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## Independent Auditors' Report

Members of the Town Council  
Town of Newington, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Newington, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Newington, Connecticut, as of June 30, 2011 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.

Management's discussion and analysis on pages A-3 through A-12 and budgetary comparison information on pages A-50 through A-55 are not required parts 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.

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

December 9, 2011

## **TOWN OF NEWINGTON, CONNECTICUT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011**

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, 2011. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

#### **FINANCIAL HIGHLIGHTS**

- Net assets of our governmental activities increased by \$4.23 million, or 4.6%.
- Total cost of all of the Town's programs was \$103.9 million with no new programs added this year.
- During the year, the Town had expenses that were \$1.3 million more than the \$107.7 million generated in tax and other revenues for governmental programs.
- The resources available for appropriation were \$830 thousand more than budgeted for the General Fund. Expenditures were \$354 thousand less than appropriations.
- The General Fund reported a fund balance this year of \$17 million. On a budgetary basis, \$15 million represents the Town's fund balance; of this, \$2 million is designated for 2011-12 budget.
- The tax collection rate was 98.9%, a slight decrease of .1% from 2010.
- The Town of Newington's outstanding bonded debt at June 30, 2011 was \$13.5 million, a decrease of \$1.6 million or 11%, from the prior year. No bonds were 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 \$92.2 million to \$96.4 million. The analysis below focuses on the net assets (Table 1).

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

	<b>Governmental Activities</b>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 45,955	\$ 45,306
Capital assets, net of accumulated depreciation	79,640	77,994
Total assets	<u>125,595</u>	<u>123,300</u>
Long-term debt outstanding	17,496	20,947
Other liabilities	11,697	10,180
Total liabilities	<u>29,193</u>	<u>31,127</u>
Net Assets:		
Invested in capital assets, net of debt	65,734	62,260
Restricted	685	673
Unrestricted	<u>29,983</u>	<u>29,240</u>
Total Net Assets	<u>\$ 96,402</u>	<u>\$ 92,173</u>

Net assets of the Town's governmental activities increased by \$4.23 million or 4.6% (\$96.4 million compared to \$92.2 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 \$29.2 million at June 30, 2010 to \$30 million at the end of this year. The largest portion of the Town's net assets, \$65.7 million or 68%, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding.

## Governmental Activities

Change in net assets (Table 2) of the Town's governmental activities increased by \$4.23 million. Approximately 72% of the revenues were derived from property taxes, followed by 20% from operating grants, 3% from both charges for services and capital grants and contributions. The remaining 2% of revenues were derived from other grants that were not restricted for specific purposes and other revenue. Key elements of the increase are as follows:

- Property taxes increased by \$2.6 million or 3.5% during the year. Most of the increase is to support the program expenses of the Town.
- Capital grants and contributions significantly decreased by \$5 million due to recognizing intangible assets and the value of land associated with a former foundry in the prior year.
- Education expenses increased due to the use of federal funding from the American Recovery and Reinvestment Act (ARRA) and Individuals with Disabilities Education Act (IDEA) received in the previous year.
- The total cost of all programs and services was \$104 million.

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

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Revenues:		
Program revenues:		
Charges for services	\$ 3,369	\$ 3,192
Operating grants and contributions	21,729	23,262
Capital grants and contributions	908	5,874
General revenues:		
Property taxes	78,159	75,542
Grants and contributions not restricted to specific purposes	3,433	3,393
Unrestricted investment earnings	145	203
Other general revenues	396	773
Total revenues	<u>108,139</u>	<u>112,239</u>
Program expenses:		
General government	6,204	5,609
Public safety	11,426	10,600
Public works	9,669	9,585
Community planning and development	667	780
Health and community services	1,520	1,498
Library	2,010	2,104
Parks and recreation	2,534	2,941
Education	69,342	68,084
Interest on long-term debt	538	687
Total program expenses	<u>103,910</u>	<u>101,888</u>
Increase in Net Assets	<u>\$ 4,229</u>	<u>\$ 10,351</u>

The following analysis separately considers the operations of governmental activities. 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, which shows the financial burden that was placed on the Town's taxpayers by each of these functions, increased by \$8.3 million (\$77.9 million compared to \$69.6 million). The reason for the increase is as follows:

- Capital grants and contributions decreased significantly due to recognizing intangible assets and the value of land associated with obtaining ownership of a former foundry in the prior year, thereby further increasing the cost of General Government by \$4 million.
- The total cost of Education increased due to salary increases for existing personnel (the largest portion), and the high expense of daily operations such as utilities, maintenance, healthcare, insurance and transportation. The use of additional federal aid for education received in the prior year further increased the rising costs.

**TABLE 3**  
**Governmental Activities**  
**(In Thousands)**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General government	\$ 6,204	\$ 5,609	\$ 5,408	\$ 1,389
Public safety	11,426	10,600	11,094	10,256
Public works	9,669	9,585	8,982	8,425
Education	69,342	68,084	47,310	43,732
Parks and recreation	2,534	2,941	980	1,409
All others	4,735	5,069	4,130	4,349
Totals	\$ <u>103,910</u>	\$ <u>101,888</u>	\$ <u>77,904</u>	\$ <u>69,560</u>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

### **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 \$26.9 million. Approximately 50% of the fund balance amount or \$13.1 million constitutes unassigned fund balance that is available for unforeseen contingencies and to offset future budgets over the long term. The second largest portion, \$8.7 million or 32%, is committed to be used only for the specific purposes such as a capital projects or grant related. The balance of \$5 million is primarily assigned to balance the subsequent year's budget and 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 activities.

As highlighted in Exhibit IV, the combined fund balance decreased by \$1.3 million (\$26.9 million compared to \$28.2 million). Included in this year's total change in fund balance is a decrease of \$.7 million in the Town's General Fund due to an excess of expenses. In addition, other changes in fund balance should be noted: 1) an increase of \$.7 million in Capital Projects funds from excess revenues over expenditures and 2) a decrease of \$1.3 million in the Other Governmental funds is primarily due to

federal education grants and state economic development grants received in the prior year and spent in the current fiscal year. Expenditures totaled \$7.6 million against revenue and other financing sources of \$6.3 million.

### **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 business-type activities. Unrestricted net assets of both funds totaled \$4.7 million, unchanged from the prior year. This is due to the performance of the Health Benefits Fund for which the benefit payments (expenses) met projected claims (revenue). Additionally, this fund had adequate reserves to accommodate the transfer of \$.5 million to the OPEB Trust Fund. The Insurance Reserve Fund is to pay for losses incurred through insurance deductibles and uninsured property and casualty losses. This increase is due to the performance of the Health Benefits Fund, which had an increase in charges for services (revenue) of \$.8 million over benefit payments (expenses). The increase in revenue was based on projected claims.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's 2010-11 original budget of \$97.1 million was not increased during the year. Appropriations were successfully controlled resulting in actual final expenditure (including encumbrances) of \$96.7 million, leaving unexpended departmental appropriations totaling \$.4 million at June 30, 2011. This year-end balance was a result of curtailing most non-mandated costs from a multitude of departments. There were personnel savings in the Police, Senior & Disabled Center, Library and Park & Recreation departments. To address the financial impact of the OPEB liability, \$.8 million of unspent appropriations from personnel savings due to vacancies, utility, fuel, solid waste services and contingency accounts were transferred to the OPEB Trust. Due to the harsh, extreme winter conditions, most funds were expended within Public Works division. Education, which is the largest category of spending for the Town comprising approximately 60 percent of the total, had \$38 thousand remaining at year-end.

