



1 2 6 4 9 5 3 2 4 4 0 3 4 6 5 7 6 5 6 6 5 7 5 7 7 9 5 3 2 4 4 0 3 5 9 4 9 8 4 4 4 8 4 8 9 4 5 6

**Town of North Stonington, Connecticut**

**Financial Statements  
Internal Control Reports  
and Compliance Reports**

**For the Year Ended June 30, 2011**

**Marien + Company**

CPAs

**CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS**

**Town of North Stonington, Connecticut  
For the Year Ended June 30, 2011**

**Table of Contents**

	<u>Page No.</u>
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3

**Basic Financial Statements:**

Exhibit

	Government-Wide Financial Statements:	
1	Statement of Net Assets .....	11
2	Statement of Activities .....	12
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds .....	13
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	14
5	Statement of Fiduciary Net Assets - Fiduciary Funds.....	15
6	Statement of Changes in Fiduciary Net Assets – Pension Trust Funds.....	16
	Notes to the Financial Statements .....	17

**Required Supplementary Information:**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund and Town Aid Road Fund.....	42
---	----

**Combining and Individual Fund Financial Statements:**

Statement

	Fund Descriptions .....	50
	Other Governmental Funds:	
1	Combining Balance Sheet .....	51
2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	52
	Fiduciary Funds:	
3	Combining Statement of Fiduciary Net Assets – Pension Trust Funds .....	53
4	Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds.....	54
5	Combining Statement of Changes in Fiduciary Net Assets – Agency Funds.....	55

**Town of North Stonington, Connecticut  
For the Year Ended June 30, 2011**

**Table of Contents**

Page No.

**Supplementary Schedules:**

Schedule

1	Report of the Property Tax Collector .....	56
2	Schedule of LOCIP Funds .....	57
3	Schedule of Changes in Fund Balance of the Capital Nonrecurring Fund .....	58
4	Detailed Schedule of Board of Education Expenditures – Budget vs. Actual (Budgetary Basis) .....	59

**Compliance Reports:**

<u>Government Auditing Standards</u> Report .....	60
State Single Audit:	
State Single Audit Report .....	62
Schedule of Expenditures of State Financial Assistance .....	65
Notes to the Schedule of Expenditures of State Financial Assistance .....	66
Schedule of Findings and Questioned Costs .....	67
Summary Schedule of Prior Audit Findings .....	70
Federal Single Audit:	
Federal Single Audit Report .....	71
Schedule of Expenditures of Federal Financial Assistance .....	73
Notes to the Schedule of Expenditures of Federal Financial Assistance .....	74
Schedule of Findings and Questioned Costs .....	75

## Independent Auditors' Report

Board of Finance  
Town of North Stonington, Connecticut  
North Stonington, 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 North Stonington, Connecticut as of and for the year ended June 30, 2011, which collectively comprise the Town of North Stonington, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, of the Town of North Stonington, Connecticut as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

As described in Note 1, the Town has implemented authoritative accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB) *Statement 54, Fund Balance Reporting, Governmental Fund Type Definitions* and *Statement 59, Financial Instruments Omnibus*. The Town also made a prior period adjustment to the Net Assets. This decreased Net Assets by \$185,149.

## Independent Auditors' Report (Continued)

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2011 on our consideration of the Town of North Stonington, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

*Marion + Company*

December 15, 2011

**Town of North Stonington, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Our discussion and analysis of the Town of North Stonington, Connecticut's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

**FINANCIAL HIGHLIGHTS**

The Town of North Stonington approved budgets were expended basically as planned with very little variance, \$18,701,624 budgeted versus \$18,436,386 actually spent. The variance of \$265,238 is less than a one percent variance. The Town's fund balance increased by \$29,776 reflected in the new reporting system (Exhibit 3) and net assets increased by \$594,377 (exhibit 2). The Town was involved with a lot of unanticipated road work due to the flooding from the March, 2010 storm. An account was set up in the Capital Non Recurring portion of the budget to handle the storm damage repairs and accounting for FEMA reimbursement even with the distraction of flood repairs, the Town was able to continue its program of chip sealing roads and updating and repairing the road drainage system. Two of the largest projects were the new drainage installed on Old Colony(500') and Kingswood Roads (990'). Despite the cold, snowy winter the Town held its budget and was able to return funds at the end of the year.

The Capital portion of the budget continued to address infrastructure, buildings, and facilities in accordance with our capital ten year plan and maintenance accounts. A grant funded a new 30kW generator which was installed for emergency use at the New Town Hall, allowing town hall and emergency services to be administered during storms and natural disasters. The Public Works Department purchased two new dump trucks and upgraded their communication systems in preparation of new federal standards. The various departments administered their funding to keep the town up to date and in good working order as planned.

The Town's Property Revaluation began and is scheduled to be completed and implemented for the October 1, 2011 Grand List, also within estimated cost. Housing prices have improved slightly with a 2.6% increase in values. Interest rates are at the lowest in recent history and the use of town money is down significantly, approximately 62%. The Town's Moody rating was changed from an A<sub>3</sub> to A<sub>1</sub> due to the low amount of debt the Town maintains and how municipal ratings are calculated by Moody's.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. 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 Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the government.

**Town of North Stonington, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2011**

## **Reporting the Government as a Whole**

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. 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 Government's *net assets* and changes in them. You can think of the Government's net assets—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Assets and the Statement of Activities, the Government shows the following activity:

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

## **Reporting the Government's Most Significant Funds**

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- *Governmental funds*—The Government'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 Government'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 Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

**Town of North Stonington, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**The Government as Trustee**

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Assets in Exhibits 5 and 6. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**THE GOVERNMENT AS A WHOLE**

The Government's *combined* net assets increased by \$594,375 from a year ago—*increasing* from \$10,091,506 to \$10,685,881. Last year net assets *increased* by \$248,517. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Government.

**Table 1**  
**Change in Net Assets (on Exhibit 1)**

	2011	Change During Year		2010
		Dollars	Percent	
Current and other assets	\$ 6,496,924	\$ 807,776	14.20%	\$ 5,689,148
Capital assets	8,810,898	237,467	2.77%	8,573,431
Total assets	15,307,822	1,045,243	7.33%	14,262,579
Long-term debt outstanding	3,840,835	163,531	4.45%	3,677,304
Other liabilities	781,106	287,337	58.19%	493,769
Total liabilities	4,621,941	450,868	10.81%	4,171,073
Net assets:				
Invested in capital assets, net of related debt	5,906,898	303,467	5.42%	5,603,431
Restricted - Expendable	422,011	379,516	893.08%	42,495
Unrestricted	4,356,972	(88,608)	-1.99%	4,445,580
Total net assets	\$ 10,685,881	\$ 594,375	5.89%	\$ 10,091,506

Capital Assets increased by \$237,467. Of the total increase \$174,293 was spent on new, more efficient boilers for the school facilities and the conversion from oil to gas. The Town installed solar panels at the Senior Center and Volunteer Fire Company under a Federal program at no cost to the Town. Panels were also installed at the old town hall for a cost of \$60,375. The Highway Department added two trucks to the fleet worth approximately \$350,000.

Short terms notes (BANS) were purchased by the town to continue paying down debt for the Fire Truck, Hewitt (Seaport) property and new highway vehicles. An additional \$434,000 was taken out in the form of a Bond Anticipation Note for the School Boiler project. See more details within Note 7 to the financial statements.



**Town of North Stonington, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2011**

	2011	Change During Year		2010
		Dollars	Percent	
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 590,504	\$ 52,486	9.76%	\$ 538,018
Operating grants and contributions	4,689,929	(14,449)	-0.31%	4,704,378
Capital grants and contributions	269,880	(78,949)	-22.63%	348,829
General revenues:				
Property taxes	12,758,662	245,726	1.96%	12,512,936
Grants and contributions	884,757	27,255	3.18%	857,502
Interest and investment earnings	11,530	(18,601)	-61.73%	30,131
Gain (loss) on disposal of equipment	(2,110)	(33,224)	-106.78%	31,114
Other general revenues	27,550	27,314	11573.73%	236
Total revenues	<u>19,230,702</u>	<u>207,558</u>	<u>1.09%</u>	<u>19,023,144</u>
<b>Program expenses</b>				
General government	2,192,011	23,287	1.07%	2,168,724
Public safety	851,085	26,246	3.18%	824,839
Public works	1,657,752	8,200	0.50%	1,649,552
Education	13,870,743	(186,452)	-1.33%	14,057,195
Interest on long-term debt	64,736	(9,581)	-12.89%	74,317
Total expenses	<u>18,636,327</u>	<u>(138,300)</u>	<u>-0.74%</u>	<u>18,774,627</u>
Increase (decrease) in net assets	<u>\$ 594,375</u>	<u>\$ 345,858</u>	<u>139.17%</u>	<u>\$ 248,517</u>

Capital Grants and contributions decreased by \$78,949. Proceeds from Bonds increased in the current year however these proceeds are not included in revenue in the Government Wide Financial Statements.

Property taxes increased by \$245,726 which is an increase of 1.96%. The mill rate went up approx 1% (19.94 to 20.19 mills)

General Grant and contributions increased by \$27,255 as the casino grant increased this year.

Interest and investment earnings decreased by 61.73% from last year due to the continuing drop in interest rates.

Gain/loss on disposal of equipment decreased as the town disposed of vehicles at a gain in the prior year. There was revenue of \$40,300 recorded in the general fund last year for disposals. In the current year only \$6,910 of revenue was recorded.

Other general revenues increased by 11,574% as the town collected rent on the Hewitt Property of \$26,150 in the current year.

Program expenses did not fluctuate significantly with the exception of Interest on Long Term Debt which decreased by 12.89% as the debt of the town decreases.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
June 30, 2011**

**Governmental Activities**

Table 3 presents the cost of each of the Government's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Government's taxpayers by each of these functions.

**Table 3  
Governmental Type Activities**

	Total Cost of Services			Incr. Decr.	Net Cost of Services			Incr. Decr.
	2011	2010			2011	2010		
<b>Governmental Activities</b>								
General government	\$ 2,192,011	\$ 2,168,724	1.07%		\$ 1,982,783	\$ 1,674,989	18.38%	
Public safety	851,085	824,839	3.18%		625,623	772,072	-18.97%	
Public works	1,657,752	1,649,552	0.50%		1,184,658	1,328,544	-10.83%	
Education	13,870,743	14,057,195	-1.33%		9,228,214	9,333,480	-1.13%	
Interest on long-term debt	64,736	74,317	-12.89%		64,736	74,317	-12.89%	
<b>Totals</b>	<b>\$ 18,636,327</b>	<b>\$ 18,774,627</b>	<b>-0.74%</b>		<b>\$ 13,086,014</b>	<b>\$ 13,183,402</b>	<b>-0.74%</b>	

Public Safety net costs decreased by \$146,449 due to receipt of intergovernmental revenue recorded in the current year for flooding projects. The town received FEMA money for the March, 2010 storm damages.

Many of the Public Works lines were under spent. Total Public Works expenses were under budget by \$39,980, even with large expenses due to severe winter weather.

General Government net cost increased this year as capital contribution revenues were lower. More bond proceeds were issued in the current year for conversion of the boilers at the school facilities.

**THE GOVERNMENT'S FUNDS**

There was a slight increase in the Town's Fund Balance, \$29,776. There is a new reporting style this year for the town's fund balances, we now report nonspendable, restricted, committed, assigned, and unassigned funds verses only reserved and unreserved.

**General Fund Budgetary Highlights**

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriates increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriations up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from

**Town of North Stonington, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2011**

other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

**Table 4**  
**General Fund - Budget Summary**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Property Taxes	\$ 12,491,465	\$ 12,719,214	\$ 227,749
Use of Town Money	25,000	10,146	(14,854)
Intergovernmental	4,629,519	4,795,579	166,060
Licenses, Fees, Fines and Charges	173,000	153,068	(19,932)
Other Revenue	543,773	598,409	54,636
<b>Total Revenues</b>	<b>17,862,757</b>	<b>18,276,416</b>	<b>413,659</b>
<b>Expenditures</b>			
General Government	4,287,462	4,156,069	131,393
Redemption of Debt	944,758	944,549	209
Capital Outlay	1,388,232	1,380,442	7,790
Education	12,081,172	11,955,326	125,846
<b>Total Expenditures</b>	<b>18,701,624</b>	<b>18,436,386</b>	<b>265,238</b>
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ (838,867)</b>	<b>\$ (159,970)</b>	<b>\$ 678,897</b>

Operating Expenditures for the General Government were \$4,156,069 in comparison to the \$4,148,633 originally budgeted. The variance of \$7,436 can be explained by large legal expenses due to the termination of two highway employees for cause that was successfully arbitrated by the Town. There were also \$25,854 of tax refunds from previous fiscal years that were issued. All the other operating accounts were administered within budget.

There were several additional appropriations during the year, \$45,575 for the State Troopers' Federal DUI Grant, which will be reimbursed to the town after expenditures. The North Stonington Ambulance Association requested funds to complete the year in the amount of \$8,590. Redemption of Debt was expended within budget variables.

The capital was budgeted at \$687,650 which included \$112,000 for the design and estimation of the School Boiler Conversion Project at the School Facilities to replace the inefficient boiler equipment and convert from oil to natural gas. After the bidding process and job cost was established; a firm was chosen and an additional \$434,177 was appropriated via a town meeting with authority to borrow. This was a long overdue project to replace old, undependable units. The project was completed below estimate, even after the unexpected repairs and replacement of associated equipment. The only unexpected capital item was the additional appropriation of \$5,144 for the repair/replacement of failed firefighter turnout gear after thermo testing.

