



## Report of Independent Accountants

Members of the Town Council  
Town of Newington, Connecticut

Dear Members of the Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newington, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newington, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2007 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages A-3 through A-11 and budgetary comparison information on pages A-44 through A-49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Blum, Shapiro & Company, P.C.*

December 30, 2007

**TOWN OF NEWINGTON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

This discussion and analysis of the Town of Newington, Connecticut's (Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2007. Please read this MD&A in conjunction with the transmittal letter beginning on page 1 and the Town's financial statements, Exhibits I to IX.

**Financial Highlights**

- Net assets of our governmental activities increased by \$4.4 million, or 6.3%.
- During the year, the Town had expenses that were \$4.4 million less than the \$93.9 million generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$89.5 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$14.7 million. On a budgetary basis \$12.9 million represents the Town's unreserved fund balance, of this \$2 million is designated for 2007-08 budget.
- The resources available for appropriation were \$2.5 million more than budgeted for the General Fund. Expenditures were \$783 thousand less than appropriations.
- The tax collection rate was 99.2%, an increase of .6% from the prior year and the highest rate in over thirty years.
- The Town of Newington's outstanding bonded debt at June 30, 2007 was \$20.3 million, a decrease of \$2.2 million or 10%, from the prior year. No bonds were sold or authorized at referendum during the year.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased from \$69.1 million to \$73.4 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**TABLE 1**  
**NET ASSETS**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 36,878	\$ 37,336
Capital assets	69,737	69,114
Total assets	<u>106,615</u>	<u>106,450</u>
Long-term debt outstanding	24,930	27,510
Other liabilities	8,237	9,854
Total liabilities	<u>33,167</u>	<u>37,364</u>
Net Assets:		
Invested in capital assets, net of debt	48,689	45,677
Restricted	527	479
Unrestricted	<u>24,232</u>	<u>22,930</u>
Total Net Assets	<u>\$ 73,448</u>	<u>\$ 69,086</u>

Net assets of the Town's governmental activities increased by \$4.4 million or 6.3% (\$73.4 million compared to \$69.1 million). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$22.9 million at June 30, 2006 to \$24.2 million at the end of this year. The largest portion of the Town's net assets \$48.7 million or 66% reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding.

The change in unrestricted governmental net assets resulted primarily because of additional revenue from the following sources: property tax, charges for services (land recording fees), building permits and interest earnings. In addition, a favorable result of approximately \$783 thousand on the expenditure side was experienced on a Town-wide basis.

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

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Revenues:		
Program revenues:		
Charges for services	\$ 3,956	\$ 3,727
Operating grants and contributions	17,490	16,646
Capital grants and contributions	389	4,180
General revenues:		
Property taxes	66,335	65,312
Grants and contributions not restricted to specific purposes	3,232	2,981
Unrestricted investment earnings	2,285	1,829
Other general revenues	191	23
Total revenues	<u>93,878</u>	<u>94,698</u>
Program expenses:		
General government	4,599	4,681
Public safety	6,788	6,520
Public works	5,724	5,226
Community planning and development	590	515
Health and community services	1,122	1,160
Library	1,821	1,792
Parks and recreation	2,398	2,333
Education	56,881	52,058
Miscellaneous	8,647	8,199
Interest on long-term debt	946	1,137
Total program expenses	<u>89,516</u>	<u>83,621</u>
Increase in Net Assets	\$ <u>4,362</u>	\$ <u>11,077</u>

The Town's total revenues were \$93.9 million. The total cost of all programs and services was \$89.5 million. Our analysis below separately considers the operations of governmental activities.

**Governmental Activities**

In 2006-07 on the revenue side, several major categories experienced favorable increases over the original estimates. In total, revenues exceeded the original budget by \$2.5 million. This was due to increases in several areas: property taxes, which comprise 77% of Town revenues, which exceeded the original budget by \$708 thousand due to a high collection rate on the current levy, increased prior year tax collections of \$528 thousand and interest on delinquent taxes. Licenses and permits were up \$163 thousand as large commercial development projects applied for their respective building and trade permits. Charges for services, specifically land recording fees were up \$143 thousand and investment income increased by \$675 thousand due to an increase in short term interest rates during the year.

On the expenditure side, appropriations were successfully controlled resulting in unencumbered balances Town-wide of \$783 thousand by year-end. Education, which is the largest category of spending for the Town comprising approximately 60% of the total, had \$37 thousand remaining at year-end. Other savings in various accounts can be attributed to several personnel vacancies and a record mild winter.

Table 3 presents the cost of each of the Town’s five largest programs – police, fire, public works, education, and parks and recreation - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

Governmental Activities (In Thousands)	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
	General government	\$ 4,599	\$ 4,681	\$ 2,118
Public safety	6,788	6,520	6,672	6,346
Public works	5,724	5,226	5,216	4,180
Education	56,881	52,058	39,042	31,701
Parks, recreation and facilities	2,398	2,333	1,696	1,468
All others	13,126	12,803	12,937	12,368
Totals	\$ <u>89,516</u>	\$ <u>83,621</u>	\$ <u>67,681</u>	\$ <u>59,068</u>

## **Town Funds Financial Analysis**

### **Governmental Funds**

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$22.2 million, which is an increase from last year's total of \$21.1 million. This increase is primarily due to an increase in the General Fund from \$13.4 million to \$14.7 million or an increase of \$1.3 million. Approximately 88% of the fund balance amount or \$12.9 million constitutes unreserved fund balance which is available for spending at the Town's discretion. The balance of \$1.8 million is primarily reserved because it has been committed to liquidate purchase orders. The Town had positive fund balances in all categories of net assets both for the governmental as a whole as well as for its separate governmental and business-type activities.

Included in this year's total change in fund balance, is an increase of \$1.3 million in the Town's General Fund due to an excess of revenue and highlighted in Exhibit IV. In addition, these other changes in fund balances should be noted: 1) in the Capital Projects funds a decrease of \$.4 million is primarily due to the Town's bond projects for schools and public safety getting substantially underway during the year; expenditures totaled \$3.5 million against revenue and other financing sources of \$3.1 million, and 2) an increase of \$366 thousand in Other Governmental funds from excess expenditures over revenues.

### **Proprietary Funds**

The Town accounts for two funds in its proprietary funds. The Town's Health Benefits Fund and its Insurance Reserve Fund, both of which are self-funded programs and the Town's only proprietary funds. Unrestricted net assets of both funds totaled \$3.5 million, an increase of \$490 thousand from the prior year. This increase is due exclusively to the performance of the Health Benefits Fund which had an increase in charges for services (revenue) of \$490 thousand over expenses. The Insurance Reserve Fund is to pay for losses incurred through insurance deductibles and uninsured property and casualty losses. The balance at June 30 of \$225 thousand is in accordance with the ordinance establishing the fund and the maximum fund balance.

### **General Fund Budgetary Highlights**

The Town's 2006-07 original budget of \$85 million was not increased during the year. Actual final expenditure results (including encumbrances) totaled \$84.2 million leaving unexpended departmental appropriations totaling \$783 thousand at June 30, 2007. This year end balance was primarily due to accrued savings from many personnel vacancies Town-wide. Other savings in accounts for ice & snow control and fuel were attributable to the record mild winter.

On the revenue side, final actual revenues exceeded the original budget by \$2.4 million. The revenue categories which saw increases during the year include: in the property tax category, actual revenue exceeds the budget by \$708 thousand due to a higher rate of collection on the current levy than originally estimated, and effective enforcement on prior year taxes and delinquent interest. Charges for services exceeded budget estimates by \$156 thousand due primarily to real estate conveyance recording fees of \$144 thousand. Investment income exceeded the budget by \$675 thousand due to a rise in short term rates during the year. Revenue increases, combined with unexpended appropriations, added \$3.2 million to the unreserved general fund balance.