On the revenue side, final actual revenues exceeded the original budget by \$.8 million. This year-end balance was primarily due to a higher collection rate than anticipated on the current levy of property taxes. The Town also benefitted from taxes on supplementary motor vehicles and delinquent interest on prior year taxes.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the Town had \$79.6 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 \$1.646 million or 2.0%, over last year.

**TABLE 4**  
**CAPITAL ASSETS (Net of Depreciation)**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Land	\$ 3,479	\$ 3,479
Intangible assets	2,770	2,770
Buildings and improvements	40,712	38,190
Equipment	8,473	8,379
Infrastructure	22,081	22,215
Construction in progress	2,125	2,961
Total	<u>\$ 79,640</u>	<u>\$ 77,994</u>

This year's major additions included (in thousands):

**Buildings** - Additions in the amount \$1,221 were due to HVAC at the Senior & Disabled Center, HVAC at the Library, renovations at the Parks Garage and roof installation at John Wallace Middle School. Improvements to Newington High School included installation of a new kitchen floor, renovations to the Science Lab, Code Compliance and installation of a new gymnasium floor.

**Land Improvements** - Additions in the amount of \$2,838 were due to the paving of the Police Firing Range and Fire Training Tower, Market Square Streetscape, the completion of Constitution Square Municipal Parking Lot, Library/Town Hall Site Improvements, Mill Pond Park Improvements, Synthetic Turf Field at Clem Lemire Recreation Complex and West Meadow Cemetery Expansion.

**Furniture, Fixtures and Equipment** - These were added in the amount of \$1,518. General Government increased by \$105 for the purchase of a copier, a new phone/voicemail system, counters and cabinets for Engineering, Building and Planning wing, network storage and computer equipment. Public Safety increased by \$260 for the purchase of six vehicles, a Firearms Simulator, four cameras, a camera security system and a video system. Public works increased by \$224 due to the purchase of one truck and two Fuelmaster gas pumps. Parks and Recreation increased by \$104 for the purchase of one gator and two trucks. Board of Education increased by \$824 for school busses, computer equipment, sound system, pallet lift, Extractor, lockers, a five-man sled and a pole vault system for the High School.

**Infrastructure** - Additions in the amount \$511 were due to overlay of Kelsey/Church Streets, resurfacing of Day Street, Reservoir Road, Kirkham Street and Kirkham Place, and Stoddard Avenue, and drainage improvements for Atwood/Connecticut Avenue.

**Construction in Progress** - Additions in the amount of \$164 were due to major renovations at Town Hall. After additions of \$467 to finalize the Constitution Square Municipal Parking Lot, a transfer of \$1,468 was made to the appropriate asset class for the completed project.

Total Net Additions \$ 5,252

The Town’s fiscal-year 2011-12 budget calls for it to spend \$4.7 million for capital projects, of which \$400 thousand is financed from the State and the balance from local funds. It is primarily to finance Newington High School code compliance, John Wallace Middle School roof replacement, major equipment replacement, road reconstruction and resurfacing, Market Square Development, Senior & Disabled HVAC replacement, lease payment for Single Stream Recycling containers, Town Hall Improvements and Clem Lemire Synthetic Athletic Field.

More detailed information about the Town’s capital assets is presented in Note 1 and Note 5 to the financial statements.

**Long-Term Debt**

At June 30, 2011, the Town had \$13.515 million in bonds outstanding versus \$15.145 million last year - a decrease of 13% - as shown in Table 5.

<b>TABLE 5 OUTSTANDING DEBT (In Thousands)</b>	<b>Governmental Activities</b>	
	<u>2011</u>	<u>2010</u>
	General obligation bonds (backed by the Town)	\$ 13,515

- The decrease in the Town’s indebtedness is due to principal payments during the year totaling \$1.63 million. The Town had no bonds authorized but unissued at June 30, 2010.
- As part of its bond issue in April 2010, the Town’s credit rating of AA by Standard & Poor’s was reaffirmed. During a global recalibration of ratings Moody’s Investor Services increased the Town’s rating to Aa2.
- 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 \$542 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**

From a financial perspective as detailed in this annual financial report, Newington successfully managed the 2010-11 budget through prudent, conservative fiscal management. This is evidenced from the fact that final actual expenditures are \$.4 million under the original budget while the revenue side generated an additional \$.8 million beyond the original estimates.

The significant challenges in the development of the 2011-12 Town budget were: 1) the economic conditions in the region and nationally; 2) fixed costs to meet the high level of service to which Town residents are accustomed; and 3) the ability of citizens to absorb any increases in taxes or other fees creating a clear directive by the electorate to limit a tax increase to three percent (3%). The Town's adopted fiscal year 2011-2012 General Fund appropriations totaled \$100.9 million, an increase of 3.9% over the final 2011 budget of \$97.1 million. The most significant factors driving the overall budget increase include education, fuel costs, medical insurance and pension contributions. These increases were offset by minimal wage increases for all personnel, including AFSCME and IBPO bargaining groups, attrition and a limit on discretionary costs for most departments.

On the revenue side, the October 1, 2010 taxable list increased slightly by .4% from the 2009 Grand List. While the personal property and real estate components remained relatively flat, the motor vehicle component increased by 4.2%. This increase was a historical record level and a positive sign for the Town as well as the national economy. The residents resumed purchasing new or higher valued cars at a pace not seen in years. Estimated State Aid to the Town, which comprises approximately 18% of total revenues, decreased by \$150 thousand. The economy affected other revenue sources such as building permits, real estate conveyance fees and interest income, which were expected to remain stagnant.

On a budgetary basis, the June 30, 2011 unassigned General Fund balance, after the designation of \$2 million to assist in financing the 2011-12, decreased by \$.8 million to a level of \$13 million or 13% of the fiscal year 2011-12 budget. This decrease is due to applying available resources to address the OPEB obligation. The Town has consistently maintained a ratio of unassigned 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. The result was a tax increase of 2.88% without compromising the delivery of services to the community. 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.

Subsequent to the adoption of the budget, the Town was affected by two statewide natural disasters, Tropical Storm Irene and Storm Alfred. The Town incurred approximately \$70 thousand in costs due to the August 2011 tropical storm, which will be covered by the budgeted contingency appropriation. In late October 2011, an unprecedented blizzard-like snowstorm caused thousand of down tree limbs damaging utility wires. The cost to provide debris removal, protective services and an emergency shelter is estimated to cost \$1.7 million. To cover these unanticipated expenses, the Town will have a special appropriation from the General Fund balance. As both incidents have been declared disasters by the federal government, the Town will qualify to receive 75% reimbursement for eligible expenses by Federal Emergency Disaster Agency (FEMA). The net result is projected to be a \$.4 million decrease to the General Fund balance to a level of \$12.6 million or 12.6% of the fiscal year 2011-12 budget.

