

**TOWN OF WESTBROOK, CONNECTICUT
FINANCIAL REPORT
JUNE 30, 2011**

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INTRODUCTORY SECTION



WESTBROOK, CT

January 3, 2012

TOWN OF WESTBROOK
NOEL BISHOP, FIRST SELECTMAN

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The Honorable Noel Bishop
First Selectman
Town of Westbrook

The Honorable Paul Connely
Chairman, Board of Finance
Town of Westbrook

Gentlemen,

The Annual Financial Report (AFR) of the Town of Westbrook for the fiscal year ended June 30, 2011 is hereby submitted. The purpose of this report is to provide citizens, board members, investors, grantor agencies and other interested parties with reliable information about the Town of Westbrook. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The intent is to provide reasonable assurance that the financial statements are free of any material misstatements.

The Town is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. The Town is also required to undergo a Single Audit under Public Act 91-401 of the State of Connecticut. Information related to these single audits will be issued separately.

Seward and Monde, CPAs, have issued an unqualified ("clean") opinion on the Town of Westbrook's financial statements for the year ended June 30, 2011. The independent auditors' report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follow the independent auditor's report and provides a narrative overview of the basic financial statements. The MD&A is intended to complement this transmittal letter and should be read in conjunction with it.

This report includes all of the funds and accounts of the Town. It includes all activities controlled or dependent on the Town. The Westbrook Board of Education (grades K through 12) as well as various boards and commissions are component units of the Town; therefore, these activities are included in this report.

PROFILE OF THE TOWN OF WESTBROOK

Originally a part of Old Saybrook, the Town of Westbrook was incorporated in 1840. It is located thirty-five miles east of the City of New Haven and twenty-one miles west of the City of New London on the Long Island Sound. Located in Middlesex County, Westbrook comprises approximately 16.2 square miles. The Town is bounded by Essex and Deep River on the north, Old Saybrook on the east, Clinton on the west and Long Island Sound on the south.

The Town is bisected by U.S. Route 1 and Interstate Route I-95 (the New York - Providence - Boston corridor) which has two exits to inland and shore points in Westbrook. The Town is also traversed by State Highways 145, 153 and 166. In neighboring Essex, Route 9, a limited access highway, connects to Hartford.

The Town's population has grown from 2,400 in 1960 to 6,938 in 2010, according to the 2010 Census.

Given the Town's location and accessibility to major roadways, the Town contributes a great deal of its residents to the area's labor force. On June 30, 2011, 93.2% of the Town's available labor force was employed. This compares favorably to the area rate of 90.4% and the State rate of 90.9%. The Town's per capita income was \$28,680 and its median household income was \$71,344, as reported by in the State of Connecticut Fiscal Indicators report.

The Town's position as a residential community is illustrated by the fact that approximately 78% of the October 2010 grand list was residential. The percentage of the 2009 grand list was also 78%. Permits for ten new residential units were issued this year compared to 12 in 2010. In the last ten years, the average number of new units per year is 11. As a percentage of the grand list, industrial and commercial property values remained the same at 22%.

The Town provides a full range of municipal services including public safety (police, fire, animal control and emergency management), public works (roads, building and grounds, solid waste management, engineering), health, sanitation, zoning compliance, senior citizen services, youth services, and social services; recreation; library.

GOVERNANCE

The Town of Westbrook derives its power and privileges from the provisions of Connecticut General Statutes. The Town Meeting form of government includes a three member Board of Selectmen and a six member Board of Finance. The Town Meeting acts as the legislative body for all matters. The Board of Selectmen prepares the annual budget which is then presented to the Board of Finance to establish the tax rate, ascertain the need for appropriations and transfers of monies to and from Town accounts and publishes the annual report.

ECONOMIC CONDITIONS

- The unemployment rate for the Town as of June 2011 was 6.8%, which is a modest decrease from a rate of 7.3% a year ago. This compares very favorably to the state's average unemployment rate of 9.6% and the national average rate of 9.3%.
- Inflationary trends in the region compare favorably to national indices.
- From the November 23, 2011 Moody's Investors Service, in its reaffirmation of the Town's Aa2 credit rating "Moody's believes that Westbrook's moderately sized \$1.9 billion equalized net grand list (ENGL) will remain healthy given its stable residential tax base and ongoing economic activity within its commercial sector the town's grand list has expanded by a modest 1.5% annual average rate over the last five years. While grand list growth has moderated in subsequent non-revaluation years the town expects

modest ongoing expansion from a number of recently completed and ongoing development projects including a 169,000 square foot expansion at the Lee Company, the town's largest taxpayer (3.6% of the grand list), a new car dealership (completed), a completed expansion at the Water's Edge Resort, the third largest taxpayer. (1.4% of the grand list), and several residential subdivisions. Given Westbrook's location on the Long Island Sound, the town has a significant number of seasonal residences, which drives the ENGL per capita to a strong \$270,008. The median family and per capita incomes exceed the national Aa2 medians at \$71,344 (143% of the nation) and \$28,680 (133% of the nation), respectively.

MAJOR INITIATIVES

For the Year:

Major initiatives tend to be measured by large expenditures and/or project size and are usually thought of in terms of capital projects. However, presented below are the highlights of the Town's special programmatic and service initiatives followed by the explanation of capital initiatives.

Programs and Services:

Finance Department:

The Department of Finance began formal operations on January 5, 2011 with the employment of the Town's first Director of Finance. Other than the Director, the Department is staffed with one full time and one part time employee, transferred from the former Treasurer's Office. Some accomplishments include:

- Preparation and management of the FY2011-12 annual budget process;
- Preparation of the 5 Year Capital Improvement Plan;
- Introduction of comprehensive monthly financial reports to the Boards of Selectmen and Finance.
- Successful implementation of a new financial management system;
- Assisted in negotiation of a two year collective bargaining agreement;
- Formalization of various budgeting and accounting policies and procedures;
- Primary responsibility for statement preparation for audit purposes.

Assessor:

The town-wide revaluation began in April 2011 with a physical inspection ("full measure and list") by Vision Appraisal of all 4,496 properties in the town to establish the grand list for October 1, 2011. This type of property revaluation, which includes all residential and commercial properties, is required of all towns in Connecticut every ten years. A significant accomplishment as part of the project was implementing an online system where by all town property information is available to anyone on the town's website, (www.westbrookct.us) or Vision Appraisal's website (visionappraisal.com).

Town Clerk:

The Town Clerk's Office is now on an internet portal for online access to town records. Now, land records can be viewed via the internet and this becomes an additional source of revenue for the town.

Elections:

During the fiscal year, the Elections Department held a Democratic and Republican Primary, a State Election, and a Budget Referendum.

The Registrars held the "Annual Canvass" to update voter information between January 31, 2011 and April 30, 2011. As of June 30, 2011 there were 4019 registered voters of which 1004 were Democratic, 1109 were Republican, 1853 were Unaffiliated, and 53 other.

Facilities Management:

The department continued to focus on making the town buildings more energy efficient including the retrofitting of indoor and outdoor lighting of Mulvey Center for a savings of 4,500 watts, and the addition of new windows in the Riggio Building, saving the costs of both heating and air conditioning.

The Planning Commission:

- Adopted Plan of Conservation and Development last updated in 1990 – a 2 1/2 year effort;
- Worked with the Zoning Commission to develop and adopt comprehensive Stormwater Management Regulations applicable to all new development;
- Applied for and received a \$20,000 grant to conduct a Historic and Architectural Resource Survey.