**Town of North Stonington, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Significant revenue variances are summarized as follows:

- Taxes collected were over budget as more prior year taxes were collected than expected.
- Uses of Town Money were lower as interest rates were down.
- Intergovernmental was above budget because of FEMA Storm Reimbursement. \$156,963 was received and no anticipated revenue was budgeted.
- Other revenue was over budget because of the bond revenue posted in the General Fund

The Board of Education budget was \$12,081,172 for a second year in a row. The Board returned \$125,846 to the general fund due to less than anticipated expenses.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of this year, the Government had \$8,810,898 invested government activity capital assets (From Footnotes). This amount represents a net increase (including additions and deductions) of \$237,467 from last year. This is primarily due to the purchase of public works equipment and a conversion of the school facilities boilers project. Town Hall expended \$13,389 on computer upgrades to improve performance variances. New and Used Highway equipment was purchased for \$18,741. In addition, \$30,000 was expended on Town Building Maintenance including new roofs on the Senior Center and Carriage House on the Hewitt Farm Property. An additional \$21,922 was expended by the North Stonington Volunteer Fire Company on equipment, hose and turnout gear. More detailed information about the Government's capital assets is presented in Note 5 to the financial statements.

### **Debt**

At year end, the Government had \$2,904,000 in bonds and notes outstanding. This is a decrease of \$66,000 from last year. The Government's general obligation bond rating is A<sub>1</sub>. More detailed information about the Government's long-term liabilities is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2012 budget and tax rates. The Board of Finance works with the Boards and Commissions to set the most cost effective budgets possible while considering our taxpayers ability to pay. The Selectmen and Board of Education do everything possible to spend money effectively and return unused funds to the General Fund at year's end.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
June 30, 2011**

**CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of North Stonington, 40 Main Street, North Stonington, CT 06359.

**Town of North Stonington, Connecticut**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,225,062
Investments	272,700
Receivables, net of allowance for collection losses	1,973,518
Due from fiduciary funds	12,596
Inventory	3,255
Other long-term assets	9,793
Capital Assets:	
Not being depreciated	953,240
Being depreciated, net of accumulated depreciation	<u>7,857,658</u>
Total assets	<u>15,307,822</u>
<b>Liabilities</b>	
Accounts payable	665,595
Accrued wages and benefits	59,094
Accrued interest payable	36,368
Deferred revenue	20,049
Noncurrent liabilities:	
Due within one year	2,049,150
Due in more than one year	<u>1,791,685</u>
Total liabilities	<u>4,621,941</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,906,898
Restricted net assets:	
Expendable	422,011
Unrestricted net assets	<u>4,356,972</u>
Total net assets	<u><u>\$ 10,685,881</u></u>

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

**Town of North Stonington, Connecticut**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Program Specific Revenues				Net (Expense) Revenue	
	Expenses	Charges for	Grants and Contributions			Total
		Services	Operating	Capital		
General government	\$ (2,192,011)	\$ 182,712	\$ -	\$ 26,516	\$ (1,982,783)	
Public safety	(851,085)	-	32,348	193,114	(625,623)	
Public works	(1,657,752)	199,309	223,535	50,250	(1,184,658)	
Education	(13,870,743)	208,483	4,434,046	-	(9,228,214)	
Interest on long-term debt	(64,736)	-	-	-	(64,736)	
Total governmental activities	\$ (18,636,327)	\$ 590,504	\$ 4,689,929	\$ 269,880	\$ (13,086,014)	
General revenues:						
Property taxes, payments in lieu of taxes, interest and liens					12,758,662	
Grants and contributions					884,757	
Interest and investment earnings					11,530	
Gain (loss) on disposal of equipment					(2,110)	
Miscellaneous					27,550	
Total general revenues					13,680,389	
Changes in net assets					594,375	
Net assets, beginning of the year					10,091,506	
Net assets, end of the year					\$ 10,685,881	

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

**Town of North Stonington, Connecticut**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 2,494,123	\$ 1,686,474	\$ 44,465	\$ 4,225,062
Investments	253,109	-	19,591	272,700
Receivables	1,731,526	227,614	14,378	1,973,518
Inventory	-	-	3,255	3,255
Due from other governmental funds	-	647,060	24,134	671,194
Due from fiduciary funds	-	-	12,596	12,596
<b>Total assets</b>	<b>\$ 4,478,758</b>	<b>\$ 2,561,148</b>	<b>\$ 118,419</b>	<b>\$ 7,158,325</b>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 541,167	\$ 124,428	\$ -	\$ 665,595
Accrued expenses	59,094	-	-	59,094
Deferred revenue	1,321,120	227,614	20,049	1,568,783
Due to other governmental funds	671,194	-	-	671,194
<b>Total liabilities</b>	<b>2,592,575</b>	<b>352,042</b>	<b>20,049</b>	<b>2,964,666</b>
<b>Fund balance</b>				
Nonspendable	-	-	3,255	3,255
Restricted	31,742	379,100	11,169	422,011
Committed	-	1,654,058	-	1,654,058
Assigned	525,160	175,948	83,946	785,054
Unassigned	1,329,281	-	-	1,329,281
<b>Total fund balance</b>	<b>1,886,183</b>	<b>2,209,106</b>	<b>98,370</b>	<b>4,193,659</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,478,758</b>	<b>\$ 2,561,148</b>	<b>\$ 118,419</b>	

**Reconciliation of net assets to fund balances - total governmental funds:**

Less: Long-term liabilities not due and payable in current period:	
Bonds, notes, capital leases payable and unamortized premiums on bond costs	(2,988,000)
Compensated absences and special termination benefits	(852,835)
Accrued interest payable	(36,368)
Plus:	
Deferred charges on bond costs (to be amortized over the life of the bond)	9,793
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,810,898
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	1,548,734

**Net assets reported on the government-wide financial statements (Exhibit 1)** **\$ 10,685,881**

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



**Town of North Stonington, Connecticut**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes, interest and lien fees	\$ 12,719,214	\$ -	\$ -	\$ 12,719,214
Intergovernmental revenues	5,723,802	167,125	480,175	6,371,102
Local revenues	436,623	1,366	196,320	634,309
	<u>18,879,639</u>	<u>168,491</u>	<u>676,495</u>	<u>19,724,625</u>
<b>Expenditures</b>				
Current expenditures:				
General government	2,727,652	-	-	2,727,652
Public safety	809,281	-	-	809,281
Public works	1,459,861	-	-	1,459,861
Education	11,853,078	-	646,754	12,499,832
Capital outlay	430,438	214,327	-	644,765
Debt service	1,434,549	434,000	-	1,868,549
	<u>18,714,859</u>	<u>648,327</u>	<u>646,754</u>	<u>20,009,940</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>164,780</u>	<u>(479,836)</u>	<u>29,741</u>	<u>(285,315)</u>
<b>Other financing sources (uses)</b>				
Proceeds from and premium on long-term debt	815,000	434,000	-	1,249,000
Operating transfers in	-	950,004	-	950,004
Operating transfers out	(950,004)	-	-	(950,004)
	<u>(135,004)</u>	<u>1,384,004</u>	<u>-</u>	<u>1,249,000</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>29,776</u>	<u>904,168</u>	<u>29,741</u>	<u>963,685</u>
<b>Fund balance, beginning of the year</b>	<u>1,856,407</u>	<u>1,304,938</u>	<u>68,629</u>	<u>3,229,974</u>
<b>Fund balance, end of the year</b>	<u>\$ 1,886,183</u>	<u>\$ 2,209,106</u>	<u>\$ 98,370</u>	<u>\$ 4,193,659</u>
<b>Reconciliation of the statement of revenues, expenditures and changes in fund balances (above) to the statement of activities (Exhibit 2)</b>				
<b>Net change in fund balances - total governmental funds (above)</b>				\$ 963,685
Transactions involving the treatment of capital outlays:				
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2				728,524
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements				(482,037)
Net effects of various transactions involving fixed assets:				
Less: Book value of disposed capital assets not reported in this statement				(9,020)
Transactions involving the treatment of long-term debt:				
Less: Long-term debt issued or incurred:				
Issuance of and premium on bond anticipation notes				(1,249,000)
Plus: Principal repayments:				
General obligation bonds and related premiums				1,315,000
Post-closure landfill costs				6,000
Changes in other items not requiring the use of current financial resources:				
Compensated absences and other post employment benefits payable				(235,531)
Accrued interest payable				4,621
Amortization on issue premium/costs on bonds				(3,498)
Post-employment benefits				
Change in revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement				
State reimbursement of bond principal				(338,231)
Grants for Capital Projects				25,989
Other state grants				(91,961)
Taxes, interest and lien fees				(40,166)
<b>Changes in net assets of governmental activities (Exhibit 2)</b>				<u>\$ 594,375</u>

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

**Town of North Stonington, Connecticut**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<b>Total Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 127,027	\$ 121,312
Investments	-	161,535
Investments in insurance annuities	2,534,185	-
Accounts receivable	83,822	-
<b>Total assets</b>	<b>2,745,034</b>	<b>282,847</b>
<b>Liabilities</b>		
Due to students and developers	-	257,692
Due to others	-	12,558
Due to governmental funds	-	12,597
<b>Total liabilities</b>	<b>-</b>	<b>282,847</b>
<b>Net assets</b>		
Held in trust for pension benefits	<u><u>\$ 2,745,034</u></u>	<u><u>\$ -</u></u>

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

**Town of North Stonington, Connecticut**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2011**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Employer contributions	\$ 187,084
Investment earnings:	
Dividend and interest income	26,679
Net increase / (decrease) in fair value of investments	<u>110,365</u>
<b>Total additions in net assets</b>	<u>324,128</u>
<b>Deductions</b>	
Benefits paid to plan members	37,676
Administrative expenses	<u>10,144</u>
<b>Total deductions</b>	<u>47,820</u>
<b>Change in net assets</b>	276,308
<b>Net assets held in trust, beginning of year</b>	<u>2,468,726</u>
<b>Net assets held in trust, end of year</b>	<u><u>\$ 2,745,034</u></u>

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies**

The Town of North Stonington, Connecticut (Town) is a municipal corporation governed by a selectmen–town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected board of education oversees the public school system. An elected board of finance is the budget making authority and supervises the town's financial matters.

**A. Reporting entity**

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

**B. Government-wide and fund financial statements**

The *government-wide financial statements* (Exhibits 1 and 2) report information on all of the non-fiduciary activities of the primary government. Fiduciary funds are excluded from the government-wide financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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*.

**C. Fund financial statements**

Separate *fund financial statements* are provided for governmental funds and fiduciary funds (Exhibits 3 through 6). *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the governments own programs.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**D. 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 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.

Property taxes, 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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.

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 general government, except those required to be accounted for in another fund.

The *Capital Nonrecurring Fund* is used to accumulate funds for significant purchases.

Additionally, the town reports the following fiduciary fund types:

The *Pension Trust Funds* are used to accumulate resources to be used for retirement benefits.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**E. Assets, liabilities, and net assets**

***1) 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. Investments for the Town are generally reported at fair value. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes. In general for most of the funds, this includes deposits in allowable banks, obligations of the United States of America and obligations of any State or political subdivision, which is tax exempt. Certain Fiduciary Funds are allowed more flexibility in investing.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

*Interest Rate Risk* – Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

*Concentration of Credit Risk* – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

***2) Receivables***

Property taxes are assessed on property values as of October 1<sup>st</sup>. The tax levy is divided into two billings; the following July 1<sup>st</sup> and January 1<sup>st</sup>. This is used to finance the fiscal year from the first billing, July 1<sup>st</sup>, to June 30<sup>th</sup> of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1<sup>st</sup> and February 1<sup>st</sup>), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is calculated based on prior experience.

***3) Activity between funds***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in appropriate governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

***4) 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.

***5) 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 Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of three 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.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>	<b>Capitalization Threshold</b>
Land	N/A	\$0
Buildings and improvements	75	\$10,000
Trucks	20	\$10,000
Equipment and furniture	20	\$2,000
Electronic equipment	4	\$2,000
Infrastructure:		
Bridges	75	\$50,000
Roads and drainage	20	\$10,000
Sidewalks	50	\$10,000
Stone bridge/culverts	50	\$25,000

**6) *Compensated absences***

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the Town has a policy to pay any amounts when employees separate from service with the Town. All vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and/or retirements.

**7) *Long-term obligations***

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



**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**8) Fund equity**

Fund equity for government-wide statements (Exhibits 1 and 2) is called Net Assets and is displayed in three components:

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

**Restricted Net Assets** – these are reported when constraints placed on net asset use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or, (b) imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets** – is the residual classification of Net Assets. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first.

Fund equity for governmental funds (Exhibits 3 and 4) is called Fund Balance and is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first. This will be followed by committed, assigned and unassigned resources in that order.

**Nonspendable Fund Balance** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** – includes amounts that have constraints placed on the use of resources. These constraints must be either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action at a Town Meeting, and cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned Fund Balance** – are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed through a formal action of the Board of Finance.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Unassigned Fund Balance** - unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**F. Estimates**

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

**G. Subsequent Events**

Subsequent events have been evaluated through the date of this report, December 15, 2011. This date represents the date that the financial statements were available to be issued.