At this point in time, a review of key economic indicators shows that Newington has seen the effects of a slow national and state economic recovery. 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 \$2,171. Of note is the Town's large older population with 40% of its residents 50 years of age or more. The consumer price index for the United States City Average at September 2011 was at a level of 227. The Northeast Region of the United States was at a level of 243 at the same time. Newington housing values decreased 7.8% from September 2010 to September 2011. On a positive note, building permit activity has improved with the value of permits in September of 2011 equal to \$4.1 million compared to \$3.5 million a year ago. As of September 2011, the unemployment rate for Newington was 7.2%, down from 7.9% in the prior year, and compares favorably to the State's unemployment rate of 8.4% during the same period.

While the economy slowly recovers, the Town of Newington is well positioned to deal with the present economic situation. With an overwhelming reliance on property taxes, Newington's income stream is rather stable, even during a period of fiscal stress. The Town's diverse tax base lends stability to the Town's revenue. The Town's Berlin Turnpike, central location in the State and proximity to Hartford continue to attract and retain housing and commercial development. This increased development will lend itself to expand the tax base. Newington will continue to take steps to exercise fiscal discipline and manage revenue shortfalls through diligent cost control and enhanced operating efficiencies.

#### **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, 2011

(In Thousands)

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 40,330
Investments	1,026
Receivables, net	4,372
Prepaid asset	9
Inventory	25
Net pension asset	193
Capital assets not being depreciated	8,374
Capital assets being depreciated, net	71,266
Total assets	<u>125,595</u>
Liabilities:	
Accounts and other payables	5,913
Accrued interest payable	53
Unearned revenue	5,731
Noncurrent liabilities:	
Due within one year	2,951
Due in more than one year	14,545
Total liabilities	<u>29,193</u>
Net Assets:	
Invested in capital assets, net of related debt	65,734
Restricted for:	
Trust purposes:	
Expendable	648
Nonexpendable	37
Unrestricted	<u>29,983</u>
Total Net Assets	<u>\$ 96,402</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, 2011

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 6,204	\$ 790	\$	\$ 6	\$ (5,408)
Public safety	11,426	120	210	2	(11,094)
Public works	9,669	45	49	593	(8,982)
Community planning and development	667	208	24	44	(391)
Health and community services	1,520	65	72		(1,383)
Library	2,010	29	163		(1,818)
Parks and recreation	2,534	997	540	17	(980)
Education	69,342	1,115	20,671	246	(47,310)
Interest on long-term debt	538				(538)
Total	<u>\$ 103,910</u>	<u>\$ 3,369</u>	<u>\$ 21,729</u>	<u>\$ 908</u>	<u>(77,904)</u>
General revenues:					
Property taxes					78,159
Grants and contributions not restricted to specific programs					3,433
Unrestricted investment earnings					145
Miscellaneous					396
Total general revenues					<u>82,133</u>
Change in net assets					4,229
Net Assets at Beginning of Year					<u>92,173</u>
Net Assets at End of Year					<u>\$ 96,402</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

(In Thousands)

	<u>General</u>	<u>Capital Projects</u>	<u>Small Cities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,061	\$ 6,184	\$ 92	\$ 3,678	\$ 35,015
Investments				1,026	1,026
Receivables, net	1,554		836	1,473	3,863
Due from other funds	534				534
Prepays				9	9
Inventories				25	25
Total Assets	<u>\$ 27,149</u>	<u>\$ 6,184</u>	<u>\$ 928</u>	<u>\$ 6,211</u>	<u>\$ 40,472</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 3,836	\$ 1,013	\$ 7	\$ 426	\$ 5,282
Due to other funds				534	534
Deferred revenue	6,340		836	595	7,771
Total liabilities	<u>10,176</u>	<u>1,013</u>	<u>843</u>	<u>1,555</u>	<u>13,587</u>
Fund balances:					
Nonspendable				34	34
Restricted			85	1,168	1,253
Committed		5,171		3,479	8,650
Assigned	3,891				3,891
Unassigned	13,082			(25)	13,057
Total fund balances	<u>16,973</u>	<u>5,171</u>	<u>85</u>	<u>4,656</u>	<u>26,885</u>
Total Liabilities and Fund Balances	<u>\$ 27,149</u>	<u>\$ 6,184</u>	<u>\$ 928</u>	<u>\$ 6,211</u>	<u>\$ 40,472</u>

(Continued on next page)

## TOWN OF NEWINGTON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

(In Thousands)

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

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

Fund balances - total governmental funds	\$ 26,885
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	\$ 142,823
Less accumulated depreciation	<u>(63,183)</u>
Net capital assets	79,640
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:	
Net pension asset	193
Housing loan receivables	836
Property tax receivables greater than 60 days	1,204
Interest receivable on property taxes	509
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.	
	4,684
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(13,515)
Deferred amount in refunding	32
Interest payable on bonds	(53)
Net OPEB obligation	(637)
Compensated absences	(2,953)
Capital lease	<u>(423)</u>
Net Assets of Governmental Activities (Exhibit I)	<u>\$ 96,402</u>

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 FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	General	Capital Projects	Small Cities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 77,704	\$	\$	\$	\$ 77,704
Payment in lieu of taxes	3,096				3,096
Licenses, fees and permits	194			15	209
Intergovernmental	19,176	20	24	3,653	22,873
Contributions				91	91
Rental	137	48			185
Income on investments	123	1		13	137
Fines	93				93
Charges for services	510	158		2,213	2,881
Other	136	33	52	231	452
Total revenues	<u>101,169</u>	<u>260</u>	<u>76</u>	<u>6,216</u>	<u>107,721</u>
Expenditures:					
Current:					
General government	3,874		42	282	4,198
Public safety	7,173			65	7,238
Public works	4,668			2	4,670
Community planning and development	430				430
Health and human services	1,074				1,074
Library	1,566			41	1,607
Parks and recreation	1,472			776	2,248
Education	64,499			4,966	69,465
Miscellaneous	10,026				10,026
Capital outlay		3,823		1,436	5,259
Debt service	2,158	214			2,372
Total expenditures	<u>96,940</u>	<u>4,037</u>	<u>42</u>	<u>7,568</u>	<u>108,587</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,229</u>	<u>(3,777)</u>	<u>34</u>	<u>(1,352)</u>	<u>(866)</u>
Other Financing Sources (Uses):					
Transfers in	127	4,473		145	4,745
Transfers out	(5,026)	(20)		(107)	(5,153)
Total other financing sources (uses)	<u>(4,899)</u>	<u>4,453</u>	<u>-</u>	<u>38</u>	<u>(408)</u>
Net Change in Fund Balances	(670)	676	34	(1,314)	(1,274)
Fund Balances at Beginning of Year	<u>17,643</u>	<u>4,495</u>	<u>51</u>	<u>5,970</u>	<u>28,159</u>
Fund Balances at End of Year	<u>\$ 16,973</u>	<u>\$ 5,171</u>	<u>\$ 85</u>	<u>\$ 4,656</u>	<u>\$ 26,885</u>