Town Center Revitalization Committee (TCRC):

- The Town was awarded a \$250,000 Small Town Economic Assistance Program (STEAP) grant for the Town Center Parking Project applied for in FY09/10 by TCRC;
- Developed a Town Center Enhancements conceptual plan for inclusion in Plan of Conservation and Development.

Zoning:

Completed several amendments to the Zoning Regulations, including new regulations for Exterior Lighting and Stormwater Management. The Zoning Commission participated with the Planning Commission in the Town Plan of Conservation & Development.

Inland Wetlands and Watercourses Commission (IWWC):

From July 1, 2010 to June 30, 2011, the Inland Wetlands & Watercourses Commission (IWWC) received eight new applications. The IWWC granted eight approvals during this time period at its regular meetings. There were five residential applications and three commercial applications, three agency referrals and two site walks.

Recreation:

The department had another successful year with its Tot, Youth, Adult and Senior programming. A new before and after care program was implemented at the Westbrook Middle School. Other successful new programs include belly dancing, zumba and bus trips.

Capital Projects:

Public Works:

- The department continued the restoration of McVeagh Road, which was heavily damaged during the storms of March 2010. The project, funded with State bond funds, will be finalized in the fall of 2011.
- The department began the process of moving the town garage to a new facility as a result of a land swap between the Town and the State of Connecticut. Improvements to the former state facility and the construction of a new public works facility commenced under a \$1,500,000 grant from the State of Connecticut.

Budgeting Controls

In addition to internal accounting controls, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget for the General Fund approved at the annual Town Meeting and as may be amended by the Boards of Selectmen and Finance or a Special Town Meeting during the fiscal year. The General Fund level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the object (division) level within a department. The Town does not maintain annual budgets for any other funds. The Town also maintains project length budgets for all capital projects approved by special Town Meetings. The Town does not use an encumbrance system, but verification of funds availability is required prior to the payment of invoices.

As demonstrated by the statements and schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management.

Fiscal Year 2011 Financial Results

An extensive discussion of the Town's financial results of operation is contained in the Management's Discussion and Analysis. That information is not duplicated here.

Acknowledgments

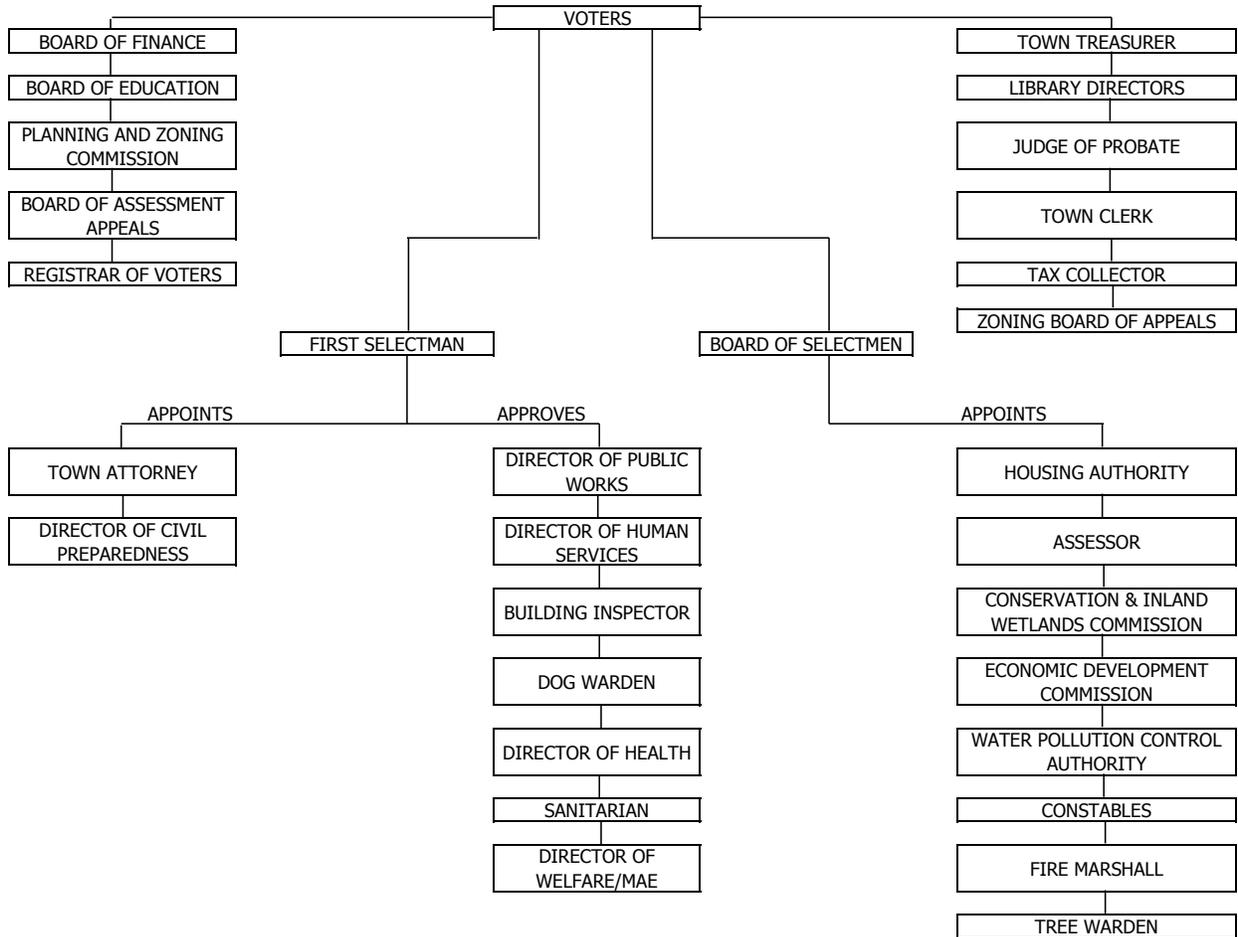
The preparation of this annual financial report on a timely basis was made possible by the efficient and dedicated service of Carol Hess and Kim Zdon of the Finance Department, to whom I extend my sincere appreciation. I should also thank you, the Board of Selectmen and the Board of Finance for the interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Andrew Urban". The signature is written in a cursive style and is centered within a light pink rectangular background.

Andrew Urban
Director of Finance

**TOWN OF WESTBROOK, CONNECTICUT
ORGANIZATIONAL CHART**



FINANCIAL SECTION

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

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

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Westbrook, Connecticut, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof, for the year then ended, in conformity with U.S. generally accepted accounting principles and the respective budgetary comparison for the General Fund.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 3, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions on pages 3 through 14 and 59 through 61, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government 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 U.S. generally accepted auditing standards, 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 sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Westbrook, Connecticut's financial statements as a whole. The introductory section and supplementary information is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Act, and are not a required part of the financial statements. The introductory section, supplementary information, the schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Seward and Monde

North Haven, Connecticut
January 3, 2012

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

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

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$38,955,177 (net assets). Of this amount, \$7,734,747 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- On a government-wide basis, the Town's total net assets increased by \$3,319,250. The majority of the increase is attributable to debt service principal payments, which are budgeted as expenditures in the fund financial statements, and a significant reduction of \$1,118,859 in the town's liability for the landfill closure due to a change in the frequency of annual inspections required by the State of Connecticut.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$ 6,661,483, an increase of \$1,211,760 compared to the prior year. Of that increase, \$416,760 is attributed to financial operations of the fiscal year, and \$795,000 for a prior period adjustment related to a bond anticipation note.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,956,343, or 11.5% of total general fund expenditures and transfers out for FY2012. This is at the lower end of the 12-15% fund balance margin recommended by the credit rating agencies.
- The Town's total long-term obligations decreased by \$2,500,000 (9.1%) during the current fiscal year. The key contributor in this was \$2,300,000 in general obligation bond principal payments.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. *The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. All of the resources the Town has at its disposal are shown,*

including major assets such as buildings and infrastructure. They provide both long-term and short-term information about the Town's overall financial status.