The Town's General Fund balance of \$14.7 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$12.9 million reported in the budgetary comparison in the required

supplementary information. This is principally because the budgetary fund balance includes \$1.7 million of outstanding encumbrances at year end of which are primarily attributable to the Board of Education. Encumbrances are reported as expenditures for budgetary purposes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2007, the Town had \$69.7 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and storm water lines – Table 4. This amount represents a net increase (including additions and deductions) of \$623 thousand or .9%, over last year.

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Land	\$ 2,411	\$ 2,411
Buildings and improvements	9,871	9,710
Equipment	6,460	6,316
Infrastructure	21,627	21,706
Construction in progress	29,368	28,971
Totals	<u>\$ 69,737</u>	<u>\$ 69,114</u>

This year’s major additions included (thousands):

**Infrastructure** - Additions in the amount \$407 were due to resurfacing of Maple Hill Drive, Superior Avenue and Veterans Drive and due to the reconstruction of Raynell Road and Stonehedge Drive.

**Buildings** - Additions in the amount \$767 were due to the installation of air conditioning to the third floor of Newington High School and the reconstruction of the Fire Training Tower.

**Land Improvements** - increased by \$300 due to track renovations at Newington High School and \$50 for lights at the Little League Field. Additionally, \$105 of traffic signals was recognized.

**Furniture, Fixtures and Equipment** - was added in the amount of \$1,240. General Government increased by \$93 due to the purchase of two vehicles and computer equipment. Public Safety and purchased vehicles Public works increased by \$219 due to improvements to the under ground storage tank and vehicles. Board of Education increased by \$637 for school busses, vehicles, computer equipment and playground equipment.

**Construction in Progress** - increased by \$397 for major renovations at the Elizabeth Green and Ruth Chaffee elementary schools as part of the referendum passed in January 2003.

Total Additions \$ 3,350

The Town’s fiscal-year 2007-08 capital budget calls for it to spend \$4.3 million for capital projects, of which \$399 thousand is financed from the State and the balance from local funds. It is to primarily finance Eddy Farm Conservation Easement, major equipment replacement, road reconstruction, improvements to Town Hall, drainage, and Newington High School Athletic Field House.

More detailed information about the Town’s capital assets is presented in Note 1 and Note 6 to the financial statements.

***Long-term debt***

At June 30, 2007 the Town had \$20.4 million in bonds outstanding versus \$22.5 million last year - a decrease of 9.8% - as shown in Table 5.

**TABLE 5  
OUTSTANDING DEBT  
(In Thousands)**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
General obligation bonds (backed by the Town)	\$ <u>20,355</u>	\$ <u>22,560</u>

- The decrease in the Town’s indebtedness is due to no bond sales during the year. The Town paid off \$2.2 million in principal and \$942 thousand in interest. The Town’s general obligation bond rating continues to carry the Aa3 Moody’s rating and AA rating from Standard & Poor’s. Both of these credit ratings were re-affirmed in 2005 as part of the Town’s bond sale.
- The State limits the amount of general obligation debt that towns can issue based on a formula determined under State Statutes based on type of debt and tax base. When the Town’s outstanding general obligation debt is calculated in accordance with this formula it is significantly below this \$466.9 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town’s long-term liabilities is presented in Note 8 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The Town’s adopted fiscal year 2007–2008 General Fund budget totals \$89.9 million, an increase of 5.8% over the final 2007 budget of \$85 million. The most significant factors driving the overall budget increase include education, capital improvements, salaries, energy costs, Metropolitan District Commission sewer assessments, employee benefits and solid waste services.

On the revenue side, the 10/1/2006 taxable list increased nominally at a rate of .9% from the 2005 Grand List. Of note, is the 7% increase in personal property which generated an amount of new tax revenue of \$235 thousand. Estimated state-aid to the Town, which comprises approximately 18% of total revenues, provided a \$1 million or 7% increase in the new budget. A review of key economic indicators shows that per capita income of Newington's residents is \$27 thousand, below the statewide average of \$29 thousand but its median family income of \$67 thousand exceeds the statewide average by \$1,564. The Town's 2007 average unemployment rate of 3.8% compared favorably to the Hartford Labor Market of 4.5% and the statewide average of 4.3%. Of note, is the Town's large senior population with 23.8% of its residents 60 years or more.

With regard to the unreserved, undesignated General Fund balance, after the designation of \$2 million to assist in financing the 2007-08 budget, on a budgetary basis, the unreserved, undesignated balance at June 30, 2007 is increased by \$1.2 million to a level of \$10.9 million or 12% of the fiscal year 2007-08 budget. This increase is due to additional revenue in 2007 from the property tax, interest income and savings on the expenditures side. The Town has consistently maintained a ratio of unreserved, undesignated fund balance at a level of 10% or higher of subsequent year's appropriation which is consistent with the parameters as set forth by the credit industry.

From a financial perspective and detailed in this annual financial report, Newington successfully managed the 2006-07 budget through prudent, conservative fiscal management. This is evidenced from the final actual expenditures are \$779 thousand under from the original budget while the revenue side generated an additional \$2.4 million beyond the original estimates. The 2007-08 Town budget experienced rising fixed costs, this budget increase of 4.5% addresses long overdue capital requirements, rising energy costs and other fixed costs to meet the high level of service Town residents are accustomed. Similar to other communities, Newington has had to address the difficult budgetary and economic times through strong management, well-managed fund balances and an active economic development program.

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

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Newington, Connecticut, 131 Cedar Street, Newington, Connecticut, 06111.

## TOWN OF NEWINGTON, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2007

(In Thousands)

	<b>Governmental Activities</b>
Assets:	
Cash and cash equivalents	\$ 32,000
Investments	1,085
Receivables, net	3,579
Inventory	20
Prepaid asset	194
Capital assets not being depreciated	31,779
Capital assets being depreciated, net	37,958
Total assets	<u>106,615</u>
Liabilities:	
Accounts and other payables	4,041
Unearned revenue	4,196
Noncurrent liabilities:	
Due within one year	2,716
Due in more than one year	22,214
Total liabilities	<u>33,167</u>
Net Assets:	
Invested in capital assets, net of related debt	48,689
Restricted for:	
Trust purposes	
Expendable	492
Nonexpendable	35
Unrestricted	<u>24,232</u>
Total Net Assets	<u>\$ 73,448</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Revenue And Changes In Net Assets
					Governmental Activities
Governmental activities:					
General government	\$ 4,599	\$ 1,741	\$ 740	\$	\$ (2,118)
Public safety	6,788	90	26		(6,672)
Public works	5,724	47	461		(5,216)
Community planning and development	590				(590)
Health and community services	1,122	33	45		(1,044)
Library	1,821	38	72		(1,711)
Parks and recreation	2,398	702			(1,696)
Education	56,881	1,305			(39,042)
Miscellaneous	8,647		16,145	389	(8,647)
Interest on long-term debt	946		1		(945)
Total	\$ 89,516	\$ 3,956	\$ 17,490	\$ 389	(67,681)
General revenues:					
Property taxes					66,335
Grants and contributions not restricted to specific programs					3,232
Unrestricted investment earnings					2,285
Miscellaneous					191
Total general revenues					72,043
Change in net assets					4,362
Net Assets at Beginning of Year					69,086
Net Assets at End of Year					\$ 73,448

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The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007  
(In Thousands)