**H. Changes in Financial Statements**

**New Statements Implemented** per Governmental Accounting Standards Board (GASB):

- Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* – This statement provides clearer fund balance classifications that can be more consistently applied. This resulted in no adjustment to beginning equity.
- Statement 59 – *Financial Instruments Omnibus* – This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This resulted in no adjustments to beginning equity.

**Prior Period Adjustment** - The Town made a prior period adjustment to correct the beginning accumulated depreciation for the General Government Fixed Assets. This reduced Net Assets for the Governmental Activities Fund by \$185,149.

**Note 2 - Budgeting**

**A. Budget Basis**

A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

- **Teacher's Retirement** - The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Cash Basis** - The modified accrual basis requires current costs to be included in expenditures in the year in which they were incurred. The Town uses the cash basis for certain expenditures. The cash basis records current costs in expenditures in the year in which they were paid. The general government payroll and the Board of Education pension contribution are both recorded on a cash basis.
- **Debt Revenue and Expenditures** - The modified accrual basis of accounting includes revenue for new long-term debt or capital leases. The modified accrual basis shows expenditure for the payment of the debt paid off with the new debt or for the piece of equipment purchased in a capital lease. The town nets these revenues and expenditures in the budget.

## **B. Budget Calendar**

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

## **C. Budget Control**

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$839,211 of additional appropriations were made.

**Note 3 – Deposits and Investments**

**A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at year end:

Governmental Funds	\$ 4,225,062
Pension Trust Funds	127,027
Agency Funds	121,312
Total Cash and Cash Equivalents	<u>\$ 4,473,401</u>

**B. Custodial Credit Risk on Deposits**

As of June 30, 2011, the carrying amount of the Town's deposits with financial institutions was:

Deposits	\$ 4,530,028
Plus: Pooled Investment Funds	367,648
Less: Certificates of Deposits treated as investments	<u>(424,275)</u>
Total Cash and Cash Equivalents	<u>\$ 4,473,401</u>

The bank balance of the deposits of \$4,786,490 was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 3,756,462
Uninsured and uncollateralized	<u>1,030,028</u>
Total Deposits	<u>\$ 4,786,490</u>

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**C. External Investment Pools Treated as Cash and Cash Equivalents**

The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The pool, Short-Term Investment Fund (STIF), is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools.

**D. Investments**

At June 30, 2011, the Town's investments consisted of the following:

	General Fund	Other Governmental Funds	Pension Trust Funds	Agency Funds
Annuity Contracts	\$ -	\$ -	\$ 164,689	\$ -
Equity Mutual Funds	-	-	2,369,496	-
Certificates of Deposit	253,109	19,591	-	161,535
	<u>\$ 253,109</u>	<u>\$ 19,591</u>	<u>\$ 2,534,185</u>	<u>\$ 161,535</u>

**E. Credit Risk and Interest Rate Risk of Investments**

As of June 30, 2011 the range of maturities of the investments was as follows:

Type of Investment	Avg. Credit Rating	Fair Value	Investment Maturity		
			N/A	Less than 1 Year	1 to 5 Years
Annuity Contracts	**	\$ 164,689	\$ 164,689	\$ -	\$ -
Equity Mutual Funds	NA	2,369,496	2,369,496	-	-
Certificates of Deposit	*	424,275	-	414,644	9,631
		<u>\$ 2,958,460</u>	<u>\$ 2,534,185</u>	<u>\$ 414,644</u>	<u>\$ 9,631</u>

**\* Certificates of Deposit** – The Town invests in nonparticipating interest-earning investment contracts in the form of certificates of deposit. These do not capture the market (interest rate) changes though the investment's negotiability or transferability, or redemption terms that consider market rates. This exposes the Town to interest rate risks.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**\*\* Annuity Contracts** – The Town invests in annuity contracts. These are considered to be guaranteed investment contracts (GICs). They are general obligation instruments issued by an insurance company over a specified period. They are uncollateralized and unsecured annuities held in annuity trust funds of various insurance companies.

**Note 4 - Receivables**

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

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Fiduciary Funds
Taxes *	\$ 399,228	\$ -	\$ -	\$ -
Interest and fees on back receivables *	131,105	-	-	-
Long-term school construction grant *	973,516	-	-	-
Intergovernmental	542	227,614	14,378	83,822
Other	340,556	-	-	-
Gross receivables	1,844,947	227,614	14,378	83,822
Less: allowance for uncollectibles	(113,421)	-	-	-
Net total receivables	<u>\$ 1,731,526</u>	<u>\$ 227,614</u>	<u>\$ 14,378</u>	<u>\$ 83,822</u>

\* Not expected to be collected within one year

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:

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 347,604	\$ -
Reimbursements on school bond payments	973,516	-
Grants that were not received in 60 days	227,614	-
Grants that are not earned yet	-	20,049
Total deferred/unearned revenue for governmental funds	<u>\$ 1,548,734</u>	<u>\$ 20,049</u>

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Operating Lease Receivable**

The Town of North Stonington is the lessor in an operating lease of a restaurant building. The original cost of the asset was \$118,500 and as of 6/30/2011 accumulated depreciation totals \$4,345. The carrying value of the asset is \$114,155. The lease term starts on May 1, 2011 and ends on June 30, 2020 with the option to renew for three additional ten-year terms. Minimum future rental payments are as follows:

Year Ending	Future Rental Payments
2012	19,800
2013	19,800
2014	19,800
2015	19,800
2016	19,800
2017-2020	95,388
Total	<u>\$ 194,388</u>

**Note 5 - Capital Assets**

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

General government	\$ 31,869
Public works	162,586
Public safety	41,804
Education	245,778
Total depreciation expense	<u>\$ 482,037</u>

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 953,240	\$ -	\$ -	\$ 953,240
Capital assets being depreciated:				
Buildings and Improvements	12,515,492	174,293	-	12,689,785
Furniture and Equipment	5,933,312	404,231	(128,228)	6,209,315
Infrastructure	204,943	150,000	(1,500)	353,443
	18,653,747	728,524	(129,728)	19,252,543
Accumulated depreciation:	(11,033,556)	(482,037)	120,708	(11,394,885)
Capital assets, net	<u>\$ 8,573,431</u>	<u>\$ 246,487</u>	<u>\$ (9,020)</u>	<u>\$ 8,810,898</u>

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 6 - Interfund Activities**

**A. Interfund transfers:**

Interfund transfers are generally used to transfer monies raised in taxes to other funds. During the year the monies were transferred from the general fund to the capital nonrecurring fund to help finance several projects:

	Transfers in to:		
	General Fund	Capital Non-recurring Fund	Total
Transfers out of:			
General Fund	\$ -	\$ 950,004	\$ 950,004

**B. Advance to/from other funds**

There are no long-term loan agreements on the interfund balances.

**C. Due to/from other funds**

The following are temporary borrowings between funds. These are either expected to be paid off within one year or have no agreed payment terms:

Receivable Fund	Payable Fund	Amount
Special Revenue - Special Education Grants	General Fund	\$ 18,245
Capital Projects - Capital Nonrecurring	General Fund	647,060
Special Revenue - Scholarships	General Fund	5,889
		<u>\$ 671,194</u>

In addition, the fiduciary funds owed the Special Revenue Fund, Scholarships \$12,596.



**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 7 – Long-Term**

**A. Changes in long-term liabilities**

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

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
School Construction	\$ 2,230,000	\$ -	\$ (575,000)	\$ 1,655,000	\$ 565,000
Bond Anticipation Note	740,000	-	(740,000)	-	-
Bond Anticipation Note	-	434,000	-	434,000	434,000
Bond Anticipation Note	-	815,000	-	815,000	815,000
Compensated Absences	149,304	-	(31,431)	117,873	73,575
Post Closure Landfill Costs	90,000	-	(6,000)	84,000	6,000
Net OPEB Obligation (Note 12)	468,000	422,537	(155,575)	734,962	155,575
	<u>\$ 3,677,304</u>	<u>\$ 1,671,537</u>	<u>\$ (1,508,006)</u>	<u>\$ 3,840,835</u>	<u>\$ 2,049,150</u>
Bond Issue Costs (Asset)	\$ (13,291)	\$ -	\$ 3,498	\$ (9,793)	\$ (3,498)

**B. General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20 year serial bonds with principal maturing each year. Payments on these bonds have been made out of the General Fund and are all charged to expenditures.

The Town issued a bond anticipation note in the amount of \$815,000 with an interest rate of 2.40%. The full amount of the bond will be due September 8, 2011 together with interest in the amount of \$19,560. Of the total amount, \$490,000 was used to refinance the bond anticipation note from the previous year. The remaining \$325,000 was for the purchase of two dump trucks.

The town issued another bond anticipation note in the amount of \$434,000 with an interest rate of 2.79%. The full amount of the bond will be due September 8, 2011 together with interest in the amount of \$7,063. The total amount of this bond was used for the boiler installation and conversion project at the school facilities.

Of the total amount of the bond anticipation notes above, \$832,000 will be refinanced at that time with a new bond anticipation note (See Note 13 – Subsequent Events). Therefore, this has been treated as long-term debt in these financial statements.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Matures in Year Ending	Interest Rates	Amount
School Construction	\$ 7,025,000	2014	2.00%-5.00%	\$ 1,655,000
Hewitt Property/Fire & Dump Trucks	\$ 815,000	2012	2.40%	\$ 815,000
School Boiler	\$ 434,000	2012	2.79%	\$ 434,000

Annual debt service requirements to maturity for general obligation bonds are as shown in the following schedule.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2012	1,814,000	98,223
2013	550,000	49,000
2014	540,000	27,000
Total	<u>\$ 2,904,000</u>	<u>\$ 174,223</u>

**C. Refinancing of Bonds**

On August 15, 2002 the Town issued \$7,025,000 in General Obligation Bonds with variable interest rates from 2.0% to 5.0% to advance refund \$6,420,000 of outstanding bonds with average interest rates from 5.3% to 6.5% percent. The net proceeds were used to establish an irrevocable escrow agreement with the escrow agent whereby the Town has deposited monies with the escrow agent to purchase a portfolio of non-callable direct obligations of, or guaranteed by, the United States of America. The principal and interest of this portfolio will provide amounts sufficient to meet principal and interest payments on the old debt when due. As a result, the old bonds are considered to be defeased and the liability for those bonds outstanding at June 30<sup>th</sup> of \$1,605,000, has been removed from the long-term debt.

**D. Post Closure Landfill Costs**

The Town has a closed landfill. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in as Long-Term Debt. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year there were no actual costs incurred.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**E. Debt Limitations Under Connecticut State Statutes**

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of North Stonington, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year	\$ 12,669,330
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	31,506
Debt limitation base	<u>\$ 12,700,836</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 28,576,881	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	57,153,762	-	-	-
3 3/4 times base	-	-	47,628,135	-	-
3 1/4 times base	-	-	-	41,277,717	-
3 times base	-	-	-	-	38,102,508
Total debt limitation	<u>28,576,881</u>	<u>57,153,762</u>	<u>47,628,135</u>	<u>41,277,717</u>	<u>38,102,508</u>

Indebtedness:					
Bonds and notes payable	815,000	2,089,000	-	-	-
Amount to be provided by CT	-	(973,516)	-	-	-
	<u>815,000</u>	<u>1,115,484</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 27,761,881</u>	<u>\$ 56,038,278</u>	<u>\$ 47,628,135</u>	<u>\$ 41,277,717</u>	<u>\$ 38,102,508</u>
---	----------------------	----------------------	----------------------	----------------------	----------------------

In no case shall total indebtedness exceed seven times annual receipts from taxation	<u>\$ 88,905,852</u>
--	----------------------

**Note 8 – Equity**

**A. Restricted Net Assets**

Restrictions on Net Assets at year end are summarized as follows:

	Expendable
Restricted Collection of the Town Clerk	\$ 31,742
Water Study (STEAP Grant)	200,000
Recreation Courts (STEAP Grant)	179,100
Inland Wetland Mitigation	11,169
	<u>\$ 422,011</u>

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**B. Fund Balances**

**Nonspendable Fund Balance** is summarized as follows:

	Other Governmental Funds
Not in spendable form:	
Inventory	\$ 3,255

**Restricted Fund Balance** is summarized as follows:

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds
Restricted Collections of the Town Clerk	\$ 31,742	\$ -	\$ -
Water Study (STEAP Grant)	-	200,000	-
Recreation Courts (STEAP Grant)	-	179,100	-
Inland Wetland Mitigation	-	-	11,169
	<u>\$ 31,742</u>	<u>\$ 379,100</u>	<u>\$ 11,169</u>

**Committed Fund Balance** is summarized as follows:

	Capital Nonrecurring Fund
Capital Projects	<u>\$ 1,654,058</u>

**Assigned Fund Balance** is summarized as follows:

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds
Educational Purposes	\$ 296,844	\$ -	\$ -
General Government Purposes	228,316	-	2,443
Capital Projects	-	175,948	-
Various Fund Projects	-	-	81,503
	<u>\$ 525,160</u>	<u>\$ 175,948</u>	<u>\$ 83,946</u>

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 9 - Employee Retirement Systems and Pension Plans**

The Town maintains four defined contribution plans (sections A through D). The plans described below in sections A, B and C and the residual balance in the plan shown in section D below are required to be reported as pension trust funds on the financial statements. The pension funds can be changed based on a change in Town policy and the agreement of the collective bargaining units. Section E is a state funded defined benefit plan for the certified education personnel.