(Continued on next page)

## TOWN OF NEWINGTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (1,274)
---	------------

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

Capital outlay	5,252
Depreciation expense	(3,536)

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

Thus the change in net assets differs from the change in fund balance by the cost of the assets sold.	(70)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax interest and lien revenue - accrual basis change	99
Property tax receivable - accrual basis change	356
Housing loan receivable - accrual basis change	(45)
Net pension asset	(1)

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

Bond principal payments	1,630
Capital lease payments	206

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

Compensated absences	156
Accrued interest	6
Net OPEB expense	1,467
Refunding bond issuance cost	(8)

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

<u>(9)</u>
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Change in Net Assets of Governmental Activities (Exhibit II)

<u>\$ 4,229</u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF NEWINGTON, CONNECTICUT

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2011  
(In Thousands)

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>5,315</u>
Liabilities:	
Accounts and other payables	<u>631</u>
Net Assets:	
Unrestricted	\$ <u><u>4,684</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 FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
Operating Revenues:	
Charges for services	\$ 10,847
Miscellaneous	4
Total operating revenues	<u>10,851</u>
Operating Expenses:	
Benefit payments	9,835
Administration	493
Insurance	584
Casualty loss	364
Total operating expenses	<u>11,276</u>
Operating Loss	(425)
Nonoperating Revenue:	
Interest on investments	<u>8</u>
Loss Before Transfers	(417)
Transfers In	<u>408</u>
Change in Net Assets	(9)
Net Assets at Beginning of Year	<u>4,693</u>
Net Assets at End of Year	<u>\$ 4,684</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, 2011

(In Thousands)

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
Cash Flows from Operating Activities:	
Cash received from charges for services and other	\$ 10,851
Cash paid to vendors	(11,416)
Net cash used in operating activities	<u>(565)</u>
Cash Flows from Noncapital Financial Activities:	
Transfers in	408
Cash Flows from Investing Activities:	
Interest on investments	<u>8</u>
Net Decrease in Cash and Cash Equivalents	(149)
Cash and Cash Equivalents at Beginning of Year	<u>5,464</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,315</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (425)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in accounts and other payables	<u>(140)</u>
Net Cash Used in Operating Activities	<u>\$ (565)</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, 2011**  
**(In Thousands)**

	<b>Pension Trust Funds</b>	<b>OPEB Trust Fund</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Assets:			
Cash and cash equivalents	\$ 1,566	\$ 809	\$ 487
Investments - mutual funds	<u>52,246</u>	<u>912</u>	<u>          </u>
Total Assets	<u>53,812</u>	<u>1,721</u>	<u>\$ 487</u>
Liabilities:			
Accounts payable	<u>460</u>	<u>          </u>	<u>\$ 487</u>
Net Assets:			
Held in Trust for Pension/OPEB Benefits	<u>\$ 53,352</u>	<u>\$ 1,721</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, 2011

(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 3,402	\$ 1,706
Plan members	810	9
Total contributions	<u>4,212</u>	<u>1,715</u>
Investment income:		
Net appreciation in fair value of investments	9,965	6
Interest and dividends	142	
Total investment income	<u>10,107</u>	<u>6</u>
Less investment expense	344	
Net investment income	<u>9,763</u>	<u>6</u>
Total income	<u>13,975</u>	<u>1,721</u>
Deductions:		
Benefits	5,531	
Administration	70	
Total deductions	<u>5,601</u>	<u>-</u>
Net Increase	8,374	1,721
Net Assets Held in Trust for Pension/OPEB Benefits at Beginning of Year	<u>44,978</u>	<u>-</u>
Net Assets Held in Trust for Pension/OPEB Benefits at End of Year	<u>\$ 53,352</u>	<u>\$ 1,721</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 activities) 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.

#### 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. The major source of revenues for this program is intergovernmental revenue.

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.

The Other Post Employment Benefits (OPEB) Trust Fund accounts for the activities of the Town's Post employment Benefits plan, which accumulates resources for healthcare payments to qualified Town employees.

The Agency Funds account for monies held by the Town as a custodian for outside student and municipal groups.

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 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. Unrestricted resources are used in the following order: committed, assigned then unassigned.

#### **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 3.

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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for collectibles. The property tax receivable allowance of \$94 is equal to 6.2% of outstanding property taxes at June 30, 2011.

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 that 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 five 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 eligible 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. Equity**

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

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

Restricted Net Assets - Net asset restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

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

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

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 2010-11.

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 committed or assigned fund balance, depending on the nature of restriction, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

#### Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$28,340 of the Town’s bank balance of \$29,481 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	25,419
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>2,921</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>28,340</u></u>

## Cash Equivalents

At June 30, 2011, the Town's cash equivalents amounted to \$16,429. 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. The pools all have maturities of less than one year.

	<u>Standard &amp; Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm
Cutwater Asset Management. - Cooperative Liquid Assets Securities System (CLASS)	AAAm

## Investments

As of June 30, 2011, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificate of deposit	*	\$ 1,026	\$ -	\$ 1,026	\$ -
Total		1,026	\$ -	\$ 1,026	\$ -
Other investments:					
Pooled open-end mutual funds		53,158			
Total Investments		\$ 54,184			

\*Subject to coverage by Federal Depository Insurance and collateralization.

*Interest Rate Risk* - The Town limits their maximum final stated maturities to 15 years, unless specific authority is given to exceed. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

*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. The Town does not have a policy for custodial credit risk. At June 30, 2011, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

#### 4. 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>Small Cities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 1,517	\$	\$	\$ 1,517
Accounts	131		15	146
Housing loans		836		836
Intergovernmental			1,458	1,458
Gross receivables	<u>1,648</u>	<u>836</u>	<u>1,473</u>	<u>3,957</u>
Less allowance for uncollectibles	<u>94</u>			<u>94</u>
Net Total Receivables	<u>\$ 1,554</u>	<u>\$ 836</u>	<u>\$ 1,473</u>	<u>\$ 3,863</u>

Note: Does not include accrued interest on property taxes of \$509.

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	\$ 1,204	\$
Taxes collected in advance		5,128
Grant drawdowns prior to meeting all eligibility requirements		191
Housing loans	836	
Program fees collected in advance		<u>412</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 2,040</u>	<u>\$ 5,731</u>