	General	Capital Projects	Small Cities	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20,769	\$ 3,360	\$ 72	\$ 3,538	\$ 27,739
Investments				1,085	1,085
Receivables, net	1,565	22	903	307	2,797
Inventories				20	20
Total Assets	\$ 22,334	\$ 3,382	\$ 975	\$ 4,950	\$ 31,641
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 2,492	\$ 361	\$ 6	\$ 333	\$ 3,192
Deferred revenue	5,136		903	162	6,201
Total liabilities	7,628	361	909	495	9,393
Fund balances:					
Reserved	1,763	306		226	2,295
Unreserved, reported in:					
General Fund	12,943				12,943
Special Revenue Funds			66	4,229	4,295
Capital Project Funds		2,715			2,715
Total fund balances	14,706	3,021	66	4,455	22,248
Total Liabilities and Fund Balances	\$ 22,334	\$ 3,382	\$ 975	\$ 4,950	
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					69,737
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds					2,981
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.					3,516
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds					(25,034)
Net assets of governmental activities				\$	73,448

The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2007  
(In Thousands)

	General	Capital Projects	Small Cities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 66,863	\$	\$	\$	\$ 66,863
Payment in lieu of taxes	2,339				2,339
Licenses, fees and permits	749			16	765
Intergovernmental	15,453	14		2,891	18,358
Rental	83	62			145
Income on investments	1,825	20	5	270	2,120
Fines	64				64
Charges for services	885	146		1,782	2,813
Refunds and reimbursements	185				185
Sale of Town property					-
Other	12	231	40	381	664
Total revenues	<u>88,458</u>	<u>473</u>	<u>45</u>	<u>5,340</u>	<u>94,316</u>
Expenditures:					
Current:					
General government	2,520	703	107	603	3,933
Public safety	6,485	5		40	6,530
Public works	4,906	9		37	4,952
Community planning and development	520				520
Health and human services	1,119	2			1,121
Library	1,701			69	1,770
Parks and recreation	1,487	4		785	2,276
Education	53,590	90		3,137	56,817
Miscellaneous	8,634				8,634
Capital outlay	0	2,495		390	2,885
Debt service	3,147	210			3,357
Total expenditures	<u>84,109</u>	<u>3,518</u>	<u>107</u>	<u>5,061</u>	<u>92,795</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,349</u>	<u>(3,045)</u>	<u>(62)</u>	<u>279</u>	<u>1,521</u>
Other Financing Sources (Uses):					
Capital lease					
Transfers in	82	2624		169	2,875
Transfers out	(3,133)			(82)	(3,215)
Total other financing sources (uses)	<u>(3,051)</u>	<u>2,624</u>	<u>0</u>	<u>87</u>	<u>(340)</u>
Net Change in Fund Balances	1,298	(421)	(62)	366	1,181
Fund Balances at Beginning of Year	<u>13,408</u>	<u>3,442</u>	<u>128</u>	<u>4,089</u>	
Fund Balances at End of Year	<u>\$ 14,706</u>	<u>\$ 3,021</u>	<u>\$ 66</u>	<u>\$ 4,455</u>	

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	1,221
Net gain (loss) on trade-in or sale of capital assets	(598)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	(534)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of bond debt repayment	2,389
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	213
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit VI)	490
Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 4,362</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF NEWINGTON, CONNECTICUT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**JUNE 30, 2007**  
**(In Thousands)**

		<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:		
Cash and cash equivalents	\$	4,261
Liabilities:		
Accounts and other payables		<u>745</u>
Net Assets:		
Unrestricted	\$	<u><u>3,516</u></u>

The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDSFOR THE YEAR ENDED JUNE 30, 2007  
(In Thousands)

	Governmental Activities
	<u>Internal Service Funds</u>
Operating Revenues:	\$
Charges for services	8,891
Miscellaneous	284
Total operating revenues	<u>9,175</u>
Operating Expenses:	
Benefit payments	7,748
Administration	444
Insurance	374
Casualty loss	624
Total operating expenses	<u>9,190</u>
Operating Income	(15)
Nonoperating Revenue:	
Interest on investments	<u>165</u>
Income before transfers	150
Transfers In	<u>340</u>
Change in Net Assets	490
Net Assets at Beginning of Year	<u>3,026</u>
Net Assets at End of Year	<u>\$ 3,516</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007  
(In Thousands)**

	<u><b>Governmental Activities Internal Service Funds</b></u>
Cash Flows from Operating Activities:	
Cash received from charges for services and other	\$ 9,175
Cash paid to vendors	(9,180)
Net cash provided by operating activities	<u>(5)</u>
Cash Flows from Noncapital Financial Activities:	
Transfers from other funds	340
Cash Flows from Investing Activities:	
Interest on investments	<u>165</u>
Net Increase in Cash and Cash Equivalents	500
Cash and Cash Equivalents at Beginning of Year	<u>3,761</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,261</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	(15)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts and other payables	<u>10</u>
Net cash provided by operating activities	<u><u>\$ (5)</u></u>

The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

(In Thousands)

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>
Assets:		
Cash and cash equivalents	\$ 1,798	\$ 369
Investments - mutual funds	54,996	
	<u>          </u>	<u>          </u>
Total Assets	56,794	\$ <u><u>369</u></u>
Liabilities:		
Accounts and other payables		\$ <u><u>369</u></u>
Net Assets:		
Held in Trust for Pension Benefits	\$ <u><u>56,794</u></u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

## STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 2,309
Plan members	794
Total contributions	<u>3,103</u>
Investment income:	
Net appreciation in fair value of investments	7,902
Interest and dividends	143
Total investment income	<u>8,045</u>
Less investment expense	292
Net investment income	<u>7,753</u>
Total additions	<u>10,856</u>
Deductions:	
Benefits	4,420
Adminstration	46
Total deductions	<u>4,466</u>
Net increase	6,390
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>50,404</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 56,794</u>

The accompanying notes are an integral part of the financial statements

# TOWN OF NEWINGTON, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS

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(In Thousands)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

The Town was incorporated on July 10, 1871. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

#### B. Government-Wide and 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 nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported.

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.

The various funds included in the financial statements are described below:

#### **Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

*General Fund* - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

*Special Revenue Funds* - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

*Capital Project Funds* - account for all financial resources used for the acquisition or construction of major capital facilities.

*Permanent Funds* - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following is the Town's proprietary fund:

*Internal Service Funds* - account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Health Benefits Fund and the Insurance Reserve Fund comprise the Town's internal service fund.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

*Pension Trust Funds* - accounts for the Town's various retirement plans.

*Agency Funds* - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Youth Activities, Student Activities and Senior Citizens Fund comprise the Town's agency funds.

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

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

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

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

The Town reports the following major governmental funds:

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

The Capital Projects Fund accounts for the construction and acquisition of major capital assets.

The Small Cities Fund accounts for Federal grants for community development and a housing loan program.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the Town's health benefits program.

The Pension Trust Funds account for the activities of the Town retirement system, which accumulates resources for pension benefit payments to qualified Town employees.

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

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

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

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

#### **D. Deposits and Investments**

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4.

Investments for the Town are reported at fair value.

## **E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. All trade and property tax receivables are shown net of an allowance for collectibles. The property tax receivable allowance of \$74 is equal to 5.7% of outstanding property taxes at June 30, 2007.

The Town’s property tax is levied each May, on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. Although taxes are levied in May, the legal right to attach property does not exist until July 1 and, as such, taxes are due and payable in two installments on July 1 and January 1 following the date of the Grand List. Additional property taxes are assessed for motor vehicles registered subsequent to the Grand List date through July 31 and are payable in one installment due January 1. It is the policy of the Town to record deferred revenue for property taxes receivable at June 30. Property taxes collected prior to June 30 that are applicable to the subsequent year’s assessment are reported as deferred revenue. Taxes become overdue one month after the installment due date. Interest at the rate of 1.5% per month accrues on all overdue taxes. The Town files liens against property, if taxes, which are due July 1, remain unpaid on the following June 30.