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

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements present only governmental activities whose functions are principally supported by taxes and intergovernmental revenues, since the Town does not operate any business-type activities. The government activities of the Town include general government, public safety, public works, development and community affairs, health and welfare, culture and recreation and education.

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

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

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

The Town maintains 24 individual governmental funds. Two new funds, the Social Services Fund and the Senior Center Fund, were added during the fiscal year to account for donations which are unpredictable and only used when funds are available. Information is presented separately in the balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Bonded Projects Fund, Capital Nonrecurring Fund, Land Use Professional Services Fund, and Special Education Grants Fund, all of which are considered to be major funds. Data from the other 19 governmental

funds are combined into a single, aggregated presentation titled "Other Governmental Funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Fund. The Town maintains one proprietary fund, the Health Insurance Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its self-insured medical benefits. Because these services predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary type funds.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$38,955,177 at the close of the most recent fiscal year.

All of the Town's positive net assets reflect its investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1, which can be found at the end of the Management Discussion and Analysis, presents a comparative summary statement of net assets.

Governmental Activities. Governmental activities increased the Town's net assets by \$3,319,250. The majority of the increase is attributable to debt service principal payments, which are budgeted as expenditures in the fund financial statements, and a significant reduction of \$1,118,859 in the town's liability for the landfill closure due to a change in the frequency of annual inspections. This is due to the use of accrual accounting at the government-wide financial statement level where long term liabilities are amortized over a long period of time. Additional increases were due to principal payments made for debt service as these items are shown as expenditures in the fund financials.

Table 2, which can be found at the end of the Management Discussion and Analysis, presents a comparative change in net assets.

Major revenue factors included:

- Property tax revenues were higher by \$1,267,932, primarily due to an increase in the grand list and a .95 mill increase. A reflection of that is \$31,419 higher than expected interest and lien fees collections. Property tax collections were 98.7%, slightly lower than the 99.0% from last fiscal year.
- Charges for services were lower by \$78,456 primarily in conveyance fees and police private duty.
- Operating grants and contributions remained almost exactly the same and the change not considered material.
- Capital grants and contributions increased by \$527,923 due to state grant reimbursements for several capital projects.

Major expense factors included:

- Overall Town expenses increased \$156,449, only .65% higher than FY2010. There were no notable increases or decreases in Town expenditures.
- The cost of education services increased \$647,588, a 4.0% increase over FY2010 and in line with prior year increases. The largest component of that increase is salaries and benefits for both certified and non-certified staff.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$6,661,483, an increase of \$1,211,760 in comparison with the prior year. Of that increase, \$416,760 is attributed to financial operations of the fiscal year, and \$795,000 for a prior period adjustment related to a bond anticipation note.

The General Fund is the operating fund of the Town. At the end of the current fiscal year, fund balance for the General Fund was \$3,173,381. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 11.3% of total General Fund expenditures and other financing uses.

The fund balance of the Town's General Fund increased by \$747,084 compared to a decrease \$600,295 for FY2010.

GENERAL FUND BUDGETARY HIGHLIGHTS.

Differences between the original budget and the final amended budget were \$248,899. Significantly affected line items can be briefly summarized as follows:

- \$233,034 in additional fund balance appropriations to fund \$161,415 in capital projects in the Capital and Non-Recurring Expenditure (CNRE) Fund and \$71,619 in supplemental appropriations in the General Fund.
- \$15,865 in additional appropriations were funded by additional revenue sources, including the Adopt-a-Spot program funded with a grant of \$3,820 and a reimbursement of \$12,045 from FEMA for expenses incurred to repair damage from the February 2010 storms.

During the year, revenues were lower than budgetary estimates by \$5,280, mainly in property taxes and intergovernmental revenues. Expenditures were \$610,569 or 2.4% under budget less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Nearly all departments under-expended their budgets. Significant savings (more than 10% of their budget) were in the following departments:

Elections	14%
Assessor	31%
Tax Refunds	20%
Finance Director	44%
Board of Tax Review	86%
Emergency Management	56%
Sanitation & Waste Removal	41%
Buildings and Land	13%
Planning and Zoning	18%
Town Center	12%
Land Use	15%
Economic Development	22%
Inland Wetlands Commission	19%

On a summary basis, Town agencies delivered budgetary savings of nearly 5.3% while the Board of Education provided budgetary savings of .04%, for a total of 2.4% in budgetary savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$55,782,726 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

- Major reconstruction of McVeagh Road added \$462,341 to Construction in Progress.
- Continued investment in the Town's new public works facility added \$46,290.

Additional information on the Town's capital assets can be found in Note 5.

Table 3, which can be found at the end of the Management Discussion and Analysis, presents comparative schedules of capital assets.

Capital Financing

The Town finances capital projects for both the Town and Board of Education through the Capital and Non-recurring Expenditure Fund (CNRE). Sources of income to the fund include annual contributions from the General Fund, state grants and debt financing. Projects are usually multi-year in nature and can include capital improvements, capital equipment, and certain non-recurring programs such as property revaluation that occurs every five years. The Town is progressing to a "pay as you go" approach to capital projects. Because of its fund classification, appropriations in the CNRE Fund do not lapse therefore financial reporting focuses on financial results based on revenues and expenditures over the life of a project rather than a single fiscal year.

In fiscal year 2011, the Town General Fund contributed \$550,415 to the CNRE; \$369,000 in planned contributions for various purposes, and \$181,415 in supplemental appropriations. Additional income was received in the form of state grant reimbursements of \$495,746 and interest on investments of \$2,919.

Appropriations in the CNRE Fund during FY2011 totaled \$2,646,212 while expenditures totaled \$1,061,956.

At the end of the fiscal year, the CNRE Fund had \$1,625,894 in its fund balance, of which \$958,333 was reserved for various purposes, and \$667,561 was available to finance future capital projects or programs.

Long-term Debt. At the end of the current fiscal year, the Town had \$24,310,000 of long-term bonded debt outstanding (excluding premiums and deferred charges). All outstanding debt of the Town is general obligation debt and is backed by the full faith and credit of the Town.

TOWN OF WESTBROOK OUTSTANDING DEBT
GENERAL OBLIGATIONS BONDS AND NOTES

	Governmental Activities	
	2011	2010
General purposes	\$ 6,810,000	\$ 7,172,000
Schools	17,500,000	19,438,000
Total	\$ 24,310,000	\$ 26,610,000

On July 22, 2010 the Town issued \$595,000 in general obligation bond anticipation notes in order to refund a portion of the \$795,000 general obligation bond anticipation notes issued July 24, 2009 that were maturing. The \$200,000 pay down was made from the General Fund. The new notes bore interest at 1.0% and were due on July 21, 2011.