**A. North Stonington Volunteer Fire Department**

Eligibility to participate in the plan is based upon minimum age and months of service requirements. Participants are fully vested in year five of participation and are unvested prior to that time. Retirement benefits are paid following the participants' attainment of age 65 and completion of five years of participation.

Under the plan agreement, there is no funding obligation for either the Town or the plan participants. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. For the year ended June 30, 2011 the Town contributed \$22,241 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

**B. North Stonington Volunteer Ambulance Association**

Eligibility to participate in the plan is based upon minimum age and months of service requirements. Participants are fully vested in year five of participation and are unvested prior to that time. Retirement benefits are paid following the participants' attainment of age 65 and completion of five years of participation.

Under the plan agreement, there is no funding obligation for either the Town or the plan participants. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. For the year ended June 30, 2011 the Town contributed \$3,600 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

**C. Board of Education Pension Plans**

- A. Plan #2119** - Eligibility in the plan is limited to secretaries, custodians, and the cafeteria administrator all of whom must have completed one-half year of service and have attained the age of twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes an amount equal to 10% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2011 the Town contributed \$25,842 to the plan. The plan is administered by National Retirement Services, Inc. The plans provisions have been negotiated with the respective collective bargaining units.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**B. Plan #30027** - Eligibility in the Board of Education CNBU Money Purchase plan is limited, with the exception of 2 named employees, to those employees of the board of education who are not participants in the Board of Education Pension Plan (Note 9C above). All participants must have completed six months of service and must have attained age twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes 14% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2011 the Town contributed \$56,918 to the plan. The plan is administered by National Retirement Services, Inc. The plans provisions have been negotiated with the respective collective bargaining units.

**D. General Government Pension Plan**

Eligibility in the plan is limited to the Town Clerk, Tax Collector, members of the United Steelworkers of America (USWA), Municipal Employees Union Independent (MEUI), and Salaried Employees of North America (a division of the USWA) who have completed one year of service. Participants may voluntarily contribute to the plan. The Town's funding policy is as follows:

Municipal Employee Union Independent	7.5% of annual compensation
United Steelworkers of America	8.75% of annual compensation
All Other Participants employed before 12/01/96	10% of annual compensation
All Other Participants employed on or after 12/01/96	4% of annual compensation

For the year ended June 30, 2011 the Town contributed \$83,822 to the plan all of which is allocated to the participants' individual retirement. The plan is administered by the Town.

**E. Teachers' Retirement System**

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit that (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers' Retirement Board.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2011, the State contributed \$928,223 into the pension plan on behalf of the Town of North Stonington, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2011 was \$8,001,707 of which \$5,837,976 was covered under this pension plan.

**Note 10 - Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

**Note 11 - Contingent Liabilities and Commitments**

**A. Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

In addition, the following should be noted:

1. Solar Panel Grant - The Town was approved for a \$49,092 grant for new solar panels. The grant has been contested by an outside organization. There is a possibility that the grant will not be paid due to this questioning. As of June 30, 2011 the Town had spent \$75,155 on the project. At year end there are accounts receivable and deferred revenue of \$49,092 for this grant in the capital nonrecurring fund. The Town is currently working with the grantor to determine its eligibility.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

2. FEMA Grant - The Town has committed to fix storm drainage issues caused by flooding during the fiscal year. The Town is expecting grants to cover approximately 75% of the project costs. As of June 30, 2011 the Town had spent \$276,196 on repairs. This resulted in accounts receivable and deferred revenue in the Capital and Nonrecurring fund in the amount of \$178,522. The total cost of fixing the damage is unknown.

**B. School Building Grants**

Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

For projects with a cost of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

**C. Various lawsuits**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**D. Encumbrances**

The Town uses encumbrance accounting for budgeting in the General Fund. At year end, the Town had \$525,160 in encumbrances outstanding. These encumbrances have met the requirements to be classified as assigned fund balance.

**Note 12 – Other Post Employment Benefits (OPEB)**

**A. Plan Description**

The North Stonington Public Schools Other Post Employment Benefit Program is a single-employer defined benefit plan administered by the Town of North Stonington, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility	Teachers and Administrators - A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.
-------------	--



**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

Normal Retirement for Teachers and Administrators is the earlier of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earlier of age 60 with 10 years of service, any age with 25 years of service.

All Others - A member retiring with age 55 years or older shall be eligible to continue health insurance coverage for self and spouse. Coverage is pre-65 only.

**Medical and Dental Benefits:**

Teachers and Administrators – Employees and their spouses are eligible to continue medical and dental coverage upon retirement by paying the full cost of the applicable premium. Teachers and administrators eligible to participate in Medicare are allowed to continue coverage until age 65. Teachers and administrators hired prior to April 1, 1986 who are not eligible to participate in Medicare are allowed to continue coverage for their life and the life of their spouse.

All Others – Employees and their spouses are eligible to continue medical coverage upon retirement until age 65 by paying the full cost of the medical premium. Coverage ends at Medicare eligibility.

**Life Insurance**

Administrators receive \$50,000 from retirement until age 65 paid for by the Board. The current Superintendent will receive \$100,000 in life insurance coverage until age 65 provided for by the Board.

**B. Actuarial Assumptions and Methods**

Latest Actuarial Date	July 1, 2010
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.00%
Payroll Growth Rate	4.50%
Medical Inflation	Initial rate of 9.5% grading down to an ultimate inflation rate of 5.0% over a 10 year period.
Amortization Method	Open, level percentage of projected payroll over 30 years.
Mortality Table	RP-2000 Healthy Mortality Table projected generationally with scale AA.
Disability Rates	None Assumed.
Turnover	Teachers and Administrators – rates based on gender and length of service for the first ten years and gender and age thereafter. All others – rates based on age.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

Retirement	Teachers and Administrators – rates based on age, eligibility for pension benefits, and gender All others – 5% at age 55 with 10 years of service as a base and increasing from there.
Future Retiree Coverage	Teachers and Administrators – 95% are assumed to elect coverage at retirement All Others – 10% are assumed to elect coverage at retirement
Future Dependent Coverage	Male 50%; Female 30% with female spouses assumed to be 3 years younger than males.

**C. Schedule of Funding Progress**

There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time. Below is a schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll ((b-a)/c)
7/1/2010	\$ -	\$ 9,751,156	\$ 9,751,156	0.00%	Not Available	Not Available
7/1/2009	\$ -	\$ 5,812,000	\$ 5,812,000	0.00%	Not Available	Not Available
7/1/2007	\$ -	\$ 3,078,000	\$ 3,078,000	0.00%	Not Available	Not Available

**D. Schedule of Employer Contributions**

The schedule of employer contributions is as follows:

Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2011	\$421,030	\$ 155,575	36.95%
2010	\$385,000	\$ 189,000	49.09%
2009	\$273,000	\$ 137,000	50.18%

**E. Annual Required Contribution (ARC)**

The Annual Required Contribution (ARC) for the OPEB program consists of two pieces:

**Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting on July 1, 2007. The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution.

**Normal Cost** is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year).

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual calculation of Annual Required Cost (ARC) and Net OPEB Obligation (NOO) is as follows:

Past Service Cost	\$ 302,941
Normal Cost	101,896
Interest	16,193
<b>Annual Required Contribution (ARC)</b>	<b><u>\$ 421,030</u></b>

**F. Annual OPEB Cost and Net OPEB Obligation**

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$ 421,030
Interest on net OPEB obligation	7,840
Adjustment to annual required contribution	<u>(6,333)</u>
Annual OPEB cost	422,537
Contributions made	<u>(155,575)</u>
Increase (decrease) in net OPEB obligation	266,962
Net OPEB obligation (asset), beginning of year	<u>468,000</u>
Net OPEB obligation (asset), end of year	<u><u>\$ 734,962</u></u>

The Net OPEB Obligation history is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2011	\$ 422,537	\$ 155,575	0.0%	\$ 734,962
6/30/2010	\$ 385,000	\$ 189,000	0.0%	\$ 468,000
6/30/2009	\$ 273,000	\$ 137,000	0.0%	\$ 272,000

**G. Other Disclosures**

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 13 – Subsequent Events**

The Town refinanced the \$815,000 and \$434,000 bond anticipation notes outstanding at the end of the year. The Town paid \$417,000 in principal and funded the rest with an \$832,000 bond anticipation note. The note will have a one year maturity and an interest rate of 2.95 percent. It will be due in September 2012. The Town also issued a \$1,925,000 general obligation note for the purposes of financing the portion of the bridge repairs that will not be covered by FEMA. The note will have a one year maturity and a fixed interest rate of 2.125%. It will be due in September 2012.

**Note 14 – GASB Pronouncements Issued, But Not Effective Yet**

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. This statement provides guidance for governments that are either transferors or operators of service concession arrangements. A service concession arrangement is one in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant considerations, and the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 61 – *The Financial Reporting Entity: Omnibus* – This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units, and clarifies the reporting of equity interests in legally separate organizations. This statement is effective for periods beginning after June 15, 2012.
- GASB Statement 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – This statement incorporates certain authoritative literature into the GASB codification. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows Of Resources and Net Position* – This statement provides guidance for transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* – This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or its credit support provider. This statement is effective for periods beginning after June 15, 2011.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Appropriations and Transfers</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance</b>
<b>Revenues:</b>					
<b>Taxes, Interest, and Lien Fees</b>					
General Property Taxes - Current	\$ 12,151,465	\$ -	\$ 12,151,465	\$ 12,235,131	\$ 83,666
General Property Taxes - Past	150,000	-	150,000	300,260	150,260
Supplemental Motor Vehicles	100,000	-	100,000	63,598	(36,402)
Interest and Lien Fees	90,000	-	90,000	120,225	30,225
<b>Total Taxes, Interest and Lien Fees</b>	<b>12,491,465</b>	<b>-</b>	<b>12,491,465</b>	<b>12,719,214</b>	<b>227,749</b>
<b>Use of Town Money</b>					
Short Term Investment Interest	25,000	-	25,000	10,146	(14,854)
<b>Total Use of Town Money</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>	<b>10,146</b>	<b>(14,854)</b>
<b>Intergovernmental Revenues</b>					
Education Cost Sharing	2,892,440	(412,650)	2,479,790	2,479,112	(678)
Casino Revenue	883,906	-	883,906	884,757	851
ARRA Stabilization Education	-	412,650	412,650	412,650	-
School Bond - Principal Reimbursement	338,231	-	338,231	338,231	-
State Aid for Town Road	121,094	-	121,094	121,775	681
Local and Vocational Transportation	90,172	-	90,172	62,671	(27,501)
Excess Special Education/State Agency Placement	55,060	-	55,060	47,231	(7,829)
Local Capital Improvement Program Current	48,861	-	48,861	50,250	1,389
Police Reimbursement	45,000	-	45,000	59,110	14,110
School Bond - Interest Reimbursement	40,534	-	40,534	40,534	-
Telecommunications Revenue Share	30,000	-	30,000	14,821	(15,179)
Reimbursement for Untaxed State Property (PILOT)	24,125	-	24,125	24,263	138
Elderly Exemption Reimbursement	20,000	-	20,000	31,506	11,506
Magnet School Transportation	7,800	-	7,800	11,700	3,900
Regional Adult Education	7,425	-	7,425	7,469	44
Veterans Exemption Reimbursement	6,690	-	6,690	5,653	(1,037)
JAG Grant	5,000	-	5,000	26,516	21,516
Record Preservation	5,000	-	5,000	-	(5,000)
Health District Grant	4,317	-	4,317	-	(4,317)
Boating Safety Reimbursement	3,460	-	3,460	2,947	(513)
Disabled Exemption Reimbursement	400	-	400	424	24
Local Capital Improvement Program Reserve	1	-	1	-	(1)
STEAP Grant Revenue	1	-	1	-	(1)
Additional Special Education Grant	1	-	1	-	(1)
Registrar of Voters	1	-	1	-	(1)
FEMA Storm Reimbursement	-	-	-	156,963	156,963
Tuition Reimbursement	-	-	-	16,717	16,717
Medicare	-	-	-	279	279
<b>Total Intergovernmental Revenues</b>	<b>4,629,519</b>	<b>-</b>	<b>4,629,519</b>	<b>4,795,579</b>	<b>166,060</b>
<b>Licenses, Fees, Fines and Charges</b>					
Licenses, Permits, Conveyance Taxes	80,000	-	80,000	77,988	(2,012)
Recreation Commission	50,000	-	50,000	47,924	(2,076)
Building Official	40,000	-	40,000	22,902	(17,098)
Town Clerk Restoration Fees	1,800	-	1,800	3,243	1,443
Sanitarian	1,200	-	1,200	1,011	(189)
<b>Total Licenses, Fees, Fines and Charges</b>	<b>173,000</b>	<b>-</b>	<b>173,000</b>	<b>153,068</b>	<b>(19,932)</b>