## 5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases and Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,479	\$	\$	\$ 3,479
Construction in progress	2,961	631	(1,467)	2,125
Intangible assets	<u>2,770</u>			<u>2,770</u>
Total capital assets not being depreciated	<u>9,210</u>	<u>631</u>	<u>(1,467)</u>	<u>8,374</u>
Capital assets being depreciated:				
Buildings	59,220	1,221	(70)	60,371
Improvements other than buildings	3,790	2,838		6,628
Furniture, fixtures and equipment	19,570	1,518	(276)	20,812
Infrastructure	<u>46,127</u>	<u>511</u>		<u>46,638</u>
Total capital assets being depreciated	<u>128,707</u>	<u>6,088</u>	<u>(346)</u>	<u>134,449</u>
Less accumulated depreciation for:				
Buildings	(23,117)	(1,352)	70	(24,399)
Improvements other than buildings	(1,703)	(185)		(1,888)
Furniture, fixtures and equipment	(11,191)	(1,354)	206	(12,339)
Infrastructure	<u>(23,912)</u>	<u>(645)</u>		<u>(24,557)</u>
Total accumulated depreciation	<u>(59,923)</u>	<u>(3,536)</u>	<u>276</u>	<u>(63,183)</u>
Total capital assets being depreciated, net	<u>68,784</u>	<u>2,552</u>	<u>(70)</u>	<u>71,266</u>
Governmental Activities Capital Assets, Net	<u>\$ 77,994</u>	<u>\$ 3,183</u>	<u>\$ (1,537)</u>	<u>\$ 79,640</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 213
Public safety	683
Public works	814
Community planning and development	91
Library	56
Health and welfare	45
Parks and recreation	178
Education	<u>1,456</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,536</u>

## Construction Commitments

The Town has 35 active construction projects as of June 30, 2011. The projects include various school and Town improvements project authorizations. At year end, the Town's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public building projects	\$ 26,845	\$ 678
School capital improvements	1,602	46
Capital and nonrecurring	12,084	3,125
Cemetery	<u>495</u>	<u>30</u>
Total	<u>\$ 41,026</u>	<u>\$ 3,879</u>

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

## 6. INTERFUND ACCOUNTS

During the course of operations, transactions are processed through the General Fund on behalf of other funds. A summary of General Fund interfund balances as of June 30, 2011 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 534

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

	<u>Transfer In</u>			
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Capital Projects</u>	<u>Total</u>
Transfers out:				
General Fund	\$	\$ 107	\$ 20	\$ 127
Capital Projects	4,473			4,473
Nonmajor Governmental	145			145
Internal Service Funds	<u>408</u>			<u>408</u>
Total Transfers Out	<u>\$ 5,026</u>	<u>\$ 107</u>	<u>\$ 20</u>	<u>\$ 5,153</u>

Transfers are for regularly recurring operational transfers.

**7. LEASES**

**Capital Leases**

The Town entered into lease agreements for financing the acquisition of fire apparatus and for the recycling containers. 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, 2011:

<b><u>Fiscal Year Ending June 30</u></b>	
2012	\$ 112
2013	112
2014	112
2015	<u>112</u>
Total future minimum lease payments	448
Interest on future lease payments	<u>25</u>
Principal Balance of Future Minimum Payments	\$ <u><u>423</u></u>

The initial value of apparatus and recycling containers acquired amounted to \$975 and \$525, respectively. The net book value of the assets approximate the principal balance of the lease at June 30, 2011.

**8. LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 15,145	\$ -	\$ 1,630	\$ 13,515	\$ 1,825
Deferred amount in refunding	<u>(40)</u>		<u>(8)</u>	<u>(32)</u>	
Total bonds payable	15,105	-	1,622	13,483	1,825
Compensated absences	3,109	994	1,150	2,953	1,024
Net OPEB Obligation	2,104		1,467	637	
Capital leases	<u>629</u>		<u>206</u>	<u>423</u>	<u>102</u>
Total Governmental Activity Long-Term Liabilities	<u>\$ 20,947</u>	<u>\$ 994</u>	<u>\$ 4,445</u>	<u>\$ 17,496</u>	<u>\$ 2,951</u>

A schedule of bonds and serial notes outstanding at June 30, 2011 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Amount of Interest Rate (%)</u>	<u>Balance Original Issue</u>	<u>Outstanding June 30, 2011</u>
General purpose bonds:				
Police station	06/05	4.25-5.0	3,700	\$ 2,590
Police station	05/04	3.2-4.6	3,750	2,438
School:				
School Improvements	04/10	1.5-4.0	3,640	2,960
School improvements	05/04	3.2-4.6	4,950	3,217
School improvements	06/03	2.0-5.0	4,950	<u>2,310</u>
Total				<u>\$ 13,515</u>

The following is a schedule of bond maturities as of June 30, 2011:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,825	\$ 487	\$ 2,312
2013	1,800	436	2,236
2014	1,780	385	2,165
2015	1,355	332	1,687
2016	950	283	1,233
2017-2021	3,760	890	4,650
2022-2025	<u>2,045</u>	<u>198</u>	<u>2,243</u>
Total	<u>\$ 13,515</u>	<u>\$ 3,011</u>	<u>\$ 16,526</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:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 174,346	\$ 5,028	\$ 169,318
Schools	348,692	8,487	340,205
Sewers	290,576	24,687	265,889
Urban renewal	251,833		251,833
Pension deficit	232,461		232,461

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$542 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 issued and outstanding. 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 \$24.687 million or 8.64% of the debt of the District.

In prior years, the Town defeased the various General Obligation Bonds by creating a separate irrevocable trust. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore is no longer counted in computing the Town's debt for statutory debt limit purposes. As of June 30, 2011, the amount of defeased debt outstanding amounted to \$2,960.

**9. 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 \$589 reported in the Health Benefits Internal Service Fund at June 30, 2011 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>
2009-2010	\$ 855	\$ 9,039	\$ 9,128	\$ 766
2010-2011	766	10,912	11,089	589

## 10. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2011 are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Small Cities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 25	\$ 25
Prepays				9	9
Restricted for:					
Grants			85	1,131	1,216
Permanent funds				37	37
Committed to:					
Public buildings		712			712
Capital and nonrecurring projects		4,022			4,022
Public schools		346			346
Land acquisition		91			91
Education				506	506
Cemetery maintenance				1,089	1,089
Public safety activities				7	7
Recreation programs				305	305
Employee leave liability				1,146	1,146
Volunteer ambulance				246	246
Volunteer firefighters				151	151
General government				29	29
Assigned to:					
Subsequent year's budget	2,000				2,000
General government	58				58
Public safety	44				44
Health and community services	2				2
Parks and recreation	1				1
Education	1,786				1,786
Unassigned	13,082			(25)	13,057
Total Fund Balances	\$ <u>16,973</u>	\$ <u>5,171</u>	\$ <u>85</u>	\$ <u>4,656</u>	\$ <u>26,885</u>

Significant encumbrances at June 30, 2011 are contained in the above table in both the assigned and committed categories of the General Fund.

## 11. OTHER POST EMPLOYMENT BENEFITS

### A. Plan Description

The Town provides post-employment benefits for Police Department, Teachers and certain other retirees. This benefit is provided per various bargaining agreements. The Town pays for 100% of retiree and spouse costs for Police and 75% of retiree costs for Town and Board of Education administrators. The Town is required to provide medical, dental and life insurance to certain retired police officers. The Town is also required to provide medical and dental insurance to certain other retirees until the retirees reach the age of 65 or unless covered elsewhere. The post employment benefits plan is a single-employer defined benefit healthcare plan administered by the Town of Newington. The post employment benefits plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the Other Post Employment Benefits Trust Fund. The Town does not issue a separate stand alone financial statement for this program.