On July 21, 2011 the \$595,000 general obligation bond anticipation notes came due. The Town issued \$195,000 in one year bond anticipation notes at a very attractive interest rate of 1.5%. A principal pay down of \$200,000 was included in the annual General Fund Fiscal Year 2011-12 budget operating budget. In a review of the completed project by the Town's Director of Finance, it was determined that the Town had an unexpended balance of \$206,922 in the project account as a result of state grant reimbursements for the project. As a result, the Board of Finance at its June 15, 2011 meeting voted to apply this residual balance to the maturing notes, \$200,000 to principal and the remainder to the interest. Of the \$595,000 in notes due July 21, 2011, \$400,000 was paid down and the balance of \$195,000 reissued for one year.

In October 2010, the Town issued \$10,525,000 of General Obligation Refunding Bonds, with interest rates of 1.5% to 4.0% to advance refund \$7,350,000 and \$3,100,000 of the outstanding principal amounts of the Town's general obligation bond issues of \$8,400,000, dated January 1, 2006 and \$3,550,000, dated March 15, 2007, respectively (Refunded Bonds). This advance refunding will reduce total debt service payments by \$256,707 over the next 15 years.

In conjunction with that refunding, the Town's credit rating was upgraded by Moody's Investors Service to an Aa2 from an "A1" for its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$159,834,899, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 7.

CASH MANAGEMENT AND INVESTMENTS

Cash temporarily idle during the year was invested in demand deposits, time deposits, money market accounts, and two authorized statewide investment pools, Connecticut CLASS and the State Treasurer's Investment Fund (STIF). The Pension Fund assets are held in trust supervised by the Town's Retirement Board and invested by various money managers selected by the Board. On June 30, 2011, the General Fund had cash and cash equivalents (classified as investments) of \$3,756,322. There was \$1,144,602 in the Bonded Projects Funds, primarily for the new infrastructure and facility improvement projects approved in the 2009 and 2010. Cash and cash equivalents for all funds was \$11,398,446.

During the fiscal year, all cash accounts and cash equivalents were held by qualified public depositories as defined by State Statutes. Section 36-386 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. By itself, a bank's risk based capital ratio is an indication of the bank's strength.

PROPRIETARY FUND OPERATIONS

The Town is self-insured for health and dental expenses of its employees in the Health Insurance Fund. Income to the fund comes from budgetary contributions from the Town and Board of Education budgets. Additional income comes from employee and retiree contributions toward

Benefits are paid via a third party administrator, Anthem Blue Cross & Blue Shield. Each year during the budget process the Ganim Group, the Town's health consultants, calculates the expected claims expense and administrative fees for budgetary purposes. At the end of the fiscal year reconciliation is performed on the year's income and expense. Any surplus or deficit is adjusted to the Health Insurance Fund's reserves. A portion of these reserves are considered to be usable and can be used to offset the subsequent year's proposed health costs. A formula allows the Town and Board to use 25% of the useable reserves to offset expenses in the next fiscal year. Both the Town and the Board of Education applied 25% of their usable reserves at June 30, 2011 to offset the FY2012 health insurance budget.

At the end of fiscal year 2011, the results of operations added \$119,933 to the reserves which increased to \$2,232,359.

PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

The Town administers three single-employer, defined benefit pension plans (Town of Westbrook Retirement Plan, Town of Westbrook Volunteer Firefighters' Pension Fund and Town of Westbrook Constables' Pension Plan) covering substantially all Town employees with the exception of certified teachers and administrative personnel at the Board of Education. The plans were established through ordinances adopted July 1, 1971, August 10, 1993 and April 24, 2007, respectively. The Pension Commission makes recommendations for plan provisions which are approved by the Board of Finance and/or Board of Selectmen. The plans are considered to be a part of the Town's financial reporting entity and are included in the Town's financial statements as pension trust funds. The plans do not issue separate, stand alone, financial

reports. The certified faculty and administrative personnel of the Board of Education participate in a contributory retirement plan administered by the State Teachers Retirement Board. The Town does not contribute to this plan.

During fiscal year 2011, the Town contributed the actuarially required contribution (ARC) to the three Town's pension plans. Net assets of the combined plans increased from \$5,121,604 to \$6,182,638. Additions to the plan included \$358,074 in employer contributions, \$100,960 in plan member contributions, \$149,580 in interest and dividends, and \$843,391 in the net appreciation in fair value of investments. Deductions included \$343,741 in benefits and \$47,230 for administration.

Actuarial valuations were conducted on all three plans as of June 30, 2011. The results of those valuations will be utilized to determine the ARC for the next three fiscal years. In summary, the Town's ARC beginning in fiscal year 2013 will increase from \$353,262 to \$453,990, a \$100,728 or 28% increase. This increase in the ARC is due to a large increase in the unfunded liability from 2009 to 2011 due to a couple of factors. Liabilities increased due to changes in the actuarial assumptions. These changes included a decrease in the interest rate from 7.5% to 7.0% (causing an increase in liability), a decrease in the salary scale from 5.0% to 4.0% (causing a decrease in the liability), and a change to a mortality table that includes future mortality improvement (again increasing liabilities). This increase in liability, combined with lower than expected returns on the actuarial value of assets, caused an increase in the unfunded actuarial accrued liability.

ECONOMIC FACTORS

- The unemployment rate for the Town as of June 2011 was 6.8%, which is a modest decrease from a rate of 7.3% a year ago. This compares very favorably to the state's average unemployment rate of 9.6% and the national average rate of 9.3%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2011-12 year. The Town did not appropriate any of the fund balance for spending in that budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, Town of Westbrook, 866 Boston Post Road, Westbrook, CT 06498.

Table 1
Town of Westbrook
Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 13,016,229	\$ 10,935,582
Capital assets, net	<u>55,782,726</u>	<u>56,155,931</u>
Total assets	<u>68,798,955</u>	<u>67,091,513</u>
Long-term liabilities	23,938,894	26,884,162
Other liabilities	<u>5,904,884</u>	<u>4,571,424</u>
Total liabilities	<u>29,843,778</u>	<u>31,455,586</u>
Net assets:		
Invested in capital assets, net of related debt	31,186,356	28,949,121
Restricted	34,074	34,074
Unrestricted	<u>7,734,747</u>	<u>6,652,732</u>
Total net assets	<u>\$ 38,955,177</u>	<u>\$ 35,635,927</u>

Table 2
Town of Westbrook
Condensed Statement of Activities

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues:		
Charges of service	\$ 1,400,413	\$ 1,478,869
Operating grants and contributions	2,173,670	2,173,784
Capital grants and contributions	527,923	-
General revenues:		
Property taxes	22,970,748	21,702,816
Grants and contributions not restricted to specific programs	480,546	815,002
Investment income	31,490	99,081
	<u>27,584,790</u>	<u>26,269,552</u>
Total revenues		
Expenses:		
General government	2,652,059	2,596,749
Public safety	1,668,253	1,319,021
Public works	241,464	1,162,756
Development and community affairs	405,808	
Health and welfare	651,167	754,837
Culture and recreation	832,379	846,270
Education	16,863,986	16,216,398
Interest expenses	950,424	1,213,060
	<u>24,265,540</u>	<u>24,109,091</u>
Total expenses		
Increase in net assets	3,319,250	2,160,461
Net assets, beginning	<u>35,635,927</u>	<u>33,475,466</u>
Net assets, ending	<u>\$ 38,955,177</u>	<u>\$ 35,635,927</u>