Continued

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Appropriations and Transfers</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance</b>
<b>Other Revenue</b>					
Contractor's Tipping Fees	119,820	-	119,820	109,297	(10,523)
Transfer Stickers	60,000	-	60,000	62,446	2,446
Rent Hewitt Property	22,750	-	22,750	26,150	3,400
Sale of Town Vehicles	20,000	-	20,000	6,910	(13,090)
Bulky Waste Fees	16,000	-	16,000	-	(16,000)
Sanitary Landfill - Sale of Recyclables	12,000	-	12,000	26,555	14,555
SCRRRA Subsidy	10,000	-	10,000	9,996	(4)
Miscellaneous	5,000	-	5,000	20,051	15,051
Zoning Enforcement Officer	5,000	-	5,000	3,433	(1,567)
Town Engineering - Road Inspection	5,000	-	5,000	-	(5,000)
Planning and Zoning	3,500	-	3,500	1,613	(1,887)
LoCIP Town Clerk	2,500	-	2,500	3,771	1,271
Inland Wetlands	800	-	800	295	(505)
Assessor's Office	700	-	700	632	(68)
GIS Services	500	-	500	45	(455)
Conservation Commission	100	-	100	-	(100)
Canine Account	50	-	50	25	(25)
Fire Marshall	50	-	50	-	(50)
Cemetery Reimbursement	1	-	1	1,814	1,813
Sale of Fixed Assets	1	-	1	-	(1)
Transfer in of Deobligated Capital Projects	1	-	1	-	(1)
Insurance Reimbursement	-	-	-	376	376
Bond Proceeds	260,000	-	260,000	325,000	65,000
<b>Total Other Revenue</b>	<b>543,773</b>	<b>-</b>	<b>543,773</b>	<b>598,409</b>	<b>54,636</b>
<b>Total Revenues</b>	<b>17,862,757</b>	<b>-</b>	<b>17,862,757</b>	<b>18,276,416</b>	<b>413,659</b>

**Expenditures:**  
**General Government**

**Board of Selectmen**

Salary - First Selectman	53,428	-	53,428	52,420	1,008
Salary - Second Selectman	2,448	-	2,448	2,448	-
Salary - Third Selectman	2,448	-	2,448	2,448	-
Salary - Secretary	48,200	-	48,200	47,317	883
Salary - Bookkeeper	43,486	-	43,486	42,698	788
Boards of Commissions Clerical	250	-	250	-	250
Selectmen's Expenditures	2,500	-	2,500	2,193	307
Office Expenditures	2,000	-	2,000	1,659	341
Council of Small Towns	825	-	825	825	-
Certifications/Seminars	250	-	250	-	250
SE CT Council of Governments	2,496	-	2,496	2,496	-
Auditing and Accounting Consulting	6,000	-	6,000	5,986	14
<b>Total Board of Selectmen</b>	<b>164,331</b>	<b>-</b>	<b>164,331</b>	<b>160,490</b>	<b>3,841</b>

**Probate Court Expenditures**

	3,800	-	3,800	3,791	9
--	-------	---	-------	-------	---

**Board of Finance**

Operating Expenditures	500	-	500	107	393
Auditing	23,700	-	23,700	23,625	75
Town Report	250	-	250	-	250
<b>Total Board of Finance</b>	<b>24,450</b>	<b>-</b>	<b>24,450</b>	<b>23,732</b>	<b>718</b>

Continued

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Appropriations and Transfers</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance</b>
<b>Assessor's Office</b>					
Salary - Assessor	61,489	-	61,489	60,330	1,159
Wages - Assessor's Assistant	42,124	-	42,124	41,345	779
Office Expenses	2,500	-	2,500	2,453	47
Seminars	300	-	300	300	-
Computer Expenses	9,250	-	9,250	8,700	550
Travel Expenditures	1	-	1	967	(966)
Consulting	1	-	1	-	1
<b>Total Assessor's Office</b>	<b>115,665</b>	<b>-</b>	<b>115,665</b>	<b>114,095</b>	<b>1,570</b>
<b>Board of Tax Review/Assessment Appeals</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>Tax Collector</b>					
Salary - Tax Collector	31,663	-	31,663	31,066	597
Salary - Clerical	4,000	-	4,000	1,623	2,377
Office Expenditures	6,200	-	6,200	5,991	209
Computer	6,850	-	6,850	6,950	(100)
Travel Expenditures	150	-	150	141	9
<b>Total Tax Collector</b>	<b>48,863</b>	<b>-</b>	<b>48,863</b>	<b>45,771</b>	<b>3,092</b>
<b>Town Treasurer</b>					
Salary	6,304	-	6,304	6,304	-
Office Expenditures	1	-	1	-	1
Travel Expenditures	1	-	1	-	1
<b>Total Treasurer</b>	<b>6,306</b>	<b>-</b>	<b>6,306</b>	<b>6,304</b>	<b>2</b>
<b>Town Attorney</b>	<b>35,000</b>	<b>68,884</b>	<b>103,884</b>	<b>97,435</b>	<b>6,449</b>
<b>Annexation Related Expenditures</b>					
Annexation Related Expenditures	2,500	-	2,500	2,463	37
Tribal Recognition	3,500	-	3,500	3,437	63
<b>Total Annexation Related Expenditures</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>	<b>5,900</b>	<b>100</b>
<b>Town Clerk</b>					
Salary - Town Clerk	42,035	-	42,035	41,242	793
Wages - Assistant	15,652	-	15,652	15,126	526
Office Expenditures	6,500	-	6,500	6,302	198
Travel Expenditures	50	-	50	-	50
Land Records	7,200	-	7,200	7,602	(402)
<b>Total Town Clerk</b>	<b>71,437</b>	<b>-</b>	<b>71,437</b>	<b>70,272</b>	<b>1,165</b>
<b>Planning and Zoning Commission</b>					
Salary - Zoning Officer	52,530	-	52,530	51,540	990
Wages - Secretary	35,020	-	35,020	35,064	(44)
Operating Expenditures	9,500	-	9,500	8,370	1,130
Travel	1,000	-	1,000	511	489
Attorney	25,000	-	25,000	16,041	8,959
Contracted Consulting Services	4,000	-	4,000	93	3,907
Contracted Planner	1	-	1	-	1
<b>Total Planning and Zoning Commission</b>	<b>127,051</b>	<b>-</b>	<b>127,051</b>	<b>111,619</b>	<b>15,432</b>
<b>Building Department</b>					
Salary - Building Official	27,540	-	27,540	27,020	520
Consultant	1	-	1	-	1
Operating Expenditures	1,250	-	1,250	1,075	175
Travel Expenditures	2,525	-	2,525	978	1,547
<b>Total Building Department</b>	<b>31,316</b>	<b>-</b>	<b>31,316</b>	<b>29,073</b>	<b>2,243</b>

Continued

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Appropriations and Transfers</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance</b>
<b>Zoning Board of Appeals</b>	750	1,200	1,950	956	994
<b>Sch. Building and Planning Committee</b>					
Permanent School Building Committee	100	-	100	-	100
Ad Hoc School Building Committee	100	-	100	-	100
<b>Total Sch. Building and Planning Committee</b>	200	-	200	-	200
<b>Economic Development Commission</b>					
Operating Expenditures	3,300	-	3,300	1,500	1,800
CT Regional Economic Development	2,247	-	2,247	2,247	-
Consulting	2,000	-	2,000	825	1,175
<b>Total Economic Development Commission</b>	7,547	-	7,547	4,572	2,975
<b>Recreation Commission</b>					
Administrative Salaries	21,210	-	21,210	20,810	400
Program Expenditures	49,210	-	49,210	49,114	96
Maintenance	2,700	-	2,700	1,865	835
Salary: Camp Directors, Directors, Etc.	13,238	-	13,238	13,202	36
Administrative Expenses	9,725	-	9,725	9,645	80
<b>Total Recreation Commission</b>	96,083	-	96,083	94,636	1,447
<b>Inland Wetlands Commission</b>					
Operating Expenditures	900	-	900	326	574
Wages - Enforcement Officer	6,492	-	6,492	6,492	-
Travel Expense	250	-	250	-	250
<b>Total Inland Wetlands Commission</b>	7,642	-	7,642	6,818	824
<b>Conservation Commission</b>	800	-	800	324	476
<b>Water Pollution Control Authority</b>					
WPCA Expenditures	1	-	1	-	1
WPCA Engineering Expense	1	-	1	-	1
WPCA Auditing	1	-	1	-	1
<b>Total Water Pollution Control Authority</b>	3	-	3	-	3
<b>Fixed Charges</b>					
Town Insurance	72,526	(10,000)	62,526	62,243	283
Volunteer Fire Company Insurance	29,000	(3,439)	25,561	25,561	-
Ambulance Association Insurance	11,160	(100)	11,060	9,776	1,284
Workers Compensation Insurance	62,319	-	62,319	62,319	-
Social Security	100,375	3,000	103,375	102,026	1,349
Medical Insurance	259,997	(3,000)	256,997	256,241	756
Employee Benefits-Pension	80,100	(3,000)	77,100	75,752	1,348
Volunteer Incentive Award - Fire Company	22,500	(259)	22,241	22,241	-
Volunteer Activity Stipend - Fire Company	36,000	-	36,000	36,000	-
Volunteer Incentive Award - Ambulance Association	3,500	100	3,600	3,600	-
<b>Total Fixed Charges</b>	677,477	(16,698)	660,779	655,759	5,020
<b>Elections and Town Meetings</b>					
Salary: Registrar of Voters	4,743	-	4,743	4,743	-
Salary: Registrar of Voters	4,743	-	4,743	4,743	-
Expenses	21,324	-	21,324	13,813	7,511
<b>Total Elections and Town Meetings</b>	30,810	-	30,810	23,299	7,511

Continued



**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Appropriations and Transfers</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance</b>
<b>Town Hall</b>					
Expenditures	66,675	-	66,675	66,461	214
Leasing Equipment	9,750	-	9,750	8,843	907
Holly Green Rental - Court/Nursing	4,300	-	4,300	3,562	738
Holly Green Rental - Senior Center	1,500	-	1,500	1,295	205
<b>Total Town Hall</b>	<b>82,225</b>	<b>-</b>	<b>82,225</b>	<b>80,161</b>	<b>2,064</b>
<b>Social Services/Welfare</b>					
Wages - Social Services Coordinator	7,200	-	7,200	7,200	-
Welfare Benefits	7,500	-	7,500	7,320	180
Pawcatuck Neighborhood Center	17,500	-	17,500	17,500	-
Family Services	2,500	-	2,500	2,500	-
American Red Cross	1,000	-	1,000	1,000	-
Women's Center	2,250	-	2,250	2,250	-
Frank Olean Regional Center	2,000	-	2,000	2,000	-
NL County Assn. / Retarded Citizens	1,575	-	1,575	1,575	-
Easter Seals Rehabilitation Center	1,500	-	1,500	1,500	-
TVCCA	1,465	-	1,465	1,465	-
Literacy Volunteers	500	-	500	500	-
Salvation Army	500	-	500	500	-
Mystic Shelter	2,000	-	2,000	2,000	-
United Way of SE CT	500	-	500	500	-
<b>Total Social Services/Welfare</b>	<b>47,990</b>	<b>-</b>	<b>47,990</b>	<b>47,810</b>	<b>180</b>
<b>Selectmen's Engineering Service</b>					
Engineering for Selectmen	5,000	-	5,000	4,435	565
Inspection of New Roads	5,000	-	5,000	-	5,000
Water Management	2,500	-	2,500	1,058	1,442
Inspection of Existing Roads	4,500	-	4,500	-	4,500
<b>Total Selectmen's Engineering Service</b>	<b>17,000</b>	<b>-</b>	<b>17,000</b>	<b>5,493</b>	<b>11,507</b>
<b>Information Technology</b>					
Coordinator Salary	35,842	-	35,842	33,882	1,960
Office Expense	900	-	900	886	14
On-line GIS Maps	11,770	-	11,770	11,762	8
Computer Maintenance	12,700	-	12,700	12,658	42
<b>Total Information Technology</b>	<b>61,212</b>	<b>-</b>	<b>61,212</b>	<b>59,188</b>	<b>2,024</b>
<b>Public Safety</b>					
911 Dispatching	37,562	-	37,562	37,562	-
Volunteer Fire Company	87,800	2,125	89,925	89,905	20
Fire Marshal Salary	10,984	-	10,984	10,984	-
Fire Marshal Operating Expenditures	2,400	-	2,400	2,344	56
State Troopers	359,335	45,575	404,910	395,980	8,930
Civil Preparedness Agency Stipend	6,000	-	6,000	6,000	-
Civil Preparedness Operating Expenditures	3,000	-	3,000	2,489	511
Maintenance Emergency Gen. Svc. Contract	1,000	-	1,000	745	255
Animal Control Salary	19,107	-	19,107	19,107	-
Animal Control Operating Expenditures	7,500	3,000	10,500	10,075	425
Dog Damages	1	-	1	-	1
Ambulance Association	225,500	8,590	234,090	234,090	-
<b>Total Public Safety</b>	<b>760,189</b>	<b>59,290</b>	<b>819,479</b>	<b>809,281</b>	<b>10,198</b>