## **F. Inventories and Prepaid Items**

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

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

## **G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	40
System infrastructure	60
Vehicles	8
Office equipment	5
Computer equipment	5

#### **H. Compensated Absences**

Employees are paid by a prescribed formula for absence due to vacation or sickness. For all Town employees and Board of Education noncertified employees, sick time may be accumulated and paid upon death, retirement or termination, up to certain limits. The Town does not recognize sick pay liability for Board of Education certified staff. The Town does not accrue vacation pay liability because employees are generally not allowed to carry vacation time over to the following year.

A Special Revenue Fund, the Employee Leave Liability Fund, has been established to offset the Town's future liability for unused, accrued sick pay earned by Town employees in accordance with official personnel policies. The fund is used to pay employees who are entitled to cash payments for unused sick leave. The General Fund generally provides for the payment of compensated absences for active employees.

#### **I. Long-Term Obligations**

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

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

#### **J. Fund Equity**

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

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. 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 \$25,034 difference are as follows:

Bonds payable	\$ 20,355
Capital leases obligations	693
Accrued interest payable	104
Compensated absences	<u>3,882</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u><u>25,034</u></u>

### B. 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 \$1,221 difference are as follows:

Capital outlay	\$ 3,350
Depreciation expense	<u>(2,129)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u><u>1,221</u></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 \$2,389 difference are as follows:

Principal repayments:	\$
General obligation debt	2,205
Capital leases	<u>184</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u><u>2,389</u></u>

Another element of that reconciliation states that “some revenues reported in the statement of activities do not provide the use of current financial resources and therefore are not reported as revenues in governmental funds”. The details of this \$(539) difference are as follows:

Property taxes	\$ (459)
Accrued interest on property taxes	(69)
School building grants	(35)
Net pension asset	1
Housing loans	<u>28</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (534)</u>

### 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Town adheres to the following procedures in establishing the budgetary data reported in the financial statements for the General Fund. Prior to March 16, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Two public hearings are held by the Town Council, at which taxpayer comments are obtained, and then the Town Council legally adopts the budget by a majority vote of all its members. If the Town Council fails to adopt a budget within ten days after holding its second public hearing, the Town Manager’s budget becomes the Town budget.

- The Town Manager is authorized to transfer budgeted amounts within departments within any fund, except within the Board of Education. The Town Council, during the last six months of the year, may transfer any unencumbered appropriations between departments, except for the Board of Education. The Board of Education is responsible for establishing its own system of budgetary control and certification of the sufficiency of unexpended and unencumbered balance of appropriation. The Town Council may authorize additional appropriations from unappropriated and unencumbered General Fund balance up to \$125,000 (amount not rounded). Special appropriations between \$125,000 and \$325,000 (amount not rounded) require a Town ordinance. Special appropriations over \$325,000 (amount not rounded) require voter approval.
- Formal budgetary integration is employed as a management control device during the year for the General Fund legally adopted budget.
- Except for encumbrance accounting, the budget is prepared on the modified accrual basis of accounting.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level for the General Fund.
- Budgeted amounts shown are as amended. There were no additional appropriations from fund balance during 2005-06.

Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### 4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds 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 in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

##### A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2007:

Deposits:	\$	
Demand accounts		14,044
Cash equivalents:		
State Short-Term Investment Fund (STIF)		8,839
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)		8,317
UBS Fiduciary Trust		828
Financial Investors Trust		3,194
State Tax Exempt Proceeds Fund (TEPF)		30
Less: Certificates of deposit classified as investments		<u>(1,085)</u>
Total Cash and Cash Equivalents	\$	<u><u>34,167</u></u>

##### Deposits

At June 30, 2007 the carrying amount of the Town deposits was \$14,044 and the bank balance was \$16,648.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. Of the June 30, 2007 bank balance, \$500 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. A minimum of \$1,615, based on June 30, 2007 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$14,533 was uninsured and uncollateralized.

### 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, 2007 the Town's cash equivalents amounted to \$21,208. 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.

	<u>Standard and Poor's</u>	<u>Moody's Investor Service</u>	<u>Fitch Ratings</u>
State Short-Term Investment Fund (STIF)	AAAm		
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)		AAA	
UBS Fiduciary Trust			x
Financial Investors Trust	AAAm		
State Tax Exempt Proceeds Fund (TEPF)			x

### B. Investments

Investments as of June 30, 2007 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Other Investments:		
Certificates of deposit	1,085	.21
Pooled open-end mutual fund accounts:		
Pension Trust Funds:		
UBS Fiduciary Trust	54,529	
TransAmerica Asset Management	<u>467</u>	
Total	\$ <u><u>56,081</u></u>	
Portfolio weighted average maturity for interest bearing investments		<u><u>.21</u></u>

*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 Town's investments (excluding certificates of deposit) are open-end mutual funds that are not rated by nationally recognized statistical rating organizations.

*Concentration of Credit Risk* - The Town's investments are maintained in open-end mutual funds and are therefore not subject to concentration of credit risk market conditions.

*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, 2006, 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.

## 5. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Small Cities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 1,176	\$	\$	\$	\$ 1,176
Accounts	463	22			485
Housing loans			903	44	947
Intergovernmental				263	263
			903	307	2,871
Gross receivables	1,639	22			
Less allowance for uncollectibles	74				74
Net Total Receivables	<u>\$ 1,565</u>	<u>\$ 22</u>	<u>\$ 903</u>	<u>\$ 307</u>	<u>\$ 2,797</u>

Note: Does not include accrued interest on property taxes of \$782.

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,102	\$
Taxes collected in advance		4,034
Grant drawdowns prior to meeting all eligibility requirements		42
Housing loans	903	
Program fees collected in advance		120
	<u>          </u>	<u>          </u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 2,005</u>	<u>\$ 4,196</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 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	\$ 2,411	\$	\$	\$ 2,411
Construction in progress	28,971	397		29,368
Total capital assets, not being depreciated	<u>31,382</u>	<u>397</u>		<u>31,779</u>
Capital assets, being depreciated:				
Buildings	26,717	830	(105)	27,442
Improvements other than buildings	3,071	476	(411)	3,136
Furniture, fixtures and equipment	14,466	1,241	(667)	15,040
Infrastructure	43,301	406		43,707
Total capital assets being depreciated	<u>87,555</u>	<u>2,953</u>	<u>(1,183)</u>	<u>89,325</u>
Less accumulated depreciation for:				
Buildings	(19,113)	(490)	45	(19,558)
Improvements other than buildings	(965)	(184)		(1,149)
Furniture, fixtures and equipment	(8,150)	(970)	540	(8,580)
Infrastructure	(21,595)	(485)		(22,080)
Total accumulated depreciated	<u>(49,823)</u>	<u>(2,129)</u>	<u>585</u>	<u>(51,367)</u>
Total capital assets, being depreciated, net	<u>37,732</u>	<u>824</u>	<u>(598)</u>	<u>37,958</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,114</u>	<u>\$ 1,221</u>	<u>\$ (598)</u>	<u>\$ 69,737</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 143
Public safety	456
Public works	757
Community planning	63
Community services	25
Library	62
Parks and recreation	140
Education	474
Miscellaneous	<u>9</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>2,129</u></u>

### Construction Commitments

The Town has 47 active construction projects as of June 30, 2007. The projects include major school and public safety building project authorizations of \$53 million and various other school and general Town improvement projects. At year end the Town's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public building projects	\$ 54,185	\$ 892
School capital improvements	1,002	143
Capital and non-recurring	<u>916</u>	<u>1,398</u>
 TOTAL	 \$ <u><u>62,103</u></u>	 \$ <u><u>2,433</u></u>

Major commitments are being financed primarily by bond authorizations and State grants for school construction.