Table 3
Town of Westbrook
Capital Assets - Net

	2011	2010
Land	\$ 4,502,669	\$ 4,502,669
Construction in progress	537,477	28,846
Buildings and improvements	46,764,441	47,476,865
Machinery and equipment	1,268,185	1,402,267
Infrastructure	2,709,954	2,745,284
Total	\$ 55,782,726	\$ 56,155,931

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 5,150,695
Investments	6,247,751
Receivables (net):	
Property taxes	427,309
Intergovernmental	343,821
Other	85,333
Prepaid expenses	212,500
Inventory	2,325
Bond issue costs	<u>24,250</u>
Total current assets	<u>12,493,984</u>
Noncurrent assets:	
Receivables (net):	
Property taxes	221,472
Intergovernmental	99,737
Bond issue costs	<u>201,036</u>
Total other noncurrent assets	<u>522,245</u>
Capital assets (net of accumulated depreciation):	
Land	4,502,669
Construction in progress	537,477
Buildings and improvements	46,764,441
Machinery, equipment and vehicles	1,268,185
Infrastructure	<u>2,709,954</u>
Total capital assets (net of accumulated depreciation)	<u>55,782,726</u>
Total noncurrent assets	<u>56,304,971</u>
Total assets	<u>68,798,955</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,284,017
Accrued liabilities	142,896
Accrued interest payable	236,139
Deferred revenue	1,470,470
Bond anticipation note	200,000
Bonds payable and related liabilities	2,510,000
Other liabilities	<u>61,362</u>
Total current liabilities	<u>5,904,884</u>
Noncurrent liabilities:	
Bond anticipation note	395,000
Bonds payable and related liabilities	21,491,361
Other liabilities	<u>2,052,533</u>
Total noncurrent liabilities	<u>23,938,894</u>
Total liabilities	<u>29,843,778</u>
NET ASSETS	
Invested in capital assets, net of related debt	31,186,356
Restricted for:	
Nonexpendable permanent endowments	34,074
Unrestricted	<u>7,734,747</u>
Total net assets	<u>\$ 38,955,177</u>

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 2,652,059	\$ 431,768	\$ 13,000	\$ 41,030	(\$ 2,166,261)
Public safety	1,668,253	50,719	11,554	-	(1,605,980)
Public works	241,464	38,606	115,880	436,893	349,915
Development and community affairs	405,808	-	-	-	(405,808)
Health and welfare	651,167	489,478	-	-	(161,689)
Culture and recreation	832,379	200,174	30,109	50,000	(552,096)
Education	16,863,986	189,668	2,003,127	-	(14,671,191)
Interest expense	950,424	-	-	-	(950,424)
Total	<u>24,265,540</u>	<u>1,400,413</u>	<u>2,173,670</u>	<u>527,923</u>	<u>(20,163,534)</u>
General revenues:					
Property taxes					22,970,748
Grants and contributions not restricted to specific programs					480,546
Investment income					31,490
Total general revenues and contributions					<u>23,482,784</u>
Change in net assets					3,319,250
Net assets - July 1, 2010					<u>35,635,927</u>
Net assets - June 30, 2011					<u>\$ 38,955,177</u>

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

**TOWN OF WESTBROOK, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Bonded Projects	Capital Nonrecurring	Land Use Professional Services	Special Education Grants	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 1,839,596	\$ 1,144,602	\$ 1,469,910	\$ 199,757	\$ 23,989	\$ 472,841	\$ 5,150,695
Investments	1,916,726	-	1,730,533	-	-	193,422	3,840,681
Receivables (net):							
Property taxes	556,566	-	-	-	-	-	556,566
Intergovernmental	3,351	-	934	-	883	12,457	17,625
Other	80,780	-	-	-	-	1,202	81,982
Inventory	2,325	-	-	-	-	-	2,325
Prepaid expenses	212,500	-	-	-	-	-	212,500
Due from other funds	8,924	-	-	-	11,704	43,018	63,646
Total assets	\$ 4,620,768	\$ 1,144,602	\$ 3,201,377	\$ 199,757	\$ 36,576	\$ 722,940	\$ 9,926,020
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 811,895	\$ -	\$ 57,048	\$ 191,055	\$ 36,576	\$ 12,747	\$ 1,109,321
Accrued liabilities	142,896	-	-	-	-	-	142,896
Due to other funds	14,377	-	47,965	-	-	1,289	63,631
Deferred revenue	478,219	-	1,470,470	-	-	-	1,948,689
Total liabilities	1,447,387	-	1,575,483	191,055	36,576	14,036	3,264,537
Fund Balances:							
Nonspendable	214,825	-	-	-	-	34,074	248,899
Restricted	-	1,144,602	-	8,702	-	534,088	1,687,392
Committed	-	-	958,333	-	-	53,038	1,011,371
Assigned	2,213	-	667,561	-	-	87,704	757,478
Unassigned	2,956,343	-	-	-	-	-	2,956,343
Total fund balances	3,173,381	1,144,602	1,625,894	8,702	-	708,904	6,661,483
Total liabilities and fund balances	\$ 4,620,768	\$ 1,144,602	\$ 3,201,377	\$ 199,757	\$ 36,576	\$ 722,940	\$ 9,926,020

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

**TOWN OF WESTBROOK, CONNECTICUT
RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Amounts reported for governmental activities in the statement of net assets are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balance		\$ 6,661,483
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Beginning net capital assets		56,155,931
Current year additions		520,646
Depreciation expense	(	893,851)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Property tax interest and lien accrual		154,936
Property tax receivable - accrual basis change		478,219
School building grant receivable		429,284
Allowance for doubtful accounts	(	62,721)
Bond issue costs		225,286
Deferred loss on refunding		791,309
Internal service funds are used by management to charge the cost of medical insurance premiums to individual departments:		
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		2,232,359
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bond anticipation note	(	595,000)
Bonds payable	(	24,310,000)
Bond premiums	(	482,670)
Other post employment benefits	(	748,879)
Compensated absences	(	131,810)
Net pension obligation	(	47,071)
Landfill closure costs	(	1,186,135)
Accrued interest payable	(	<u>236,139)</u>
Net assets of governmental activities		<u>\$ 38,955,177</u>