Continued

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Appropriations and Transfers</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance</b>
<b>Public Works:</b>					
<b>Highway</b>					
Local Capital Improvements	49,682	-	49,682	49,682	-
State Aided - Town Roads	121,094	-	121,094	100,493	20,601
Town Road Maintenance	167,000	-	167,000	222,654	(55,654)
Town Garage Expenditures	21,750	-	21,750	21,541	209
Machinery and Maintenance Repair	58,000	-	58,000	58,579	(579)
Street Lights	10,000	-	10,000	7,990	2,010
Highway Foreman	76,463	-	76,463	75,020	1,443
Labor	532,980	-	532,980	528,700	4,280
Supplies	36,000	-	36,000	36,831	(831)
Diesel and Gas (General Government)	77,000	-	77,000	77,000	-
Town Property - Maintenance and Improvements	12,750	-	12,750	10,836	1,914
Town Property - Labor	9,600	-	9,600	1,514	8,086
Unemployment	26,256	-	26,256	9,160	17,096
Contracted Services	18,500	-	18,500	18,333	167
<b>Subtotal Highway</b>	<b>1,217,075</b>	<b>-</b>	<b>1,217,075</b>	<b>1,218,333</b>	<b>(1,258)</b>
<b>Sanitary Landfill</b>					
Labor	118,657	-	118,657	115,790	2,867
Cover Material	3,000	-	3,000	-	3,000
State Mandated Surveys	3,000	-	3,000	5,790	(2,790)
State License Fees	1,650	-	1,650	800	850
SCRRA-Tipping Fee	205,000	-	205,000	175,735	29,265
SCRRA-Membership Fee	4,000	-	4,000	-	4,000
Hazardous Waste Collection	2,000	-	2,000	-	2,000
Water Sampling/Lab Testing	14,480	-	14,480	11,598	2,882
Transfer Station Expenditures	10,000	-	10,000	10,878	(878)
Contractual Services	16,500	-	16,500	16,458	42
<b>Subtotal Sanitary Landfill</b>	<b>378,287</b>	<b>-</b>	<b>378,287</b>	<b>337,049</b>	<b>41,238</b>
<b>Total Public Works</b>	<b>1,595,362</b>	<b>-</b>	<b>1,595,362</b>	<b>1,555,382</b>	<b>39,980</b>
<b>Conservation of Health</b>					
Public Health Nursing/Shoreline Visiting Nurse Assoc.	5,815	-	5,815	3,831	1,984
Hepatitis B Vaccinations	3,000	-	3,000	1,315	1,685
Director of Health Salary	12,000	-	12,000	11,500	500
Director of Health Operating Expense	750	-	750	430	320
Sanitarian Food Service Wages	6,000	-	6,000	4,520	1,480
Sanitarian Well and Septic Salary	14,280	-	14,280	14,108	172
Sanitarian Operating Expenditures	800	-	800	-	800
<b>Total Conservation of Health</b>	<b>42,645</b>	<b>-</b>	<b>42,645</b>	<b>35,704</b>	<b>6,941</b>
<b>Senior Citizens</b>					
Agent for the Elderly Wages	6,000	-	6,000	5,887	113
Agent for the Elderly Operating Expenditures	1,500	-	1,500	1,176	324
Senior Citizen's Center Coordinator - Salary	19,478	-	19,478	19,111	367
Senior Citizen's Center - Operating Expenditures	29,000	-	29,000	27,082	1,918
<b>Total Senior Citizens</b>	<b>55,978</b>	<b>-</b>	<b>55,978</b>	<b>53,256</b>	<b>2,722</b>
<b>Miscellaneous</b>					
Cemeteries	2,000	-	2,000	1,820	180
Tax Refunds	1	25,853	25,854	25,822	32
Annual Memberships and Dues	3,750	-	3,750	3,287	463
Groton Library	500	-	500	500	-
Wheeler Library	22,750	-	22,750	22,750	-
Miscellaneous	500	300	800	769	31
<b>Total Miscellaneous</b>	<b>29,501</b>	<b>26,153</b>	<b>55,654</b>	<b>54,948</b>	<b>706</b>
<b>Total General Government Expenditures</b>	<b>4,148,633</b>	<b>138,829</b>	<b>4,287,462</b>	<b>4,156,069</b>	<b>131,393</b>

Continued

Town of North Stonington, Connecticut  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
General Fund  
For the Year Ended June 30, 2011

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>Redemption of Debt</b>					
School Building Project Principal	575,000	-	575,000	575,000	-
School Building Project Interest	91,725	-	91,725	91,725	-
Fire Truck Principal	125,000	-	125,000	125,000	-
Fire Truck Interest	13,736	-	13,736	13,545	191
Seaport/ Hewitt Property Principal	125,000	-	125,000	125,000	-
Seaport/ Hewitt Property Interest	14,297	-	14,297	14,279	18
<b>Total Redemption of Debt</b>	<b>944,758</b>	<b>-</b>	<b>944,758</b>	<b>944,549</b>	<b>209</b>
<b>Board of Education</b>	<b>12,081,172</b>	<b>-</b>	<b>12,081,172</b>	<b>11,955,326</b>	<b>125,846</b>
<b>Capital Outlay</b>					
<b>Highway Department</b>					
Equipment Lease/Buy (2 Dump Trucks)	325,000	(18,884)	306,116	306,115	1
New or Used Equipment	11,000	8,279	19,279	18,741	538
Emergency Communication Upgrade	13,598	-	13,598	13,389	209
Miscellaneous Equipment	5,000	-	5,000	4,803	197
<b>Total Highway Department</b>	<b>354,598</b>	<b>(10,605)</b>	<b>343,993</b>	<b>343,048</b>	<b>945</b>
<b>Total Transfer Station/Bulky Waste Area</b>	<b>8,500</b>	<b>-</b>	<b>8,500</b>	<b>7,102</b>	<b>1,398</b>
<b>Selectmen</b>					
Ambulance Association Equipment	5,000	(3,590)	1,410	1,410	-
Computer - Town Hall	13,500	-	13,500	13,497	3
Dog Pound Maintenance	1	-	1	-	1
Recreation Basketball/Tennis Court Maintenance	2,000	-	2,000	2,000	-
Selectmen's Office Equipment and Furniture	1,500	-	1,500	539	961
Town Buildings Maintenance	30,000	-	30,000	30,000	-
Town Clerk - Records Preservation	7,000	-	7,000	3,300	3,700
Town Lands Acquisition Fund	5,000	-	5,000	5,000	-
Fire Company - Equipment/Hose	5,000	5,144	10,144	10,144	-
Fire Company- Hurst Tool	13,750	(350)	13,400	13,400	-
Fire Company - Turnout Gear	15,000	(3,221)	11,779	11,778	1
Seaport Property	1	-	1	-	1
Generator - New Town Hall	-	25,000	25,000	24,220	780
Move to Capital Non Recurring	-	688,004	688,004	688,004	-
<b>Total Selectmen</b>	<b>97,752</b>	<b>710,987</b>	<b>808,739</b>	<b>803,292</b>	<b>5,447</b>
<b>Assessor Revaluation Expense</b>	<b>40,000</b>	<b>-</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>
<b>Non-Recurring School Expenditures</b>	<b>75,000</b>	<b>-</b>	<b>75,000</b>	<b>75,000</b>	<b>-</b>
<b>School Boiler Replacement Project</b>	<b>112,000</b>	<b>-</b>	<b>112,000</b>	<b>112,000</b>	<b>-</b>
<b>Total Capital Outlay</b>	<b>687,850</b>	<b>700,382</b>	<b>1,388,232</b>	<b>1,380,442</b>	<b>7,790</b>
<b>Total Expenditures</b>	<b>17,862,413</b>	<b>839,211</b>	<b>18,701,624</b>	<b>18,436,386</b>	<b>265,238</b>
<b>Excess (Deficiency) of Revenues</b>					
Over Expenditures - Budgetary Basis	\$ 344	\$ (839,211)	\$ (838,867)	(159,970)	\$ 678,897

Continued

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>Adjustments to Generally Accepted Accounting Principles (GAAP):</b>					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				928,223	
Expenditures for Teachers' Retirement				(928,223)	
Change in Accrued Payroll Not Recorded on a Budgetary Basis				(1,901)	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis				525,160	
Previous Year Encumbrance recorded on Modified Accrual Basis, but not the Budget Basis				(324,886)	
Change in Prepaid Expenditures				(7,564)	
Change in Board of Education Pension Payable				(1,063)	
Proceeds from Long Term Debt - Bond Anticipation Notes				490,000	
Debt Service Expenditure - Bond Anticipation Notes				(490,000)	
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)</b>				<u>\$ 29,776</u>	

**Notes to Required Supplementary Information:** A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. The Town recognizes encumbrances payable as an expenditure in the year they were committed; 3. Revenues and expenditure from refunding or renewing long-term debt or issuing lease financing is included in the budget as the net revenue or expenditure expected; 4. General government payroll and the Board of Education's pension contribution are recorded on a cash basis.

## **Town of North Stonington, Connecticut Fund Descriptions**

### **Special Revenue Funds:**

**School Lunch Fund** – The school cafeteria programs are run through this fund. Besides the fees charged to students, the revenue comes from the Federal and State reimbursements for free and reduced lunches to low income individuals.

**Special Education Grants** – This fund is used to account for a number of Federal, State and local educational grants. These grants are applied for by the school and most are monitored by the State and Federal governments.

**Inland Wetland Mitigation Fund** – This fund is used to account for fees restricted for inland and wetland mitigation.

**Open Space Fund** – This fund is used to account for fees restricted for open space.

**Edmund McGowan Scholarship Fund and Scholarships held by School** – These funds have accumulated various memorial and other donations to be used for specific scholarships at the schools.

### **Pension Trust Funds:**

These funds are used to account for various pension and incentive monies the Town is holding as trustee. These Funds are held for the following groups of individuals: **Volunteer Fire Fighters; Volunteer Ambulance Workers; General Government; and Board of Education.**

### **Agency Funds:**

**Student Activity Fund** – These funds are being held for various student groups.

**Performance Bonds** – These funds are being held in trust pending the completion of various development projects.

**Bicentennial Committee** – These funds are being held for the Bicentennial Committee.

Town of North Stonington, Connecticut  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2011

	Special Revenue Funds							Total Other Governmental Funds
	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation	Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School		
<b>Assets</b>								
Cash and cash equivalents	\$ 30,587	\$ -	\$ 13,227	\$ 385	\$ 266	\$ -	\$ 44,465	
Investments	-	-	-	-	18,603	988	19,591	
Receivables	12,574	1,804	-	-	-	-	14,378	
Inventory	3,255	-	-	-	-	-	3,255	
Due from other governmental funds	-	18,245	-	-	-	5,889	24,134	
Due from fiduciary funds	-	-	-	-	-	12,596	12,596	
<b>Total Assets</b>	<b>\$ 46,416</b>	<b>\$ 20,049</b>	<b>\$ 13,227</b>	<b>\$ 385</b>	<b>\$ 18,869</b>	<b>\$ 19,473</b>	<b>\$ 118,419</b>	
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
Deferred revenue	\$ -	\$ 20,049	\$ -	\$ -	\$ -	\$ -	\$ 20,049	
<b>Total Liabilities</b>	<b>-</b>	<b>20,049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,049</b>	
<b>Fund Balance</b>								
Nonspendable	3,255	-	-	-	-	-	3,255	
Restricted	-	-	11,169	-	-	-	11,169	
Committed	-	-	-	-	-	-	-	
Assigned	43,161	-	2,058	385	18,869	19,473	83,946	
<b>Total Fund Balance</b>	<b>46,416</b>	<b>-</b>	<b>13,227</b>	<b>385</b>	<b>18,869</b>	<b>19,473</b>	<b>98,370</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 46,416</b>	<b>\$ 20,049</b>	<b>\$ 13,227</b>	<b>\$ 385</b>	<b>\$ 18,869</b>	<b>\$ 19,473</b>	<b>\$ 118,419</b>	

See accountants' report.

Town of North Stonington, Connecticut  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended June 30, 2011

	Special Revenue Funds						Total Other Governmental Funds
	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation	Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School	
<b>Revenues</b>							
Intergovernmental revenues	\$ 76,232	\$ 403,943	\$ -	\$ -	\$ -	\$ -	\$ 480,175
Local revenues	191,766	-	17	1	167	4,369	196,320
<b>Total revenues</b>	267,998	403,943	17	1	167	4,369	676,495
<b>Expenditures</b>							
Current expenditures:							
Education	240,411	403,943	-	-	1,000	1,400	646,754
<b>Total expenditures</b>	240,411	403,943	-	-	1,000	1,400	646,754
Excess (deficiency) of revenues over expenditures	27,587	-	17	1	(833)	2,969	29,741
<b>Fund balance, beginning of the year</b>	18,829	-	13,210	384	19,702	16,504	68,629
<b>Fund balance, end of the year</b>	\$ 46,416	\$ -	\$ 13,227	\$ 385	\$ 18,869	\$ 19,473	\$ 98,370

See accountants' report.

**Town of North Stonington, Connecticut**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**June 30, 2011**

	<b>Volunteer Fire Incentive</b>	<b>Volunteer Ambulance Incentive</b>	<b>General Government Retirement</b>	<b>Board of Education Retirement</b>	<b>Total Pension Trust Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 127,027	\$ -	\$ 127,027
Investments	139,939	45,009	1,218,358	1,130,879	2,534,185
Accounts receivable	-	-	-	83,822	83,822
<b>Total assets</b>	<b>139,939</b>	<b>45,009</b>	<b>1,345,385</b>	<b>1,214,701</b>	<b>2,745,034</b>
<b>Net assets</b>					
Held in trust for pension benefits and other purposes	\$ 139,939	\$ 45,009	\$ 1,345,385	\$ 1,214,701	\$ 2,745,034

See accountants' report.