## 7. INTERFUND ACCOUNTS

Interfund transfers:

	<u>Transfer In</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Internal Service</u>	
Transfers out:					
General Fund	\$	\$ 2,624	\$ 169	\$ 340	\$ 3,133
Nonmajor Governmental	<u>82</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>82</u>
 Total transfers out	 \$ <u><u>82</u></u>	 \$ <u><u>2,624</u></u>	 \$ <u><u>169</u></u>	 \$ <u><u>340</u></u>	 \$ <u><u>3,215</u></u>

Transfers are for regularly recurring operational transfers.

## 8. LEASES

### Capital Leases

The Town entered into a lease agreement for financing the acquisition of fire apparatus. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	
2008	\$ 211
2009	212
2010	211
2011	<u>106</u>
Total future minimum lease payments	740
Interest on future lease payments	<u>47</u>
Principal balance of future minimum payments	<u>\$ 693</u>

The initial value of apparatus acquired amounted to \$975. The net book value of the assets approximate the principal balance of the lease at June 30, 2007.

## 9. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 22,560	\$	\$ 2,205	\$ 20,355	\$ 1,750
Compensated absences	4,073	920	1,111	3,882	776
Capital leases	<u>877</u>		<u>184</u>	<u>693</u>	<u>190</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 27,510</u>	<u>\$ 920</u>	<u>\$ 3,500</u>	<u>\$ 24,930</u>	<u>\$ 2,716</u>

A schedule of bonds and serial notes outstanding at June 30, 2007 is presented below:

Description	Date of Issue	Amount of Interest Rate (%)	Balance Original Issue	Outstanding June 30, 2007
General purpose bonds:				
Police station	06/05	4.25-5.0	\$ 3,700	\$ 3,330
Police station	05/04	3.2-4.6	3,750	3,188
School bonds:				
School improvements	05/04	3.2-4.6	4,950	4,207
School improvements	06/03	2.0-5.0	4,950	3,630
School	04/00	4.8-6.7	6,000	3,200
School improvements	05/99	3.2-4.7	6,000	2,800
TOTAL				\$ <u>20,355</u>

The following is a schedule of bond maturities as of June 30, 2007:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,750	\$ 842	\$ 2,592
2009	1,750	774	2,524
2010	1,750	704	2,454
2011	1,750	634	2,384
2012-2016	7,550	2,091	9,641
2017-2021	3,760	890	4,650
2022-2026	2,045	198	2,243
TOTAL		\$ <u>6,133</u>	\$ <u>26,488</u>

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 150,071	\$ 6,518	\$ 143,553
Schools	300,141	13,802	286,339
Sewers	250,118	6,331	243,787
Urban renewal	216,769		216,769
Pension deficit	200,094		200,094

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$467 million. All long-term debt obligations are retired through General Fund appropriations.

Indebtedness, in accordance with State Statutes, includes long-term debt outstanding in addition to the amount of bonds authorized and unissued against which bonds have been issued to partially finance the project or bond anticipation notes are issued and outstanding. Additionally, school indebtedness is net of school building grants amounting to \$11.7 million, which include grants for previously issued bonds and grant commitment bonds authorized and unissued. Sewer indebtedness includes overlapping debt of the Metropolitan District. As a member of the Metropolitan District (a quasi-municipal corporation that

provides water supply and sewerage collection and disposal facilities for members), the Town is contingently liable for \$6.3 million or 8.4% of the debt of the District.

## 10. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risks for employee health and medical claims. The Health Insurance Internal Service Fund is utilized to report the self-insurance activity. Anthem Blue Cross/Blue Shield administers the plan, for which the Town pays a fee. The General Fund (Town and Board of Education) and Cafeteria Fund (Special Revenue Fund) contribute based on Anthem Blue Cross/Blue Shield estimates made using the Town's historical data. The Town covers all claims up to \$150,000 (amount not rounded) per participant per year with an individual stop-loss policy covering amounts exceeding the limit. In addition, the Town has an aggregate stop-loss policy that would cover claims exceeding 120% of the total estimated claims for the plan year. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years.

The claims liability of \$745 reported in the Health Benefits Internal Service Fund at June 30, 2007, is based on Governmental Accounting Standards Board Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability were:

	<u>Liability July 1,</u>		<u>Current Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>
2005-2006	\$ 650	\$	7,557	\$	7,478	\$	729
2006-2007	729		7,732		7,716		745

## 11. FUND EQUITY

Descriptions of the various reservations of the Town's fund equity accounts are as follows:

- Reserved for Encumbrances - to segregate a portion of fund balance for expenditure upon vendor performance.
- Reserved for Inventory - to segregate an amount equal to the inventory in the asset section of the balance sheet.
- Reserved for Endowments - to segregate a portion of fund balance which is nonexpendable.
- Reserved for Employee Retirement Benefits - to segregate a portion of fund balance to be used to finance future payments of pension benefits to retired employees.

**12. OTHER POSTEMPLOYMENT BENEFITS**

The Town provides post-employment benefits for Police Department and certain other retirees. This benefit is provided per Police Union and other agreements and is fully paid by the Town. The Town is required to provide health, medical, and life insurance to certain retired police officers and certain other retirees until the retirees reach the age of 65 or unless covered elsewhere.

For the fiscal year 2007 the General Fund appropriation payments totaled \$609 as follows:

	<u>Retirees</u>		<u>Amount</u>
Police	34		428
Board of Education	143	\$	142
Other	38		39
 TOTAL	 <u>215</u>	 \$	 <u>609</u>

**13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Defined Benefit Plans**

**A. Plan Description and Provisions**

The Town maintains four single employer, contributory (except for Volunteer Firefighters' Plan), defined benefit pension plans. The Plans cover substantially all full time employees except certified personnel at the Board of Education. The four Pension Plans are part of the Town's financial reporting entity and are accounted for in the Pension Trust Funds; Municipal Employees', Police Officers', Administrative Employees' and Volunteer Firefighters' Plans. Each Plan provides retirement, disability, death benefits, and cost of living adjustments to plan members and beneficiaries. The Charter provides the authority to establish and amend benefit provisions to the Town Council. Stand alone financial statements are not issued.

**Municipal Employees' Plan**

All bargaining unit employees are eligible to participate in the Plan except elected officials, police officers and certified professional employees of the Newington Board of Education. Benefits vest after 5 years of continuous service or 15 years of aggregate service. The normal retirement is the earlier of age 63 or completion of 25 years of service.

Pension benefits for normal retirement under the Municipal Employees' Plan are based on the average rate of earnings during the 3 years for which the participants' earnings were at their highest level (final earnings). The participants' yearly pension amount will be equal to 1.7% of the final earnings multiplied by the number of years of aggregate service through July 1, 1990 plus 2% of final earnings times years of aggregate service since July 1, 1990. The Plan permits early retirement for participants at age 55 with 5 years of continuous service or 15 years of aggregate service.

**Police Officers' Plan**

All Police Officers, Canine Control officers, and Public Safety Dispatchers of the Newington Police Department are eligible to participate in the Plan. Benefits vest after 10 years of full time service. Normal retirement is the earlier of age 50 or 20 years of service.

Pension benefits for normal retirement under the Police Officers' Plan are based on the average rate of earnings during the 3 years of which the participants' earnings were at their highest level (final earnings).

The participants' yearly pension benefit will be equal to 2.5% of the final earnings multiplied by the years of service. The Plan permits early retirement for participants at age 45 with 10 years of service with benefits reduced by the appropriate early retirement adjustment.

### **Administrative Employees Plan**

All administrative or technical employees not covered under the Municipal Employees' Plan or Police Officers' Plan are eligible under the Administrative Employees' Plan. Benefits vest after 5 years of continuous service or 15 years of aggregate service. Normal retirement is the earlier of age 65 or 30 years of service.

Pension benefits for normal retirement under the Administrative Employees' Plan are based on the rate of earnings for the highest average earnings received in any 3 consecutive years. The participants' yearly pension amount will be equal to 1.75% of final earnings up to \$10,000 plus 2% of final earnings in excess of \$10,000 multiplied by the number of years of aggregate service. The Plan permits early retirement for participants at age 55, who have 10 years of continuous service or 15 years of aggregate service. Benefits for early retirement are computed based on the normal retirement benefit and adjusted by the appropriate early retirement adjustment factor.

### **Volunteer Firefighters' Plan**

Effective July 1, 1994, accrued benefits for eligible members of the Newington Volunteer Fire Department are frozen for all but 17 participants. Ongoing benefits are provided through a new Volunteer Firefighters' Defined Contribution Plan. Benefits vest after 10 years of service. Normal retirement age is 60.

The seventeen continuing participants receive benefit enhancements which will be phased in over a 5 year period. Monthly pension benefit amount for normal retirement for those who continue in this Volunteer Firefighters' Plan is equal to \$120 based on the completion of ten years of credited service plus \$7.50 for each additional year of service effective July 1, 1999 (increasing \$.50 each July 1, - maximum to \$12.00). There are also percentage increases in the benefits if the participant is an officer of the Volunteer Fire Department for at least five years.

At July 1, 2006 (July 1, 2005 for Firefighters) the Plan membership of defined benefit plans consisted of the following:

	<u>Municipal</u>	<u>Police</u>	<u>Administrative</u>	<u>Firefighters</u>
Retirees and beneficiaries	\$ 165	\$ 56	\$ 23	\$ 24
Terminated participants	6		7	33
Active participants	<u>181</u>	<u>51</u>	<u>16</u>	<u>54</u>
<b>TOTAL</b>	<b>\$ <u>352</u></b>	<b>\$ <u>107</u></b>	<b>\$ <u>46</u></b>	<b>\$ <u>111</u></b>

### **B. Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting:** The four Pension Trust Funds are accounted for using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments:** Investments are reported at fair value. Investment income is recognized when earned and gains and losses on sales or exchanges of investments are recognized on the transaction date. Unrealized gains and losses due to appreciation and depreciation of Plan assets are also recognized at fiscal year end.

**C. Funding Policy**

The contribution requirements of plan members, with the exception of Firefighters’ Plan which is non-contributory, are established and may be amended by the Town Council, subject to union contract negotiation. If an employee leaves covered employment or participation or dies before meeting the vesting requirements, accumulated employee contributions and interest thereon are refunded. The Town is required, by Charter, to contribute the amount necessary to finance the benefits for its employees, net of employee contributions, as determined by its actuaries. Investment services and actuarial valuations are paid by the individual plans. Other costs of administering the plans are paid by the Town. The employees’ required contribution rates and the Town’s current rate of annual covered payroll is presented in the following table:

	<u>Municipal</u>	<u>Police</u>	<u>Administrative</u>
Employee required contribution	4.5	7.0	4.5
Town current rate	7.3	32.2	16.2

**D. Annual Pension Cost and Net Pension Obligations**

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

	<u>Municipal</u>	<u>Police</u>	<u>Administrative</u>	<u>Firefighters</u>
Annual required contribution	\$ 622	\$ 1,354	\$ 204	\$ 81
Interest on net pension obligation	(1)	(14)		
Adjustment to annual required contribution	<u>1</u>	<u>13</u>		
Annual pension cost	622	1,353	204	
Contributions made	<u>622</u>	<u>1,354</u>	<u>204</u>	<u>81</u>
Increase in net pension obligation		(1)		
Net pension obligation (asset), July 1, 2006	<u>(8)</u>	<u>(180)</u>	<u>(5)</u>	<u>-</u>
Net pension obligation (asset), June 30, 2007	<u>\$ (8)</u>	<u>\$ (181)</u>	<u>\$ (5)</u>	<u>\$ -</u>

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

	<u>Municipal</u>	<u>Police</u>	<u>Administrative</u>	<u>Firefighters</u>
Actuarial valuation date	7-1-06	7-1-06	7-1-06	7-1-05
Actuarial cost method	Projected Unit Cost	Projected Unit Cost	Projected Unit Cost	Frozen Entry Age Cost
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period	16 years	16 years	16 years	16 years
Asset valuation method	5-year smoothing	5-year smoothing	5-year smoothing	5-year smoothing
Actuarial assumptions:				
Investment rate of return	8.0%	8.0%	8.0%	6.4%
Projected salary increases	4.0%	4.0%	4.0%	N/A
Cost of living adjustments	None	2.0%	None	None
Inflation rate	2.5%	2.5%	2.5%	2.5%

#### E. Trend Information

	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<b><u>Municipal</u></b>				
	6/30/05	\$ 443	100%	\$ (8)
	6/30/06	539	100	(8)
	6/30/07	622	100	(8)
<b><u>Police</u></b>				
	6/30/05	813	101	(184)
	6/30/06	1,171	100	(180)
	6/30/07	1,353	100	(181)
<b><u>Administrative</u></b>				
	6/30/05	160	100	(5)
	6/30/06	189	100	(5)
	6/30/07	204	100	(5)
<b><u>Firefighters</u></b>				
	6/30/05	88	100	-
	6/30/06	88	100	-
	6/30/07	81	100	-

**F. Pension Plan Required Supplementary Information**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
<b><u>Municipal</u></b>						
7/1/01	\$ 18,732	\$ 19,023	\$ 291	98.5	\$ 7,472	3.9
7/1/02	18,653	20,623	1,970	90.5	7,322	26.9
7/1/03	18,349	21,727	3,378	84.5	7,868	42.9
7/1/04	18,188	23,270	5,082	78.2	8,210	61.9
7/1/05	18,197	24,488	6,291	74.3	8,529	73.8
7/1/06	18,703	26,270	7,567	71.2	8,828	85.7
<b><u>Police</u></b>						
7/1/01	23,969	26,503	2,534	90.4	3,499	72.4
7/1/02	23,851	28,466	4,615	83.8	3,607	128.0
7/1/03	23,514	30,939	7,425	76.0	3,866	192.1
7/1/04	23,436	32,807	9,371	71.4	4,045	231.7
7/1/05	23,773	35,085	11,312	67.8	4,205	269.0
7/1/06	24,743	36,042	11,299	68.7	4,375	258.3
<b><u>Administrative</u></b>						
7/1/01	6,158	5,809	(349)	106.0	1,564	(22.3)
7/1/02	6,227	6,790	563	91.7	1,505	37.4
7/1/03	6,312	7,337	1,025	86.0	1,525	67.3
7/1/04	6,374	7,872	1,498	81.0	1,297	115.5
7/1/05	6,470	8,380	1,910	77.2	1,253	152.5
7/1/06	6,718	8,512	1,794	78.9	1,133	158.4
<b><u>Firefighters</u></b>						
7/1/01	621	1,172	551	53.0	N/A	N/A
7/1/03	654	1,199	545	54.5	N/A	N/A
7/1/05	690	1,201	511	57.5	N/A	N/A

**Schedule of Employer Contributions**

(thousands)				
<b>Fiscal Year Ended</b>	<b>Municipal</b>		<b>Police</b>	
	<b>Required Contribution</b>	<b>Annual Percentage Contributed</b>	<b>Required Contribution</b>	<b>Annual Percentage Contribution</b>
6/30/01	\$ 120	100%	\$ 666	100%
6/30/02	134	100	651	100
6/30/03	251	104	636	108
6/30/04	337	100	747	100
6/30/05	442	100	806	100
6/30/06	539	100	1,166	100

**Schedule of Employer Contributions**

(thousands)				
<b>Fiscal Year Ended</b>	<b>Administrative.</b>		<b>Firefighters</b>	
	<b>Required Contribution</b>	<b>Annual Percentage Contributed</b>	<b>Required Contribution</b>	<b>Annual Percentage Contribution</b>
6/30/01	\$ 67	100%	\$ 85	100%
6/30/02	78	100	85	100
6/30/03	75	113	79	108
6/30/04	143	101	80	100
6/30/05	160	100	88	100
6/30/06	187	100	88	100

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

**Teachers' Retirement**

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

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$24.7million or 71% of the total Board of Education payroll of \$34.6 million.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. For the year ended June 30, 2007 the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,125 as payments made by the State of Connecticut on-behalf of the Town. The Town does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those

reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

**Volunteer Firefighters' - Defined Contribution Plan**

In addition to the defined benefit plan described above, the Town provides a defined contribution plan to certain volunteer firefighters. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Most current active and all new and future members of volunteer firefighters can only participate in this plan. Members are 100% vested after 10 years of service. Contributions range from \$334.80 per year for members with less than 5 years of service, to \$700.20 per year for members with more than 35 years of service. The firefighters do not contribute to the Plan. Plan provisions and contribution requirements are established and may be amended by the Town Council.

The Town's contribution for 2006-07, computed in accordance with plan requirements, amounted to \$48. At July 1, 2005 there were 21 members of the plan.

**Pension Trust Funds**

The Town maintains various pension trust funds to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2007 and the changes in net assets for the year then ended.

	Schedule of Plan Net Assets					Total
	Police Officers' Plan	Municipal Employees' Plan	Administrative Employees' Plan	Volunteer Firefighters' Plans		
				Defined Benefit	Defined Contribution	
Assets:						
Cash and cash equivalents	\$ 579	\$ 183	\$ 66	\$ 598	\$ 372	\$ 1,798
Investments	26,680	20,501	7,348		467	54,996
Total assets	27,259	20,684	7,414	598	839	56,794
Liabilities:						
Accounts and other payables	-	-	-	-	-	-
Net assets held in trust for pension benefits	\$ 27,259	\$ 20,684	\$ 7,414	\$ 598	\$ 839	\$ 56,794

**Schedule of Plan Net Assets**

	<b>Police Officers' Plan</b>	<b>Municipal Employees' Plan</b>	<b>Administrative Employees' Plan</b>	<b>Volunteer Firefighters' Plans</b>		<b>Total</b>
				<b>Defined Benefit</b>	<b>Defined Contribution</b>	
<b>Additions:</b>						
<b>Contributions:</b>						
Employer	\$ 1,354	\$ 622	\$ 204	\$ 81	\$ 48	\$ 2,309
Plan members	330	397	50		17	794
Total contributions	<u>1,684</u>	<u>1,019</u>	<u>254</u>	<u>81</u>	<u>65</u>	<u>3,103</u>
<b>Investment income:</b>						
<b>Net appreciation (depreciation) in fair value of investments</b>						
	3,885	2,957	1,060			7,902
Interest and dividends	<u>26</u>	<u>7</u>	<u>3</u>	<u>37</u>	<u>70</u>	<u>143</u>
Total investment income	3,911	2,964	1,063	37	70	8,045
Less investment expense	<u>144</u>	<u>109</u>	<u>39</u>			<u>292</u>
Net investment income	<u>3,767</u>	<u>2,855</u>	<u>1,024</u>	<u>37</u>	<u>70</u>	<u>7,753</u>
Total additions	<u>5,451</u>	<u>3,874</u>	<u>1,278</u>	<u>118</u>	<u>135</u>	<u>10,856</u>
<b>Deductions:</b>						
Benefits	2,110	1,684	522	103	1	4,420
Administration	<u>25</u>	<u>9</u>	<u>4</u>		<u>8</u>	<u>46</u>
Total deductions	<u>2,135</u>	<u>1,693</u>	<u>526</u>	<u>103</u>	<u>9</u>	<u>4,466</u>
Net increase	3,316	2,181	752	15	126	6,390
<b>Net assets held in trust for pension benefits, Beginning of Year</b>						
	<u>23,943</u>	<u>18,503</u>	<u>6,662</u>	<u>583</u>	<u>713</u>	<u>50,404</u>
<b>Net assets held in trust for pension benefits, End of Year</b>						
	<u>\$ 27,259</u>	<u>\$ 20,684</u>	<u>\$ 7,414</u>	<u>\$ 598</u>	<u>\$ 839</u>	<u>\$ 56,794</u>

## TOWN OF NEWINGTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

(In thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Property taxes:				
Current levy	\$ 64,331	\$ 64,331	\$ 65,039	\$ 708
Prorated motor vehicles	650	650	586	(64)
Prorated Real Estate	50	50	0	(50)
Prior year tax levies	350	350	878	528
Interest and liens	225	225	360	135
Total	<u>65,606</u>	<u>65,606</u>	<u>66,863</u>	<u>1,257</u>
Payments in lieu of taxes:				
State-Owned PILOT	781	781	813	32
New Manufacturers Inventory	735	735	674	(61)
Elderly Freeze Exemption	33	33	25	(8)
Disabled exemption	5	5	4	(1)
Elderly Circuit Breaker	266	266	282	16
Additional Veteran's Exemption	43	43	29	(14)
Tax Exempt Colleges and Hospital	453	453	507	54
Boats	5	5	5	0
Total	<u>2,321</u>	<u>2,321</u>	<u>2,339</u>	<u>18</u>
Licenses and permits:				
Building Permits	575	575	738	163
Vendor's Permits	1	1	1	0
Gun permits	2	2	2	0
Raffle and Bingo Permits	1	1	1	0
Work Within Rights of Way	6	6	5	(1)
Refuse Handling Licenses	2	2	2	0
Total	<u>587</u>	<u>587</u>	<u>749</u>	<u>162</u>
Rentals:				
Town Hall Rental	6	6	3	(3)
Indian Hill Country Club	81	81	76	(5)
Other Town Property	10	10	4	(6)
Total	<u>97</u>	<u>97</u>	<u>83</u>	<u>(14)</u>
Investment income	<u>1,150</u>	<u>1,150</u>	<u>1,825</u>	<u>675</u>
Fines:				
Parking tickets	25	25	20	(5)
False Alarms	22	22	30	8
Ambulance Response Overages	-	-	14	14
Total	<u>47</u>	<u>47</u>	<u>64</u>	<u>17</u>

(Continued on following page)

## TOWN OF NEWINGTON, CONNECTICUT

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

**FOR THE YEAR ENDED JUNE 30, 2007**

(In thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Charges for services:				
Conservation Commission	4	4	4	0
Zoning Board of Appeals	2	2	1	(1)
Town Planning and Zoning	8	8	8	0
Town Clerk Fees	625	625	769	144
Police	7	7	8	1
Human Services - Counseling Fee	26	26	24	(2)
Library - Overdue Fines	33	33	38	5
Dial-A-Ride Tickets	5	5	5	0
Scrap Metal Curbside	13	13	23	10
Senior Center ID Cards	3	3	2	(1)
Senior and Disabled Center Fees	4	4	2	(2)
Engineering fees	1	1	1	0
Total	<u>731</u>	<u>731</u>	<u>885</u>	<u>154</u>
Refunds and reimbursements:				
Refunds - Town	6	6	152	146
Refunds - Schools	4	4	12	8
Regional Fire Training Tower	3	3	3	0
Library - Lost/Replaced books	4	4	5	1
Library - Sale of Diskettes	1	1	-	(1)
Motor Vehicle Fuels Tax Refund	-	-	12	12
Other	1	1	1	0
Total	<u>19</u>	<u>19</u>	<u>185</u>	<u>166</u>
State of Connecticut:				
Public Library	3	3	3	0
Mashantucket Pequot Fund	298	298	240	(58)
Youth Services Bureau	22	22	23	1
Alcohol and Drug Abuse	4	4	4	0
Property Tax Relief	-	-	150	150
Telecommunications Tax	131	131	147	16
Emergency Management Grant	2	2	6	4
Young Farm Acquisition	350	350	350	0
NHS Track Reimbursement	200	200	200	0
Transportation - Non-public	13	13	26	13
Transportation - Public	355	355	369	14
Adult Education	23	23	23	0
Special Education Excess Cost			41	41

(Continued on following page)

## TOWN OF NEWINGTON, CONNECTICUT

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

**FOR THE YEAR ENDED JUNE 30, 2007**

(In thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
State of Connecticut (continued):				
School Building Grants	511	511	225	(286)
Health Services	16	16	17	1
Services for the Blind	9	9	9	0
Education Cost Sharing Grant	10,387	10,387	10,395	8
Local Health Transition			5	5
Total	<u>12,324</u>	<u>12,324</u>	<u>12,233</u>	<u>(91)</u>
Federal government:				
Senior Citizen Trans Aid	-	-	8	8
FEHS - Snow Removal Grant	-	-	57	57
Universal Hiring Grant	25	25	30	5
Total	<u>25</u>	<u>25</u>	<u>95</u>	<u>70</u>
Miscellaneous:				
Other-Miscellaneous	4	4	6	2
Cancelled PY Encumbrances	10	10	82	72
United Way (Human Services)	3	3	2	(1)
Operation Fuel	3	3	3	-
Drug Free Schools Donations	1	1	1	-
Fire Department Donations	2	2	-	(2)
Total	<u>23</u>	<u>23</u>	<u>94</u>	<u>71</u>
Total revenues	<u>82,930</u>	<u>82,930</u>	85,415	<u>2,485</u>
Other financing sources:				
Transfers in	<u>95</u>	<u>95</u>	<u>82</u>	<u>(13)</u>
TOTAL	\$ <u>83,025</u>	\$ <u>83,025</u>	85,497	\$ <u>2,472</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	3,125
Cancellation of prior year encumbrances are recognized as budgetary revenue	<u>(82)</u>

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds Exhibit IV

\$ 88,540

## TOWN OF NEWINGTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

(In thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>General Government:</b>				
Town Council	\$ 26	\$ 26	\$ 23	\$ 3
Town Manager	318	326	325	1
Courts	27	36	36	-
Elections	93	107	106	1
Finance	1,033	1,033	993	40
Town Attorney	135	167	163	4
Town Clerk	167	171	166	5
Personnel	39	76	69	7
General Services	648	659	635	24
Total General Government	<u>2,486</u>	<u>2,601</u>	<u>2,516</u>	<u>85</u>
<b>Public Safety:</b>				
Police Department	5,323	5,548	5,430	118
Fire Department	583	588	580	8
Street Lighting	351	323	304	19
Civil Preparedness	2	2	2	-
Hydrants	64	64	61	3
Volunteer Incentive Program	130	110	106	4
Total Public Safety	<u>6,453</u>	<u>6,635</u>	<u>6,483</u>	<u>152</u>
<b>Public Works:</b>				
Administration	207	207	190	17
Traffic	104	107	106	1
Engineering	129	129	80	49
Highway Department	2,145	2,057	1,977	80
Facilities Management	462	484	468	16
Solid Waste Services	2,039	2,082	2,064	18
Total Public Works	<u>5,086</u>	<u>5,066</u>	<u>4,885</u>	<u>181</u>
<b>Community Planning and Development:</b>				
Town Planner	208	215	214	1
Town Planning and Zoning	22	27	26	1
Zoning Board of Appeals	6	6	2	4
Building Department	234	243	242	1
Conservation Commission	5	6	5	1
Economic Development	33	33	31	2
Total Community Planning and Development	<u>508</u>	<u>530</u>	<u>520</u>	<u>10</u>
<b>Health and Community Services:</b>				
Public Health:				
Health Services	123	123	121	2

(Continued on following page)

## TOWN OF CROMWELL, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

(In thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Health and Community Services (continued):				
Community Services:				
Human Services	408	408	404	4
Senior and Disabled Center	583	598	579	19
Boards and Commissions	11	11	8	3
Total Health and Community Services	<u>1,125</u>	<u>1,140</u>	<u>1,112</u>	<u>28</u>
Library:				
Library Operations	1,711	1,732	1,703	29
Hubbard Book Fund	-	-	1	(1)
Total Library	<u>1,711</u>	<u>1,732</u>	<u>1,704</u>	<u>28</u>
Parks and Recreation:				
Parks and Recreation Administration	435	435	426	9
Grounds Maintenance	1,091	1,116	1,061	55
Total Parks and Recreation	<u>1,526</u>	<u>1,551</u>	<u>1,487</u>	<u>64</u>
Board of Education:				
Art	638	641	641	-
Career/Vocational	1,043	1,079	1,079	-
Computers	1,201	1,554	1,554	-
Language Arts	3,121	3,126	3,126	-
Foreign Language	995	973	973	-
Health/Safety	154	167	167	-
Math	2,842	2,878	2,878	-
Music	859	960	960	-
Physical Education	837	899	899	-
Reading	3,116	2,992	2,992	-
Science	3,001	2,990	2,990	-
Social Studies	2,902	2,790	2,790	-
Other Salaries	1,009	523	523	-
Special Education	5,115	5,001	5,005	(4)
Homebound	20	49	49	-
Adult Education	75	80	80	-
Guidance	984	977	977	-
Health/Nurses	493	501	501	-
Psychological Services	539	513	513	-
Speech and Hearing	394	377	377	-
Curriculum Development	66	149	149	-
Media	884	939	939	-
Board of Education	130	130	130	-
Central Direction	1,037	1,093	1,093	-
Building Direction	2,609	2,813	2,818	(5)
Supplies	194	235	235	-

(Continued on following page)

## TOWN OF NEWINGTON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

(In thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Board of Education (continued):				
Maintenance	1,141	1,957	1,993	(36)
Plant operation	4,177	3,991	3,907	84
Transportation	1,832	2,122	2,123	(1)
Evaluation, planning and development	55	25	25	-
Insurance	813	737	737	-
Employee Benefits	7,723	6,722	6,723	(1)
Non Athletics	118	115	115	-
Athletics	431	474	474	-
Community Service	109	85	85	-
Total Board of Education	<u>50,657</u>	<u>50,657</u>	<u>50,620</u>	<u>37</u>
Miscellaneous:				
Metropolitan District Assessment	2,561	2,561	2,561	-
Municipal Insurance	823	754	752	2
Greater Hartford Transit District	2	2	2	-
Employee Benefits	5,237	5,240	5,238	2
Donations and contributions	18	18	18	-
Contingency	672	246	63	183
Total Miscellaneous	<u>9,313</u>	<u>8,821</u>	<u>8,634</u>	<u>187</u>
Debt service:				
Principal Payments	2,205	2,205	2,205	-
Interest Expense	946	946	942	4
Total Debt Service	<u>3,151</u>	<u>3,151</u>	<u>3,147</u>	<u>4</u>
Total expenditures	<u>82,016</u>	<u>81,884</u>	<u>81,108</u>	<u>776</u>
Other financing uses:				
Transfers out	<u>3,008</u>	<u>3,140</u>	<u>3,133</u>	<u>7</u>
TOTAL	<u>85,024</u>	<u>85,024</u>	<u>84,241</u>	<u>783</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut "on-behalf" payments to the Connecticut State Teachers'

Retirement System for Town teachers are not budgeted

3,125

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes

(124)

Total Expenditures and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Exhibit IV

87,242