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	General	Bonded Projects	Capital Nonrecurring	Land Use Professional Services	Special Education Grants	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ 22,869,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,869,340
Intergovernmental	2,550,019	50,000	495,746	-	336,722	92,531	3,525,018
Charges for services	1,168,428	-	-	-	-	198,253	1,366,681
Contributions	-	-	-	-	-	41,669	41,669
Investment income	16,544	1,901	2,919	254	-	9,936	31,554
Total revenues	<u>26,604,331</u>	<u>51,901</u>	<u>498,665</u>	<u>254</u>	<u>336,722</u>	<u>342,389</u>	<u>27,834,262</u>
EXPENDITURES:							
Current:							
General government	2,322,389	-	160,571	-	-	30,312	2,513,272
Public safety	1,364,773	-	-	-	-	32,710	1,397,483
Public works	1,139,858	-	-	-	-	-	1,139,858
Development and community affairs	405,808	-	-	-	-	298	406,106
Health and welfare	641,747	-	-	-	-	9,420	651,167
Culture and recreation	813,062	-	-	-	-	16,565	829,627
Education	15,326,905	-	-	-	348,426	264,637	15,939,968
Capital outlay	-	81,663	901,385	-	-	-	983,048
Debt service	3,634,816	-	-	-	-	-	3,634,816
Total expenditures	<u>25,649,358</u>	<u>81,663</u>	<u>1,061,956</u>	<u>-</u>	<u>348,426</u>	<u>353,942</u>	<u>27,495,345</u>
Excess (deficiency) of revenues over expenditures	<u>954,973</u>	<u>(29,762)</u>	<u>(563,291)</u>	<u>254</u>	<u>(11,704)</u>	<u>(11,553)</u>	<u>338,917</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from general obligation refunding bonds	10,525,000	-	-	-	-	-	10,525,000
Premium on general obligation refunding bonds	467,169	-	-	-	-	-	467,169
Payment to escrow agent	(10,914,326)	-	-	-	-	-	(10,914,326)
Transfers in	306,387	-	550,415	-	-	30,000	886,802
Transfers out	(580,415)	(306,387)	-	-	-	-	(886,802)
Net other financing sources (uses)	<u>(196,185)</u>	<u>(306,387)</u>	<u>550,415</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>77,843</u>
Net change in fund balance	<u>758,788</u>	<u>(336,149)</u>	<u>(12,876)</u>	<u>254</u>	<u>(11,704)</u>	<u>18,447</u>	<u>416,760</u>
Fund balances - July 1, 2010, as previously reported	2,426,297	1,480,751	843,770	8,448	-	690,457	5,449,723
Prior period adjustment	(11,704)	-	795,000	-	11,704	-	795,000
Fund balances - July 1, 2010	<u>2,414,593</u>	<u>1,480,751</u>	<u>1,638,770</u>	<u>8,448</u>	<u>11,704</u>	<u>690,457</u>	<u>6,244,723</u>
Fund balances - June 30, 2011	<u>\$ 3,173,381</u>	<u>\$ 1,144,602</u>	<u>\$ 1,625,894</u>	<u>\$ 8,702</u>	<u>\$ -</u>	<u>\$ 708,904</u>	<u>\$ 6,661,483</u>

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

**TOWN OF WESTBROOK, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the statement of activities are due to:

Net change in fund balances - total governmental funds	\$ <u>416,760</u>
--	-------------------

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

Capital outlay	520,646	
Depreciation expense	(893,851)	
Total	<u>(373,205)</u>	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the fund financial statements are not recognized in the statement of activities:

School building grant receipts	(350,880)	
Increase in property tax receivable - accrual basis change	101,408	
Total	<u>(249,472)</u>	

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

Principal repayments:		
Bond anticipation notes	200,000	
General obligation bonds	2,300,000	
Total	<u>2,500,000</u>	

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

Accrued interest payment	34,042	
Amortization of bond premium	(440,860)	
Amortization of bond issuance costs	(75,661)	
Amortization of deferred charges	551,309	
Compensated absences	(17,074)	
Net pension obligation	1,646	
Other post employment benefits (OPEB)	(267,027)	
Landfill closure	1,118,859	
Total	<u>905,234</u>	

Internal service funds are used by management to charge costs of medical insurance premiums to individual departments

119,933

Change in net asset of governmental activities

\$ 3,319,250

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes, interest and lien fees	\$ 23,035,309	\$ 23,035,309	\$ 22,869,340	(\$ 165,969)
Intergovernmental	1,517,633	1,529,678	1,371,865	(157,813)
Charges for services	820,650	824,470	1,168,428	343,958
Investment income	42,000	42,000	16,544	(25,456)
	<u>25,415,592</u>	<u>25,431,457</u>	<u>25,426,177</u>	<u>(5,280)</u>
Total revenues				
Expenditures:				
Current:				
General government	2,454,406	2,504,222	2,322,389	181,833
Public safety	1,427,651	1,428,786	1,364,773	64,013
Public works	1,291,730	1,306,050	1,139,858	166,192
Development and community affairs	473,770	483,414	408,021	75,393
Health and welfare	638,146	644,236	641,747	2,489
Culture and recreation	856,709	863,188	813,062	50,126
Board of Education	14,154,967	14,154,967	14,148,751	6,216
Debt service	3,699,213	3,699,213	3,634,816	64,397
	<u>24,996,592</u>	<u>25,084,076</u>	<u>24,473,417</u>	<u>610,659</u>
Total expenditures				
Excess of revenues over expenditures	<u>419,000</u>	<u>347,381</u>	<u>952,760</u>	<u>605,379</u>
Other Financing Sources (Uses):				
Proceeds from general obligation refunding bonds	-	-	10,525,000	10,525,000
Premium on general obligation refunding bonds	-	-	467,169	467,169
Payment to escrow agent	-	-	(10,914,326)	(10,914,326)
Appropriation of fund balance	-	233,034	-	(233,034)
Transfers in	-	-	306,387	306,387
Transfers out	(419,000)	(580,415)	(580,415)	-
	<u>(419,000)</u>	<u>(347,381)</u>	<u>(196,185)</u>	<u>151,196</u>
Net other financing sources (uses)				
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>756,575</u>	<u>\$ 756,575</u>
Budgetary Fund Balance - July 1, 2010, as restated			<u>2,414,593</u>	
Budgetary Fund Balance - June 30, 2011			<u>\$ 3,171,168</u>	

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Governmental Activities
	<u>Internal Service Fund</u>
<u>ASSETS</u>	
Investments	\$ 2,407,070
Total assets	<u>2,407,070</u>
<u>LIABILITIES</u>	
Liability:	
Accounts payable	28,520
Due to other funds	15
Claims incurred but not reported	<u>146,176</u>
Total liabilities	<u>174,711</u>
<u>NET ASSETS</u>	
Net Assets:	
Unrestricted	<u>\$ 2,232,359</u>

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges for services	\$ 2,783,154	
Operating Expenses:		
Claims incurred		2,271,311
Administration		<u>394,767</u>
Total Operating Expenses		<u>2,666,078</u>
Operating income before nonoperating revenues		117,076
Nonoperating Revenues:		
Investment income		<u>2,857</u>
Change in Net Assets		119,933
Net Assets - July 1, 2010		<u>2,112,426</u>
Net Assets - June 30, 2011		<u><u>\$ 2,232,359</u></u>

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Cash received for charges for services	\$ 2,783,169
Cash paid for benefits and claims	(2,273,970)
Cash paid for administration	(394,767)
Net cash provided by operating activities	114,432
Cash Flows from Investing Activities:	
Income from investments	2,857
Net change in cash and cash equivalents	117,289
Cash and cash equivalents - July 1, 2010	2,289,781
Cash and cash equivalents - June 30, 2011	\$ 2,407,070
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 117,076
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	11,195
Increase in due to other funds	15
Decrease in claims incurred but not reported	(13,854)
Net cash provided by operating activities	\$ 114,432

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$ 203,588	\$ 346,967
Investments at fair value:		
Mutual funds:		
Equity	3,940,890	32,503
Fixed income	1,838,076	-
Balanced	200,084	-
Certificates of deposit	-	45,948
Total investments	<u>5,979,050</u>	<u>78,451</u>
Total Assets	<u>6,182,638</u>	<u>\$ 425,418</u>
<u>LIABILITY</u>		
Liability:		
Accounts payable	-	\$ 425,418
Net assets held in trust for pension benefits	<u>\$ 6,182,638</u>	

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

**TOWN OF WESTBROOK, CONNECTICUT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 358,074
Plan members	<u>100,960</u>
Total contributions	<u>459,034</u>
Investment income:	
Net appreciation in fair value of investments	843,391
Interest and dividends	<u>149,580</u>
Total investment income	992,971
Total Additions	<u>1,452,005</u>
Deductions:	
Benefits	343,741
Administration	<u>47,230</u>
Total deductions	<u>390,971</u>
Change in net assets	1,061,034
Net assets - July 1, 2010	<u>5,121,604</u>
Net assets - June 30, 2011	<u><u>\$ 6,182,638</u></u>

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

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Town of Westbrook, Connecticut (the "Town") was incorporated in 1840. The Town covers 16.2 square miles located in Middlesex County. The Town operates under a Town Meeting/Board of Selectmen form of government under the provisions of the general statutes of the State of Connecticut, and provides a full range of services including public safety, roads, sanitation, planning and zoning, health and social services, public library, parks and recreation, education and general administrative services to its residents.