Town of North Stonington, Connecticut  
Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
For the Year Ended June 30, 2011

	Volunteer Fire Incentive	Volunteer Ambulance Incentive	General Government Retirement	Board of Education Retirement	Total Pension Trust Funds
<b>Additions</b>					
Contributions	\$ 22,241	\$ 3,600	\$ 77,420	\$ 83,823	\$ 187,084
Investment earnings:					
Dividend and interest income	4,673	1,323	20,683	-	26,679
Net increase/(decrease) in FMV	-	-	111,125	(760)	110,365
<b>Total additions in net assets</b>	<b>26,914</b>	<b>4,923</b>	<b>209,228</b>	<b>83,063</b>	<b>324,128</b>
<b>Deductions</b>					
Distributions	10,817	922	25,937	-	37,676
Administrative expenses	1,152	960	-	8,032	10,144
<b>Total deductions</b>	<b>11,969</b>	<b>1,882</b>	<b>25,937</b>	<b>8,032</b>	<b>47,820</b>
<b>Change in net assets</b>	<b>14,945</b>	<b>3,041</b>	<b>183,291</b>	<b>75,031</b>	<b>276,308</b>
<b>Net assets held in trust, beginning of year</b>	<b>124,994</b>	<b>41,968</b>	<b>1,162,094</b>	<b>1,139,670</b>	<b>2,468,726</b>
<b>Net assets held in trust, end of year</b>	<b>\$ 139,939</b>	<b>\$ 45,009</b>	<b>\$ 1,345,385</b>	<b>\$ 1,214,701</b>	<b>\$ 2,745,034</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Agency Funds**  
**For the Year Ended June 30, 2011**

	Balance Beginning		Additions		Deductions		Balance Ending
<b>Student Activity Fund</b>							
<b>Assets</b>							
Cash	\$ 57,442	\$	177,702	\$	208,443	\$	26,701
Investments	100,538		23		539		100,022
<b>Total assets</b>	<b>\$ 157,980</b>	<b>\$</b>	<b>177,725</b>	<b>\$</b>	<b>208,982</b>	<b>\$</b>	<b>126,723</b>
<b>Liabilities</b>							
Due to students	128,661		194,447		208,982		114,126
Due to other funds	29,319		(16,722)		-		12,597
<b>Total liabilities</b>	<b>\$ 157,980</b>	<b>\$</b>	<b>177,725</b>	<b>\$</b>	<b>208,982</b>	<b>\$</b>	<b>126,723</b>
<b>Performance Bonds</b>							
<b>Assets</b>							
Cash	\$ 236,338	\$	45,496	\$	189,822	\$	92,012
Investments	51,279		-		(275)		51,554
<b>Total assets</b>	<b>287,617</b>		<b>45,496</b>		<b>189,547</b>		<b>143,566</b>
<b>Liabilities</b>							
Due to developers	\$ 287,617	\$	45,496	\$	189,547	\$	143,566
<b>Bicentennial Committee</b>							
<b>Assets</b>							
Cash	\$ 1,264	\$	3,448	\$	2,113	\$	2,599
Investments	-		9,959		-		9,959
<b>Total assets</b>	<b>\$ 1,264</b>	<b>\$</b>	<b>13,407</b>	<b>\$</b>	<b>2,113</b>	<b>\$</b>	<b>12,558</b>
<b>Liabilities</b>							
Due to others	\$ 1,264	\$	13,407	\$	2,113	\$	12,558
<b>Combined Total</b>							
<b>Assets</b>							
Cash	\$ 295,044	\$	226,646	\$	400,378	\$	121,312
Investments	151,817		9,982		264		161,535
<b>Total assets</b>	<b>\$ 446,861</b>	<b>\$</b>	<b>236,628</b>	<b>\$</b>	<b>400,642</b>	<b>\$</b>	<b>282,847</b>
<b>Liabilities</b>							
Due to students and developers	\$ 416,278	\$	239,943	\$	398,529	\$	257,692
Due to others	1,264		13,407		2,113		12,558
Due to other funds	29,319		(16,722)		-		12,597
	<b>\$ 446,861</b>	<b>\$</b>	<b>236,628</b>	<b>\$</b>	<b>400,642</b>	<b>\$</b>	<b>282,847</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Report of the Property Tax Collector**  
**For the Year Ended June 30, 2011**

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Net Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens	Total	
2009	\$ -	\$ 12,552,929	\$ 17,424	\$ 23,139	\$ 12,547,214	\$ 12,298,956	\$ 50,178	\$ 359	\$ 12,349,493	\$ 248,258
2008	270,843	-	-	2,202	268,641	208,534	45,087	2,123	255,744	60,107
2007	64,106	-	23	388	63,741	35,805	10,397	648	46,850	27,936
2006	34,119	-	115	-	34,234	10,534	6,260	227	17,021	23,700
2005	4,713	-	-	-	4,713	5,628	2,045	120	7,793	(915)
2004	(5,080)	-	-	-	(5,080)	(675)	-	-	(675)	(4,405)
2003	(3,763)	-	-	-	(3,763)	(1,532)	-	-	(1,532)	(2,231)
2002	(954)	-	-	-	(954)	(336)	-	-	(336)	(618)
2001	(6,169)	-	-	-	(6,169)	(3,827)	-	-	(3,827)	(2,342)
2000	(1,325)	-	-	-	(1,325)	(414)	-	-	(414)	(911)
1999	542	-	-	-	542	129	-	-	129	413
1998	2,065	-	-	-	2,065	(77)	-	-	(77)	2,142
1997	1,520	-	-	-	1,520	(597)	-	-	(597)	2,117
1996	2,149	-	-	-	2,149	(53)	-	-	(53)	2,202
1995	3,461	-	-	-	3,461	-	-	-	-	3,461
1994	2,813	-	-	-	2,813	(189)	-	-	(189)	3,002
<hr/>										
	\$ 369,039	\$ 12,552,929	\$ 17,562	\$ 25,729	\$ 12,913,802	\$ 12,551,886	\$ 113,967	\$ 3,477	\$ 12,669,330	\$ 361,916

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of LOCIP Funds**  
**For the Year Ended June 30, 2011**

<b>Summary of Project Budgets (Cash Basis)</b>							
Department	Beginning Balance	Additional Awards	Funds Budgeted	Total Available	Monies Received	Internal Transfers	Ending Balance
<b>Projects approved by the State:</b>							
Scales							
102-05-010	\$ 14,873	\$ -	\$ -	\$ 14,873	\$ -	\$ -	\$ 14,873
Wintechog Hill Road Drainage/Improvements	2,444	-	-	2,444	-	-	2,444
102-08-010							
Wintechog Hill Road Drainage/Paving	49,111	-	-	49,111	(49,111)	-	-
102-09-010							
Wintechog Hill Road Drainage/Paving	889	-	20,000	20,889	(1,139)	-	19,750
Kingswood Meadow Wood Drainage	30,000	-	137,125	167,125	(167,125)	-	-
	97,317	-	157,125	254,442	(217,375)	-	37,067
<b>Projects not yet approved by the State:</b>							
Storm Water Drainage **	\$ 5,209	\$ -	\$ -	\$ 5,209	\$ -	\$ (5,209)	\$ -
Scales	-	-	30,000	30,000	-	-	30,000
Chipseal Denison Hill Road	24,666	-	-	24,666	-	(24,666)	-
Boombridge Road Bridge	30,000	-	-	30,000	-	-	30,000
Uncommitted	112,998	48,861	(187,125)	(25,266)	-	29,875	4,609
	172,873	48,861	(157,125)	64,609	-	-	64,609
	\$ 270,190	\$ 48,861	\$ -	\$ 319,051	\$ (217,375)	\$ -	\$ 101,676

These Funds are held by the State of Connecticut and are available for reimbursement to the town for eligible LOCIP projects

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Changes in Fund Balance of the Capital Nonrecurring Fund**  
**For the Year Ended June 30, 2011**

Summary of Capital and Nonrecurring Fund											
Department	Beginning Fund Bal.	Current Year General Fund Budget	Additional Appropriations	Internal Transfers	Bond Proceeds	Revenues Reported	Total Available	Expenditures	Ending Fund Balance	Eliminate Deficits per GASB 54	Reported Fund Balance
Restricted Fund Balance											
Water Study 1-95 (STEAP)	\$ -	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ 200,000
Recreation Courts (STEAP)	-	-	179,100	-	-	-	179,100	-	179,100	-	179,100
Total Restricted	-	-	379,100	-	-	-	379,100	-	379,100	-	379,100
Committed Fund Balance											
School Boiler Project	-	112,000	-	-	434,000	-	546,000	(174,293)	371,707	-	371,707
Boombridge	311,100	-	-	-	-	-	311,100	-	311,100	-	311,100
Kingswood Meadow Wood	42,685	-	-	-	-	167,126	209,811	(8,153)	201,658	-	201,658
Revaluation	186,709	40,000	-	-	-	-	226,709	(67,303)	159,406	-	159,406
Storm Damage	90,000	-	308,904	-	-	-	398,904	(276,196)	122,708	-	122,708
Engine 1 Fire Truck	121,610	-	-	-	-	-	121,610	-	121,610	-	121,610
Wash Station	118,150	-	-	-	-	-	118,150	-	118,150	-	118,150
Nonrecurring school funds	47,377	75,000	-	-	-	-	122,377	(41,438)	80,939	-	80,939
Transfer station/bulky waste closure	76,645	-	-	-	-	-	76,645	-	76,645	-	76,645
LoCIP scales	38,812	-	-	-	-	-	38,812	-	38,812	-	38,812
Hewitt Property	50,424	-	-	-	-	-	50,424	(16,851)	33,573	-	33,573
Land Acquisition	5,000	5,000	-	-	-	-	10,000	-	10,000	-	10,000
Town Building Repair and Maintenance	1,188	30,000	-	-	-	-	31,188	(23,438)	7,750	-	7,750
Walking Floor Trailer	20,908	-	-	(20,908)	-	-	-	-	-	-	-
Solar Energy	15,500	-	-	-	-	-	15,500	(40,655)	(25,155)	25,155	-
Total Committed	1,126,108	262,000	308,904	(20,908)	434,000	167,126	2,277,230	(648,327)	1,628,903	25,155	1,654,058
Assigned Fund Balance											
Unspecified Projects	48,830	-	-	20,908	-	1,365	71,103	-	71,103	(25,155)	45,948
Other post employment benefits	130,000	-	-	-	-	-	130,000	-	130,000	-	130,000
Total Assigned	178,830	-	-	20,908	-	1,365	201,103	-	201,103	(25,155)	175,948
	\$ 1,304,938	\$ 262,000	\$ 688,004	\$ -	\$ 434,000	\$ 168,491	\$ 2,857,433	\$ (648,327)	\$ 2,209,106	\$ -	\$ 2,209,106

See accountants' report.

**Town of North Stonington, Connecticut**  
**Detailed Schedule of Board of Education Expenditures**  
**Budget vs. Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2011**

Account #	Account Name	Original Budget	Appropriations and Adjustments	Final Budget	Expenditures	Variance
110	Salaries, Central Office	\$ 447,271	\$ -	\$ 447,271	\$ 448,011	\$ (740)
130	Expenses, Central Office	185,745	-	185,745	138,233	47,512
211	Salaries, Administrators	325,389	1,179	326,568	329,432	(2,864)
213	Salaries, Teachers	5,575,807	(4,519)	5,571,288	5,466,275	105,013
214	Salaries, Guidance	133,506	-	133,506	133,492	14
215	Salaries, Secretarial	144,914	-	144,914	146,217	(1,303)
216	Salaries, Teacher Assistants	323,128	-	323,128	285,644	37,484
217	Salaries, Library/Media	96,992	-	96,992	96,992	-
218	Contracted Services	63,000	(5,068)	57,932	17,223	40,709
219	Salaries, Computer Repair Tech.	74,970	(3,470)	71,500	71,500	-
220	Textbooks	19,831	(5,725)	14,106	17,486	(3,380)
231	Library Books	15,047	-	15,047	14,985	62
240	Instructional Supplies	115,970	962	116,932	167,104	(50,172)
250	Other Expenses, Schools	123,398	862	124,260	138,237	(13,977)
400	Supplies, Health	3,500	638	4,138	4,075	63
500	Transportation	869,765	-	869,765	851,133	18,632
610	Salaries, Custodial/Grounds	396,107	-	396,107	394,156	1,951
630	Heat	149,570	-	149,570	136,090	13,480
640	Utilities	255,309	-	255,309	210,374	44,935
650	Custodial Supplies	60,993	-	60,993	72,777	(11,784)
661	Postage	9,208	-	9,208	7,100	2,108
700	Maintenance, Bldgs & Grounds	182,394	-	182,394	293,953	(111,559)
725	Lease of Equipment (multiyear)	28,351	2,600	30,951	31,173	(222)
730	Replacement of Equipment	29,545	1,000	30,545	160,885	(130,340)
812	Social Security	190,348	-	190,348	180,592	9,756
830	Employee Benefits	1,842,086	-	1,842,086	1,767,086	75,000
832	Employee Retirement	89,581	(2,600)	86,981	86,958	23
1000	Student Activities	71,550	2,025	73,575	54,094	19,481
1230	New Equipment	8,093	12,116	20,209	89,247	(69,038)
1400	Tuition	249,804	-	249,804	144,802	105,002
		\$ 12,081,172	\$ -	\$ 12,081,172	\$ 11,955,326	\$ 125,846

See accountants' report.

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards**

Board of Finance  
Town of North Stonington, Connecticut  
North Stonington, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2011 and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town of North Stonington, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and others deficiencies that we consider to be significant deficiencies.

## **Government Auditing Standards Report (Continued)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW-07-2, MW-08-1, and MW-11-1 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item SD-11-1 to be a significant deficiency.

### **Compliance and Other Matters**

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

The Town of North Stonington, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of North Stonington, Connecticut's response and, accordingly, we express no opinion on it.

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

*Marien + Company*

December 15, 2011



**Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance**

Board of Finance  
Town of North Stonington, Connecticut  
North Stonington, Connecticut

**Compliance**

We have audited the Town of North Stonington, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of North Stonington, Connecticut's major state programs for the year ended June 30, 2011. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express an opinion on the Town of North Stonington, Connecticut's compliance based on our audit.

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

In our opinion, the Town of North Stonington, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

## **State Single Audit Report (Continued)**

### **Internal Control over Compliance**

Management of the Town of North Stonington, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of North Stonington, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of State Financial Assistance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **State Single Audit Report (Continued)**

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

*Marien + Company*

December 15, 2011

**Town of North Stonington, Connecticut**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2011**

<b>State Program Pass-Through Grantor Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Expenditures</b>
<b>Department of Agriculture</b>		
Farmland Preservation PA 05228	12060-DAG42720-90460	\$ 10
<b>Department of Environmental Protection</b>		
Boating Temp Receivable	12060-DEP44434-34907	2,947
<b>Judicial Department</b>		
Distributions to Towns	34001-JUD95162-40001	10,850
<b>Department of Transportation</b>		
Town Aid Roads - Municipal	12052-DOT57131-43455	32,473
Town Aid Roads - STO	13033-DOT57131-43459	89,301
<b>Office of Policy and Management</b>		
Property Tax Relief for Disability Exemption	11000-OPM20600-17011	424
Property Tax Relief for Elderly and Totally Disabled (CB)	11000-OPM20600-17018	31,506
Property Tax Relief for Veterans	11000-OPM20600-17024	5,653
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	50,250
Municipal Video Competition	12060-OPM20600-35362	12
<b>Office of the State Comptroller</b>		
PILOT on State Owned Property	11000-OSC15910-17004	24,263
<b>Department of Education</b>		
Child Nutrition Program (School Lunch State Match)	11000-SDE64370-16211	2,832
Health Foods Initiative	11000-SDE64370-16212	6,171
Adult Education	11000-SDE64370-17030	7,469
Magnet Schools	11000-SDE64370-17057	11,700
Total State Financial Assistance before Exempt Programs		<u>275,861</u>
<b>EXEMPT PROGRAMS</b>		
<b>Department of Education:</b>		
Education Cost Sharing	11000-SDE64370-17041	2,479,112
Public School Transportation	11000-SDE64370-17027	62,671
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	47,231
School Construction Grants - Interest	13009-SDE64370-40896	40,534
School Construction Grants - Principal	13009-SDE64370-40901	338,231
<b>Office of the State Comptroller</b>		
Grants to Towns	12009-OSC15910-17005	<u>884,757</u>
Total exempt programs		<u>3,852,536</u>
Total State Financial Assistance		<u><u>\$ 4,128,397</u></u>

See Accountants' Report

**Town of North Stonington, Connecticut**  
**Notes to the Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2011**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of North Stonington, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: education, general government, public works, and public safety.

**1. Summary of Significant Accounting Policies**

The accounting policies of the Town of North Stonington, Connecticut conform to Generally Accepted Accounting Principles as applicable to governmental entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**A. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, when applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain revenues 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**I. Summary of Audit Results**

**A. Financial Statements:**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☒ Yes ☐ No  
☒ Yes ☐ None reported  
☐ Yes ☒ No

Noncompliance material to the financial statements noted?

**B. State Financial Assistance:**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ Yes ☒ No  
☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

☐ Yes ☒ No

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

<b>State Grantor and Program</b>	<b>State Core-CT Number</b>	<b>Expenditures</b>
Department of Transportation:		
Town Aid Road – Municipal	12052-DOT57131-43455	\$32,473
Town Aid Road – STO	13033-DOT57131-43459	\$89,301
Office of Policy and Management:		
Tax Relief for Elderly and Disabled	11000-OPM20600-17018	\$31,506
Dollar threshold used to distinguish between type A and type B programs:		<u>\$100,000</u>

**II. Financial Statement Findings:**

**MW-07-2 – Controls over the Period-End Financial Reporting Process**

**Condition:** The audit identified material adjustments to the Town of North Stonington, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

**Town of North Stonington, Connecticut**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

**Current Status:** The 2011 audit required almost \$3,000,000 in corrections to the internally prepared financial reports in just the General Fund. These included entries to post the prior year audit adjustments, post activity in a bank account and correct other cash balances, adjust to correct payables and receivables, remove activity from the General Fund that belonged to other funds, remove budget transfers that were posted to the actual expenditures, etc.

**MW-08-1 – Entity Level Controls**

**Condition:** Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of North Stonington, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

**Current Status:** Before this could begin, the Town had to prepare the procedures manual. They will now be reviewing the procedures in each department, assessing risk and inserting procedures to make it easy to monitor the procedures on an ongoing basis.

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**MW-11-1 – Controls over Payroll**

**Condition:** The General Government uses a payroll service. The bookkeeper gathers the approved time cards from the supervisor. The bookkeeper re-tallies the time cards and submits the information to the payroll company, receives back the signed checks and the payroll register, and distributes the pay checks. No one else reviews or approves the payroll or payroll calculations after the supervisor approves the time cards.

**Current Status:** This had been reported in previous years. Controls were developed, but not documented. They are no longer being performed.

**SD-11-1 – Internal Control over Financial Reporting**

**Condition:** The Town of North Stonington, Connecticut presents financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Town of North Stonington, Connecticut does not collectively possess the resources, skills and knowledge to prepare their own financial statements including footnote disclosures in accordance with GAAP.

**Current Status:** With the issues noted in the routine bookkeeping, it is clear that the same individuals do not collectively possess the resources, skills and knowledge to prepare their own financial statements.

**III. State Financial Assistance Findings And Questioned Costs**

No findings or questioned cost are reported relating to State financial assistance programs.



**Town of North Stonington, Connecticut  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011**

**MW-07-2 – Controls over the Period-End Financial Reporting Process**

**Condition:** The audit identified material adjustments to the Town of North Stonington, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

**Current Status:** This is repeated with the same number.

**MW-08-1 – Entity Level Controls**

**Condition:** Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework.

The Town of North Stonington, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

**Current Status:** This is being repeated with the same number.

**Report on Compliance With Requirements That Could Have a Direct And Material  
Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133, and on the Schedule of  
Expenditures of Federal Financial Assistance**

Board of Finance  
Town of North Stonington, Connecticut  
North Stonington, Connecticut

**Compliance**

We have audited the Town of North Stonington, Connecticut's compliance of the with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town of North Stonington, Connecticut's major federal programs for the year ended June 30, 2011. The Town of North Stonington, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express an opinion on the Town of North Stonington, Connecticut's compliance based on our audit.

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

In our opinion, the Town of North Stonington, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

## **Internal Control over Compliance**

The management of the Town of North Stonington, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Town of North Stonington, Connecticut's internal control over compliance to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses in the internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Financial Assistance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The accompanying Schedule of Expenditures of Federal Financial Assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Marien + Company*

December 15, 2011

**Town of North Stonington, Connecticut**  
**Schedule of Expenditures of Federal Financial Assistance**  
**For the Year Ended June 30, 2011**

<b>Federal grantor/ Pass-Through grantor program title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Expenditures</b>
<b>Passed through the State of Connecticut:</b>			
Title I - Current	84.010	12060-SDE64370-20679	\$ 69,989
Title I - ARRA- Carryover	84.389	12060-SDE64370-29010	15,315
			<u>85,304</u>
Title II - Part A, Improving Teacher Quality - Current	84.367	12060-SDE64370-20858	30,343
Title II - Part A, Improving Teacher Quality - Carryover	84.367	12060-SDE64370-20858	1,627
			<u>31,970</u>
Title II - Part D, Technology - Carryover	84.318	12060-SDE64370-20826	222
Title IV - Safe and Drug Free Schools - Current	84.186	12060-SDE64370-20873	2,446
IDEA, Part B, Section 611, Handicapped - Current	84.027	12060-SDE64370-20977	85,004
IDEA, Part B, Section 611, Handicapped - Carryover	84.027	12060-SDE64370-20977	69,154
IDEA, Part B, Section 611, Handicapped - ARRA- Carryover	84.391	12060-SDE64370-29011	106,347
			<u>260,505</u>
IDEA, Part B, Section 619, Preschool - Current	84.173	12060-SDE64370-20983	4,987
IDEA, Part B, Section 619, Preschool - ARRA- Carryover	84.392	12060-SDE64370-29012	3,427
			<u>8,414</u>
American Recovery and Reinvestment Act, SFSF: Education	84.394	12060-SDE64370-29054	412,650
<b>Total Department of Education</b>			<u>801,511</u>
<b>Department of Agriculture:</b>			
<b>Passed through the State of Connecticut:</b>			
National School Lunch	10.555	12060-SDE64370-20560	56,875
National School Breakfast	10.553	12060-SDE64370-20508	10,561
			<u>67,436</u>
<b>Department of Transportation:</b>			
<b>Passed through the State of Connecticut:</b>			
Alcohol Traffic Safety Grants	20.601	12062-DOT57343-22086	36,506
Alcohol Open Container Requirements	20.607	12062-DOT57343-22091	11,213
Highway Planning and Construction	20.205	12062-DOT57191-22108	51
			<u>47,770</u>
<b>Department of Homeland Security:</b>			
<b>Passed through the State of Connecticut:</b>			
State Homeland Security Grant	97.073	12060-EHS99530-21877	24,220
FEMA Public Assistance	97.042	12060-EHS99690-21891	178,522
			<u>202,742</u>
<b>Department of the Interior:</b>			
<b>Passed through the State of Connecticut:</b>			
JAG - ARRA	16.803	12060-OPM20350-29002	2,284
<b>Total Department of the Interior</b>			<u>2,284</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,121,743</u>

**Town of North Stonington, Connecticut**  
**Notes to the Schedule of Expenditures of Federal Financial Assistance**  
**For the Year Ended June 30, 2011**

**1. Summary Of Significant Accounting Policies**

The accounting policies of the Town of North Stonington, Connecticut conform to Generally Accepted Accounting Principles as applicable to governmental entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**A. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, when applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain revenues 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

**B. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Financial Assistance includes the federal grant activity of the Town of North Stonington, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**I. Summary of Audit Results**

**A. Financial Statements:**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☒ Yes ☐ No  
☒ Yes ☐ None reported  
☐ Yes ☒ No

Noncompliance material to the financial statements noted?

**B. Federal Financial Assistance:**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ Yes ☒ No  
☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

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

CFDA #: 84.394	Name: American Recovery and Reinvestment Act, SFSF: Education
CFDA #: 84.027	Name: IDEA, Part B, Section 611, Handicapped
CFDA #: 84.391	Name: IDEA, Part B, Section 611, Handicapped - ARRA
CFDA #: 84.173	Name: IDEA, Part B, Section 611, Preschool
CFDA #: 84.392	Name: IDEA, Part B, Section 611, Preschool - ARRA

Threshold used for distinguishing between Type A and Type B programs: \$300,000

Qualified as a low risk auditee:

☐ Yes ☒ No

**II. Findings and Questioned Costs Related to Financial Statements:**

**MW-07-2 – Controls over the Period-End Financial Reporting Process**

**Condition:** The audit identified material adjustments to the Town of North Stonington, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

**Current Status:** The 2011 audit required almost \$3,000,000 in corrections to the internally prepared financial reports in just the General Fund. These included entries to post the prior year audit adjustments, post activity in a bank account and correct other cash balances, adjust to correct payables and receivables, remove activity from the General Fund that belonged to other funds, remove budget transfers that were posted to the actual expenditures, etc.

**Town of North Stonington, Connecticut**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

**MW-08-1 – Entity Level Controls**

**Condition:** Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of North Stonington, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

**Current Status:** Before this could begin, the Town had to prepare the procedures manual. They will now be reviewing the procedures in each department, assessing risk and inserting procedures to make it easy to monitor the procedures on an ongoing basis.

**MW-11-1 – Controls over Payroll**

**Condition:** The General Government uses a payroll service. The bookkeeper gathers the approved time cards from the supervisor. The bookkeeper re-tallies the time cards and submits the information to the payroll company, receives back the signed checks and the payroll register, and distributes the pay checks. No one else reviews or approves the payroll or payroll calculations after the supervisor approves the time cards.

**Current Status:** This had been reported in previous years. Controls were developed, but not documented. They are no longer being performed.

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**SD-11-1 – Internal Control over Financial Reporting**

**Condition:** The Town of North Stonington, Connecticut presents financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Town of North Stonington, Connecticut does not collectively possess the resources, skills and knowledge to prepare their own financial statements including footnote disclosures in accordance with GAAP.

**Current Status:** With the issues noted in the routine bookkeeping, it is clear that the same individuals do not collectively possess the resources, skills and knowledge to prepare their own financial statements.

**III. Federal Financial Assistance Findings And Questioned Costs**

No findings or questioned cost are reported relating to Federal financial assistance programs.