For the fiscal year 2011 the General Fund appropriation payments totaled \$610 as follows:

	<u>Retirees</u>	<u>Amount</u>
Police	31	\$ 350
Board of Education	96	188
Other	<u>32</u>	<u>72</u>
Total	<u>159</u>	<u>\$ 610</u>

### B. Funding Policy

The Town funding and payment of post employment benefits are accounted for in the General Fund on a pay-as-you-go basis for current year. In fiscal year 2011, the Town established a trust fund to irrevocably segregate assets to fund the liability associated with post employment benefits for subsequent fiscal years. The fund is reported as a trust fund in accordance with GASB guidelines. The annual required contribution (ARC) payment will be transferred into this account annually from the General Fund and budgeted as part of the budgeting process, which is approved by the Town Council.

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

- AFSCME Board of Education and Town employees are eligible for retiree health care coverage until age 65 upon attainment of normal or early retirement. Normal retirement is the earlier of age 63 or completion of 25 years of service. Early retirement is age 55, and 5 years of continuous service or 15 years of aggregate service. Coverage is pre-65 only. Post-65 non-Medicare eligible retirees can continue coverage at their own expense.
- Police officers are eligible for retiree health care coverage until age 65 upon attainment of normal or early retirement. Normal retirement is the earlier of age 50 or completion of 20 years of service. Early retirement is age 45 and 10 years of continuous service. For officers hired on or after January 1, 2007, normal retirement is the completion of 25 years of service regardless of age and an officer retiring prior to normal retirement shall not be eligible for retiree health care benefits.

- Teachers and School Administrators are eligible for retiree health care coverage for lifetime at the earlier of age 55 with 20 years of service or 25 years of service.
- Surviving spouses of retired teachers and nonteachers at the school are allowed to remain on the plan.
- Surviving spouses of retirees and actives eligible to retire are allowed to remain on the plan.

**C. Annual OPEB Cost and Net OPEB Obligations**

The Town of Newington’s annual other post employment benefit (OPEB) cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town’s net OPEB obligation:

	<b>Post Employment Benefits Plan</b>
Annual required contribution (ARC)	\$ 1,843
Interest on net OPEB obligation	168
Adjustment to annual required contribution	(129)
Annual OPEB cost	1,882
Contributions made	3,349*
Decrease in net OPEB obligation	(1,467)
Net OPEB obligation, beginning of year	2,104
Net OPEB Obligation, End of Year	<u>\$ 637</u>

\* The Town’s contributions to the annual required contribution includes \$1,706 of net contribution into the Town’s OPEB Trust Fund that was established during the year. All OPEB benefit contributions and expenses will be accounted for in the Town’s OPEB Trust Fund beginning in 2012.

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented below:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
6/30/09	\$ 2,455	\$ 1,374	55.97%	\$ 1,081
6/30/10	2,602	1,579	60.68	2,104
6/30/11	1,882	3,349	177.95	637

## Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) (b)</u>	<u>Funded (Unfunded) AAL (UAAL) (a-b)</u>	<u>Percentage Funded (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((a-b)/c)</u>
7/1/07	\$ -	\$ 29,546	\$ (29,546)	0.0%	N/A	N/A
7/1/09	-	20,275	(20,275)	0.0	N/A	N/A

Data is only presented for only two actuarial valuation periods that were available for year ended June 30, 2011.

## Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 2,455	55.97%
2010	2,598	60.77
2011	1,843	177.95

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include an 8.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The actuarial value of assets was determined using a closed group. The UAAL is being amortized on a level percentage of pay over 30 years decreasing. The annual healthcare cost trend rate is 9% initially with an ultimate rate of 4%.

## **12. 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. Effective January 1, 2007, the plan was closed to all new hires. 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 three 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 three 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. For employees hired after January 1, 2007, the benefit is capped at 70% of base compensation in the year prior to retirement. 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. Effective January 1, 1997, the plan was closed to all new hires. 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 three 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 17 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, 2010 (July 1, 2009 for Firefighters plan) 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	170	59	31	32
Terminated participants	9		7	46
Active participants	<u>159</u>	<u>60</u>	<u>11</u>	<u>32</u>
Total	<u><u>338</u></u>	<u><u>119</u></u>	<u><u>49</u></u>	<u><u>110</u></u>

**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 the Firefighters’ Plan which is noncontributory, 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	13.8	34.36	26.78

**D. Annual Pension Cost and Net Pension Obligations (Assets)**

The Town’s annual pension cost and net pension obligation (asset) 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	\$ 1,219	\$ 1,800	\$ 237	\$ 77
Interest in net pension obligation	(1)	(14)		
Adjustment to annual required contribution	<u>1</u>	<u>15</u>		
Annual pension cost	1,219	1,801	237	77
Contributions made	<u>1,219</u>	<u>1,800</u>	<u>237</u>	<u>77</u>
(Increase) decrease in net pension asset	-	1	-	-
Net pension asset, July 1, 2010	<u>(9)</u>	<u>(180)</u>	<u>(5)</u>	<u>-</u>
Net Pension Asset, June 30, 2011	\$ <u><u>(9)</u></u>	\$ <u><u>(179)</u></u>	\$ <u><u>(5)</u></u>	\$ <u><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	7-1-10	7-1-10	7-1-10	7-1-09
Actuarial cost method	Projected Unit Cost Level Dollar Open	Projected Unit Cost Level Dollar Open	Projected Unit Cost Level Dollar Open	Frozen Entry Age Cost Level Dollar Open
Amortization method				
Remaining amortization period	26 years	16 years	26 years	20 years
Asset valuation method	5-year smoothing	5-year smoothing	5-year smoothing	5-year smoothing
Actuarial assumptions:				
Investment rate of return	7.75%	7.75%	7.75%	6.4%
Projected salary increases	4.0%	4.0%	4.0%	N/A
Cost of living adjustments	None	2.0%	None	None
Inflation rate	3.0%	3.0%	3.0%	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>				
	6/30/09	\$ 853	100%	\$ (8)
	6/30/10	968	100	(9)
	6/30/11	1,219	100	(9)
<b><u>Police</u></b>				
	6/30/09	1,336	100	(181)
	6/30/10	1,526	100	(180)
	6/30/11	1,801	100	(179)
<b><u>Administrative</u></b>				
	6/30/09	173	100	(5)
	6/30/10	196	100	(5)
	6/30/11	237	100	(5)
<b><u>Firefighters</u></b>				
	6/30/09	72	100	-
	6/30/10	64	100	-
	6/30/11	77	100	-

## F. Pension Plan Required Supplementary Information

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
<b><u>Municipal</u></b>						
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
7/1/07	20,254	27,691	7,437	72.4	8,665	88.1
7/1/08	21,122	29,653	8,531	71.2	8,823	96.7
7/1/09	20,807	32,079	11,272	64.9	8,832	127.6
<b><u>Police</u></b>						
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
7/1/07	26,546	38,205	11,659	69.5	4,500	259.1
7/1/08	28,005	41,215	13,210	68.0	4,789	275.9
7/1/09	27,947	43,199	15,252	64.7	5,237	291.2
<b><u>Administrative</u></b>						
7/1/04	6,374	7,872	1,498	81.0	1,297	115.6
7/1/05	6,470	8,380	1,910	77.2	1,253	152.5
7/1/06	6,718	8,513	1,795	78.9	1,133	158.4
7/1/07	7,065	8,655	1,590	81.6	1,112	142.9
7/1/08	7,368	9,393	2,025	78.4	1,131	179.0
7/1/09	7,026	9,942	2,916	70.7	885	329.2
<b><u>Firefighters</u></b>						
7/1/03	654	1,383	729	47.3	N/A	N/A
7/1/05	690	1,384	694	49.9	N/A	N/A
7/1/07	747	1,361	614	54.9	N/A	N/A
7/1/09	758	1,169	411	64.8	N/A	N/A

### Schedule of Employer Contributions

Fiscal Year Ended	(in thousands)			
	Municipal		Police	
	Required Contribution	Annual Percentage Contributed	Required Contribution	Annual Percentage Contribution
6/30/06	\$ 539	100%	\$ 1,166	100%
6/30/07	622	100	1,354	100
6/30/08	837	100	1,277	100
6/30/09	853	100	1,336	100
6/30/10	969	100	1,525	100
6/30/11	1,219	100	1,800	100

**Schedule of Employer Contributions**

<b>Fiscal Year Ended</b>	<b>(in thousands)</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>
6/30/06	\$ 189	100%	\$ 88	100%
6/30/07	204	100	82	100
6/30/08	180	100	82	100
6/30/09	173	100	72	100
6/30/10	196	100	64	100
6/30/11	237	100	77	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 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$29.3 million or 77% of the total Board of Education payroll of \$38.3 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, 2011 the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$4,660 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 \$385 per year for members with less than 6 years of service to \$805.25 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 2010-2011, computed in accordance with plan requirements, amounted to \$68,982 (not rounded). At June 30, 2011, there were 159 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, 2011 and the changes in net assets for the year then ended.

	<b>Schedule of Plan Net Assets</b>					
	<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>Assets:</b>						
Cash and cash equivalents	\$ 238	\$ 197	\$ 68	\$ 569	\$ 494	\$ 1,566
Investments	<u>26,435</u>	<u>19,460</u>	<u>5,842</u>	<u>569</u>	<u>509</u>	<u>52,246</u>
Total assets	<u>26,673</u>	<u>19,657</u>	<u>5,910</u>	<u>569</u>	<u>1,003</u>	<u>53,812</u>
<b>Liabilities:</b>						
Accounts payable	<u>216</u>	<u>177</u>	<u>67</u>			<u>460</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 26,457</u>	<u>\$ 19,480</u>	<u>\$ 5,843</u>	<u>\$ 569</u>	<u>\$ 1,003</u>	<u>\$ 53,352</u>

**Schedule of Plan Net Assets**

	<b>Police Officers' Plan</b>	<b>Municipal Employees' Plan</b>	<b>Administrative Employees' Plan</b>	<b>Volunteer Defined Benefit</b>	<b>Firefighters' Plans Defined Contribution</b>	<b>Total Pension Trust Funds</b>
Additions:						
Contributions:						
Employer	\$ 1,800	\$ 1,219	\$ 237	\$ 77	\$ 69	\$ 3,402
Plan members	390	376	33		11	810
Total contributions	<u>2,190</u>	<u>1,595</u>	<u>270</u>	<u>77</u>	<u>80</u>	<u>4,212</u>
Investment income:						
Net appreciation in fair value of investments	5,040	3,747	1,178			9,965
Interest and dividends	<u>16</u>	<u>12</u>	<u>3</u>	<u>1</u>	<u>110</u>	<u>142</u>
Total investment income	5,056	3,759	1,181	1	110	10,107
Less investment expenses	<u>175</u>	<u>129</u>	<u>40</u>			<u>344</u>
Net investment income	<u>4,881</u>	<u>3,630</u>	<u>1,141</u>	<u>1</u>	<u>110</u>	<u>9,763</u>
Total additions	<u>7,071</u>	<u>5,225</u>	<u>1,411</u>	<u>78</u>	<u>190</u>	<u>13,975</u>
Deductions:						
Benefits	2,595	2,020	822	94		5,531
Administration	<u>23</u>	<u>27</u>	<u>10</u>		<u>10</u>	<u>70</u>
Total deductions	<u>2,618</u>	<u>2,047</u>	<u>832</u>	<u>94</u>	<u>10</u>	<u>5,601</u>
Net increase (decrease)	4,453	3,178	579	(16)	180	8,374
Net Assets Held in Trust for Pension						
Benefits, Beginning of Year	<u>22,004</u>	<u>16,302</u>	<u>5,264</u>	<u>585</u>	<u>823</u>	<u>44,978</u>
Net Assets Held in Trust for Pension						
Benefits, End of Year	<u>\$ 26,457</u>	<u>\$ 19,480</u>	<u>\$ 5,843</u>	<u>\$ 569</u>	<u>\$ 1,003</u>	<u>\$ 53,352</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, 2011

(In Thousands)

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Property taxes:				
Current levy	\$ 75,725	\$ 75,725	\$ 76,430	\$ 705
Prorated motor vehicles	500	500	579	79
Prorated real estate	50	50	32	(18)
Prior year tax levies	375	375	365	(10)
Interest and liens	250	250	298	48
Total	<u>76,900</u>	<u>76,900</u>	<u>77,704</u>	<u>804</u>
Payments in lieu of taxes:				
State-Owned PILOT	658	658	662	4
New Manufacturers Inventory	850	850	759	(91)
Elderly Freeze Exemption	9	9	12	3
Disabled exemption	4	4	5	1
Elderly Circuit Breaker	265	265	256	(9)
Additional Veteran's Exemption	28	28	30	2
Tax Exempt Colleges and Hospital	1,340	1,340	1,368	28
Boats			4	4
Total	<u>3,154</u>	<u>3,154</u>	<u>3,096</u>	<u>(58)</u>
Licenses and permits:				
Building permits	185	185	175	(10)
Vendor's permits	1	1	1	-
Gun permits	2	2	8	6
Raffle and Bingo permits	1	1		(1)
Work Within Rights of Way	6	6	8	2
Refuse handling licenses	2	2	2	-
Total	<u>197</u>	<u>197</u>	<u>194</u>	<u>(3)</u>
Rentals:				
Town Hall rental	4	4	4	-
Indian Hill Country Club	86	86	86	-
Other town property	40	40	47	7
Total	<u>130</u>	<u>130</u>	<u>137</u>	<u>7</u>
Investment income	<u>200</u>	<u>200</u>	<u>123</u>	<u>(77)</u>

(Continued on next page)

## TOWN OF NEWINGTON, CONNECTICUT

## GENERAL FUND

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

**FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Fines:				
Parking tickets	\$ 20	\$ 20	\$ 24	\$ 4
False alarms	20	20	14	(6)
Ambulance Response Overages			55	55
Total	<u>40</u>	<u>40</u>	<u>93</u>	<u>53</u>
Charges for services:				
Conservation Commission	4	4	7	3
Zoning Board of Appeals	1	1		(1)
Town Planning and Zoning	8	8	17	9
Town Clerk Fees	275	275	390	115
Police	8	8	7	(1)
Human Services - counseling fee	25	25	26	1
Library - overdue fines	29	29	29	-
Dial-A-Ride Tickets	5	5	5	-
Scrap Metal Curbside	15	15	28	13
Engineering fees	1	1	1	-
Total	<u>371</u>	<u>371</u>	<u>510</u>	<u>139</u>
State of Connecticut:				
Public Library	3	3	3	-
Mashantucket Pequot Fund	226	226	231	5
Youth Services Bureau	22	22	23	1
Alcohol and Drug Abuse	4	4	4	-
Telecommunications Tax	150	150	93	(57)
Emergency Management Grant	5	5	4	(1)
Transportation - Non-public	4	4	6	2
Transportation - Public	312	312	259	(53)
Adult Education	26	26	27	1
Special Education Excess Cost			193	193
School Building Grants	500	500	185	(315)
Health Services	17	17	17	-
Services for the Blind	6	6		(6)
Town Aid Road	15	15	15	-
Education Cost Sharing Grant	12,633	12,633	10,788	(1,845)
Total	<u>13,923</u>	<u>13,923</u>	<u>11,848</u>	<u>(2,075)</u>

(Continued on next page)

## TOWN OF NEWINGTON, CONNECTICUT

## GENERAL FUND

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

**FOR THE YEAR ENDED JUNE 30, 2011  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Federal government:				
Senior Citizen Trans Aid	\$ 9	\$ 9	\$ 10	\$ 1
FEHS - Snow Removal Grant			49	49
ARRA Stabilization Grant			1,802	1,802
Total	<u>9</u>	<u>9</u>	<u>1,861</u>	<u>1,852</u>
Miscellaneous:				
Other - miscellaneous	38	38	134	96
Cancelled PY encumbrances	10	10	103	93
United Way (Human Services)	3	3	2	(1)
Total	<u>51</u>	<u>51</u>	<u>239</u>	<u>188</u>
Total revenues	94,975	94,975	95,805	830
Other financing sources:				
Transfers in	<u>127</u>	<u>127</u>	<u>127</u>	<u>-</u>
Total	\$ <u>95,102</u>	\$ <u>95,102</u>	95,932	\$ <u>830</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	4,660
Cancellation of prior year encumbrances are recognized as budgetary revenue	(103)
The Board of Education does not budget for certain intergovernmental grants which are credited against education expenditures for budgetary reporting; these amounts are recorded as revenues and expenditures for financial reporting purposes	<u>807</u>

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

\$ 101,296

## 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, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
General Government:				
Town Council	\$ 26	\$ 27	\$ 27	\$ -
Town Manager	355	364	362	2
Courts	37	37	32	5
Elections	142	142	129	13
Finance	1,072	1,079	1,058	21
Town Attorney	135	135	135	-
Town Clerk	165	165	164	1
Personnel	57	37	30	7
General services	2,252	2,008	1,968	40
Total general government	4,241	3,994	3,905	89
Public Safety:				
Police Department	6,107	6,121	6,079	42
Fire Department	769	767	730	37
Street lighting	331	319	319	-
Emergency Medical Service	25	25	24	1
Hydrants	65	65	62	3
Total public safety	7,297	7,297	7,214	83
Public Works:				
Engineering	279	283	275	8
Highway Department	2,380	2,376	2,355	21
Solid Waste Services	2,150	2,045	2,038	7
Total public works	4,809	4,704	4,668	36
Community Planning and Development:				
Planning and Development	235	237	236	1
Town Planning and Zoning	21	21	19	2
Zoning Board of Appeals	4	4	2	2
Building Department	162	170	168	2
Conservation Commission	4	4	2	2
Economic Development	3	3	3	-
Total community planning and development	429	439	430	9
Health and Community Services:				
Public Health:				
Health Services	122	122	121	1
Community Services:				
Human Services	457	465	463	2
Senior and Disabled Center	512	502	483	19
Boards and Commissions	9	9	8	1
Total health and community services	1,100	1,098	1,075	23

(Continued on next 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, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Library:				
Library operations	\$ 1,656	\$ 1,587	\$ 1,566	\$ 21
Parks and Recreation:				
Parks and Recreation Administration	342	342	331	11
Grounds Maintenance	1,166	1,177	1,142	35
Total parks and recreation	1,508	1,519	1,473	46
Board of Education:				
Art	670	694	694	-
Career/Vocational	1,105	1,254	1,254	-
Computers	1,233	1,903	1,903	-
Language Arts	3,681	3,763	3,763	-
Foreign Language	1,211	1,219	1,219	-
Health/Safety	147	145	145	-
Math	3,531	3,451	3,451	-
Music	1,097	1,145	1,145	-
Physical Education	1,119	1,151	1,151	-
Reading	3,610	3,489	3,489	-
Science	3,346	3,219	3,219	-
Social Studies	3,375	3,289	3,289	-
Other Salaries	1,046	756	756	-
Special Education	5,927	5,832	5,832	-
Homebound	37	76	76	-
Adult Education	81	83	83	-
Guidance	1,126	1,097	1,097	-
Health/Nurses	625	387	387	-
Psychological Services	703	724	724	-
Speech and Hearing	544	469	469	-
Curriculum Development	53	93	93	-
Media	1,032	1,051	1,051	-
Board of Education	128	140	140	-
Central Direction	1,168	1,202	1,202	-
Building Direction	2,906	2,975	2,975	-
Supplies	181	214	214	-
Maintenance	1,380	2,622	2,622	-
Plant operation	4,557	4,070	4,032	38
Transportation	2,312	2,432	2,432	-
Evaluation, planning and development	116	97	97	-
Insurance	661	534	534	-

(Continued on next 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, 2011  
(In Thousands)

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Board of Education (continued):				
Employee benefits	\$ 9,885	\$ 8,974	\$ 8,974	\$ -
Non Athletics	109	130	130	-
Athletics	432	508	508	-
Community service	111	57	57	-
Total Board of Education	<u>59,245</u>	<u>59,245</u>	<u>59,207</u>	<u>38</u>
Miscellaneous:				
Metropolitan District Assessment	2,646	2,646	2,646	-
Municipal insurance	681	498	494	4
Greater Hartford Transit District	3	3	3	-
Employee benefits	6,207	6,829	6,829	-
Donations and contributions	25	25	25	-
Contingency	254	30	29	1
Total miscellaneous	<u>9,816</u>	<u>10,031</u>	<u>10,026</u>	<u>5</u>
Debt service:				
Principal payments	1,630	1,630	1,630	-
Interest expense	532	532	528	4
Total debt service	<u>2,162</u>	<u>2,162</u>	<u>2,158</u>	<u>4</u>
Total expenditures	92,263	92,076	91,722	354
Other financing uses:				
Transfers out	<u>4,839</u>	<u>5,026</u>	<u>5,026</u>	<u>-</u>
Total	<u>\$ 97,102</u>	<u>\$ 97,102</u>	96,748	<u>\$ 354</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

4,660

The Board of Education does not budget for certain intergovernmental grants which are credited against education expenditures for budgetary reporting; these amounts are recorded as revenues and expenditures for financial reporting purposes

807

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

(249)

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

\$ 101,966