Financial information for the Town is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board (GASB). The reporting entity includes the primary government, organizations for which the primary government is financially accountable and 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. Management has considered all potential component units and determined that there are no other entities that are required to be presented in the accompanying financial statements of the Town of Westbrook, Connecticut.

Basis of Accounting and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. The effect of interfund balances and activity has been eliminated in preparation of these statements. Exceptions to this rule are services provided by one fund used by another fund. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned. Governmental activities are normally supported by taxes and intergovernmental revenues.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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. The Town has elected not to follow subsequent private-sector guidance.

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

Governmental Funds

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

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

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers, 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.

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 Bonded Projects Fund is a capital projects fund which is used to account for financial resources to be used for major capital asset construction and/or purchases.

The Capital Nonrecurring Fund is a capital projects fund which is used to account for major capital asset construction and/or purchases funded substantially by grants and general fund appropriations.

The Land Use Professional Services Fund is a special revenue fund which is used to account for the financial resources received from Planning and Zoning, Zoning Board of Appeals, and Inland Wetlands Watercourse Commission applicants to provide funds for professional services required to process applications.

The Special Education Grants Fund is a special revenue fund which is used to account for the financial revenues received in the form of federal and state education grants.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Proprietary Funds

Proprietary fund financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-wide Financial Statements.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

The Town reports the following proprietary fund type:

The Internal Service Fund accounts for risk financing activities for medical insurance benefits.

Fiduciary Funds

Fiduciary Fund Financial Statements include a statement of net assets and a statement of changes in net assets. The Town's Fiduciary funds represent Pension Trust Funds and Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending of current financial resources measurement focus and the modified accrual basis of accounting as are the governmental funds explained above.

The Pension Trust Funds account for the activities of the Town Employees' Retirement System, the Firefighters' Retirement System and the Constables' Retirement System, which accumulate resources for pension benefit payments to qualified employees.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

The Agency Funds account for monies held on behalf of students, other community groups and performance bonds.

Deposits and Investments

Deposits - The Town considers cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

The Pension Trust Funds are also authorized to invest in corporate stocks and bonds and mutual funds.

Investments for the Town are reported at fair value. State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments were invested in a 2a-7 like pool, which operates within State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

Receivables and Payables

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

Property Taxes and Other Receivables

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 15% to 29% of outstanding receivable balances at June 30, 2011, and are calculated based upon prior collections.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

In the fund financial statements, all property taxes receivable at June 30, 2011, which have not been collected within 60 days of June 30, 2011, have been recorded as deferred revenue, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings and improvements	10 - 80
Machinery, equipment and vehicles	5 - 25
Infrastructure	50 - 90

Compensated Absences

Employees are paid by a prescribed formula for absence due to vacation and sickness based upon the various union contracts and the Town's personnel policies. The eligibility for vacation pay in some instances does vest.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Long-Term Obligations

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

Net Assets/Fund Equity

Equity in the Government-wide Financial Statements is defined as net assets and is classified in the following categories:

- a. Invested in Capital Assets, Net of Related Debt - This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.
- b. Restricted Net Assets - This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).
- c. Unrestricted Net Assets - This category presents the net assets of the Town which are not invested in capital assets, net of related debt or restricted.

Equity in the fund financial statements is defined as fund balance and is classified in the following categories:

- a. Nonspendable Fund Balance - represents amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- b. Restricted Fund Balance - represents amounts that are constrained for a specific purpose by either (a) external parties, such as grantors, creditors, contributors, or laws and regulation of their governments or (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

- c. Committed Fund Balance - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Westbrook Town Meeting).
- d. Assigned Fund Balance - for all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, includes amounts constrained for the intent to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by the Town Charter.
- e. Unassigned Fund Balance - represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pension Plan Accounting

Pension Trust Funds:

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental Funds:

The net pension obligation (asset), the cumulative difference between annual pension cost and the Town's contributions to the plan, is calculated on an actuarial basis consistent with the requirements of the Governmental Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding Policy:

The Town makes contributions in the amount recommended by the Town's actuaries.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Other Post-Employment Benefits Accounting

Governmental Funds - The net other post-employment benefit obligation (asset) (OPEB), the cumulative difference between annual OPEB cost and the Town's contributions to the plan, is calculated on a actuarial basis consistent with the requirements of the Governmental Accounting Standards Board Statement No. 45. Expenditures are recognized when they are paid or are expected to be paid with current available resources.

The Town makes annual contributions based upon management decisions.

Subsequent Events

The Town evaluated events occurring between the end of our most recent fiscal year and January 3, 2012, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The Town establishes its general fund budget in accordance with provisions of the Connecticut General Statutes.

- A budget for the general fund is authorized annually by the Board of Finance. The Board of Finance follows these procedures in establishing the budgetary data reflected in the financial statements:
 - Department heads submit to the Board of Finance detailed estimates of expenditures.
 - The Board of Finance acts upon the department requests and approves the departmental budgets to be forwarded to the Town Meeting.
 - The citizens of the Town vote on the recommended budget.
 - The Board of Finance sets the tax rate for the fiscal year.

- During the year, additional appropriation requests are submitted by the department heads to the Board of Selectmen who in turn submits it to the Board of Finance. The Board of Finance acts on the requests.

All budget transfers must be approved by the Board of Finance. The Board of Finance may transfer unexpended balances between departments.

- The Board of Education may transfer unexpended balances between accounts within its total line appropriation.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

- Additional appropriations may be made during the year by resolution of the Board of Finance. Additional appropriations for the year ended June 30, 2011, amounted to \$233,034.
- Classifications of certain revenues and expenditures under U.S. generally accepted accounting principles differ from classifications utilized for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP, and budgetary requirements, is as follows:

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Budgetary basis (page 21)	\$ 36,724,733	\$ 35,968,158
Current year encumbrances	-	(2,213)
State Teachers' Retirement on-behalf payment	<u>1,178,154</u>	<u>1,178,154</u>
GAAP basis (page 19)	<u>\$ 37,902,887</u>	<u>\$ 37,144,099</u>

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Note 3 - Cash and Investments

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$279,921 of the Town's bank balance of \$5,480,462 (including certificates of deposit recorded as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	251,929
Uninsured and collateral held by the pledging bank's trust department, not in the town's name		27,992
Total amount subject to custodial credit risk	\$	279,921

Investments

At June 30, 2011, the Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities.

Type of Investment	Fair Value	Investment Maturities (In Years)			
		N/A	Less Than 1	1-5 Years	5-10 Years
Certificates of Deposit	\$ 45,948	\$ -	\$ 45,948	\$ -	\$ -
Equity Mutual Funds	3,940,890	3,940,890	-	-	-
Fixed Income Mutual Funds	2,064,001	-	363,975	1,700,026	-
Balanced Mutual Funds	200,084	-	-	-	200,084
Pooled Fixed Income	6,054,329	6,054,329	-	-	-
Total	\$ 12,305,252	\$ 9,995,219	\$ 409,923	\$ 1,700,026	\$ 200,084

Of the \$6,054,329 of pooled fixed income, \$1,597,237 was invested in Short Term Investment Fund (STIF), \$1,500,000 was invested in Reich and Tang and \$2,957,092 was invested in CLASS. STIF is an investment pool managed by the State of Connecticut Office of the State Treasurer.

The Town's investments in the Pension Trust funds are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

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

Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

The Town's investments in pooled fixed income had ratings of AAAM by Standard & Poor's. The equity mutual funds, fixed income mutual funds and balanced mutual funds are not rated.

Custodial credit risk - The Town has no formal policy regarding custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2011, the Town has no investments subject to custodial credit risk.

Note 4 - Receivables

Receivables as of year end for the Town's government-wide financial statements by type, including the applicable allowances for uncollectibles, are as follows:

	Property Taxes		
	Taxes	Interest & Lien Fees	Total
Current portion	\$ 311,587	\$ 115,722	\$ 427,309
Long-term portion	\$ 244,979	\$ 131,743	\$ 376,722
Less: Allowances for uncollectibles	(83,485)	(71,765)	(155,250)
Net long-term portion	\$ 161,494	\$ 59,978	\$ 221,472

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.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

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:

Deferred Revenue:

Delinquent property taxes receivable (general fund)	\$	478,219
Grant revenue (capital nonrecurring fund)		<u>1,470,470</u>
	\$	<u><u>1,948,689</u></u>

Note 5 - Capital Assets

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets, not being depreciated:				
Land	\$ 4,502,669	\$ -	\$ -	\$ 4,502,669
Construction in progress	<u>28,846</u>	<u>508,631</u>	<u>-</u>	<u>537,477</u>
Total Capital assets, not being depreciated	<u>4,531,515</u>	<u>508,631</u>	<u>-</u>	<u>5,040,146</u>
Capital Assets, being depreciated:				
Buildings and improvements	51,486,136	12,015	-	51,498,151
Machinery, equipment and vehicles	3,368,929	-	-	3,368,929
Infrastructure	<u>3,364,811</u>	<u>-</u>	<u>-</u>	<u>3,364,811</u>
Total Capital Assets, being depreciated	<u>58,219,876</u>	<u>12,015</u>	<u>-</u>	<u>58,231,891</u>
Total Capital Assets	<u>62,751,391</u>	<u>520,646</u>	<u>-</u>	<u>63,272,037</u>
Less Accumulated Depreciation for:				
Buildings and improvements	4,009,271	724,439	-	4,733,710
Machinery, equipment and vehicles	1,966,662	134,082	-	2,100,744
Infrastructure	<u>619,527</u>	<u>35,330</u>	<u>-</u>	<u>654,857</u>
Total Accumulated Depreciated	<u>6,595,460</u>	<u>893,851</u>	<u>-</u>	<u>7,489,311</u>
Total Capital Assets, being depreciated, net	<u>51,624,416</u>	<u>(881,836)</u>	<u>-</u>	<u>50,742,580</u>
Government Activities Capital Assets, net	<u><u>\$ 56,155,931</u></u>	<u><u>(\$ 373,205)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,782,726</u></u>

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

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

General government	\$ 120,580
Public safety	77,695
Public works	87,286
Culture and recreation	6,026
Education	<u>602,264</u>
Total depreciation expense	<u><u>\$ 893,851</u></u>

Capital Projects Authorizations

The following is a summary of Capital Projects at June 30, 2011:

Capital Project	Bond Authorization	Current Year Expenditures	Cumulative Expenditures	Balance June 30, 2011
Library Renovation Project	\$ 4,275,000	\$ -	\$ 4,230,008	\$ 44,992
Daisy Ingraham Roof	<u>1,500,000</u>	<u>-</u>	<u>1,095,304</u>	<u>404,696</u>
Total	<u><u>\$ 5,775,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,325,312</u></u>	<u><u>\$ 449,688</u></u>

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Note 6 - Interfund Accounts

A summary of interfund balances as of June 30, 2011 is as follows:

	Corresponding Fund	Due From	Due To
General Fund:			
Internal Service	NA	\$ 15	\$ -
Special Education Grants	NA	-	11,704
Recreation Concert Series	NA	950	-
Dog Fund	NA	339	-
Capital Nonrecurring	NA	7,620	-
Westbrook Nurses	NA	-	2,673
Total General Fund		8,924	14,377
Major - Bonded Projects:	General Fund	-	-
Major - Capital Nonrecurring:			
Capital Nonrecurring	General Fund	-	7,620
Capital Nonrecurring	Town Improvement Fund	-	35,529
Capital Nonrecurring	Recreation Concert Series	-	2,307
Capital Nonrecurring	Weatherhead Medical	-	2,509
Total Major - Capital Nonrecurring		-	47,965
Major - Special Education Grants	General Fund	11,704	-
Nonmajor Governments Funds:			
Recreation Concert Series	General Fund	-	950
Westbrook Nurses	General Fund	2,673	-
Dog Fund	General Fund	-	339
Internal Service	General Fund	-	15
Town Improvement Program	Capital Nonrecurring	35,529	-
Recreation Concert Series	Capital Nonrecurring	2,307	-
Weatherhead Medical	Capital Nonrecurring	2,509	-
Total Nonmajor Governmental Funds		43,018	1,304
Grand Total		\$ 63,646	\$ 63,646

All interfund balances resulted from the time lag between the dates payments occurred between funds for short-term internal financing.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Interfund Transfers

A summary of interfund transfers as of June 30, 2011 is as follows:

	Corresponding Fund	Transfer In	Transfer Out
General Fund:			
Bonded Projects	N/A	\$ 306,387	\$ -
Capital Nonrecurring	N/A	-	550,415
Dog Fund	N/A	-	20,000
Insurance Fund	N/A	-	10,000
Total General Fund		306,387	580,415
 Major - Bonded Projects	 General Fund	 -	 306,387
 Major - Capital Nonrecurring	 General Fund	 550,415	 -
		550,415	-
Nonmajor Governments Funds:			
Dog Fund	General Fund	20,000	-
Insurance Fund	General Fund	10,000	-
Total Nonmajor Governmental Funds		30,000	-
 Grand Total		 \$ 886,802	 \$ 886,802

Transfers are used to account for the financing by the general fund of various program and activities in other funds.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Note 7 - Long-Term Obligations

Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2010	Additions / Refunding	Deductions / Defeasance	Balance June 30, 2011	Current Portion
General Obligation Bonds									
General Purpose:									
Open space acquisition	\$ 2,160,000	11/01/04	06/15/24	3.00%-5.00%	\$ 1,520,000	\$ -	\$ 120,000	\$ 1,400,000	\$ 120,000
Refunding bond	3,064,000	01/19/06	09/15/19	3.50%-4.00%	2,252,000	-	154,000	2,098,000	250,000
Library project	3,550,000	03/15/07	03/15/27	4.00%-4.50%	3,400,000	-	3,250,000	150,000	150,000
Refunding - