-	-	16,205	16,205
2040	-	-	-	-	-	-	-	-	-	16,915	16,915
2041	-	-	-	-	-	-	-	-	-	5,800	5,800
TOTALS	<u>\$ 250,000</u>	<u>\$ 402,152</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 294,593</u>	<u>\$ 424,122</u>	<u>\$ 106,764</u>	<u>\$ 551,001</u>	<u>\$ -</u>	<u>\$ 692,146</u>	<u>\$ 2,865,778</u>

**TOWN OF SHARON
SCHEDULE OF DEBT LIMITATION
Year Ended June 30, 2011**

Total Tax Collections (Including Interest and Lien Fees) for Current Fiscal Year	\$ 9,149,198
Reimbursement for Revenue Loss On: Tax Relief for Elderly	<u>18,087</u>
Base (Total of Above)	<u><u>\$ 9,167,285</u></u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
DEBT LIMITATION					
2.25 x \$9,167,285	\$ 20,626,391	\$ -	\$ -	\$ -	\$ -
4.50 x \$9,167,285	-	41,252,783	-	-	-
3.75 x \$9,167,285	-	-	34,377,319	-	-
3.25 x \$9,167,285	-	-	-	29,793,676	-
3.00 x \$9,167,285	-	-	-	-	27,501,855
	20,626,391	41,252,783	34,377,319	29,793,676	27,501,855
OUTSTANDING INDEBTEDNESS					
General Obligation Refunding Bonds	-	145,000	-	-	-
Roof Project	-	250,000	-	-	-
67 Main Street	402,152	-	-	-	-
Town Share of RD #1 Indebtedness	-	808,545	-	-	-
Bond Anticipation Notes	7,274,000	-	-	-	-
Sewer Bonds and Notes	-	-	2,068,626	-	-
	7,676,152	1,203,545	2,068,626	-	-
TOTAL OUTSTANDING INDEBTEDNESS					
AUTHORIZED BUT UNISSUED INDEBTEDNESS					
Sewer	-	-	-	-	-
General Government	-	-	-	-	-
	-	-	-	-	-
TOTAL AUTHORIZED BUT UNISSUED INDEBTEDNESS					
	-	-	-	-	-
TOTAL OUTSTANDING AND AUTHORIZED BUT UNISSUED INDEBTEDNESS					
	7,676,152	1,203,545	2,068,626	-	-
DEBT LIMITATION IN EXCESS OF OUTSTANDING OR AUTHORIZED DEBT					
	\$ 12,950,239	\$ 40,049,238	\$ 32,308,693	\$ 29,793,676	\$ 27,501,855

**TOWN OF SHARON
SCHEDULE OF DEBT
Year Ended June 30, 2011**

Description	Amount	
General Obligation Refunding Bonds-General Fund	\$ 145,000	
Roof Project	250,000	
67 Main Street Note-General Fund	402,152	
1999 Clean Water Fund-Enterprise Fund	424,122	
2000 Drinking Water Fund-Enterprise Fund	106,764	
2001 Clean Water Fund-Enterprise Fund	551,001	
2005 Drinking Water Fund-Enterprise Fund	294,593	
2010 Sewer Improvements-Enterprise Fund	<u>692,146</u>	
	2,865,778	
Bond Anticipation Notes	<u>7,274,000</u>	
TOTAL	\$10,139,778	
Percentage of annual property tax levy uncollected	2.18%	
Total direct debt per capita	3,322	(a)
Total direct debt to net taxable grand list	1.20%	(b)

(a) Population of 3,052 as of July, 2010.

(b) Net taxable grand list 10/01/09 was \$843,783,371.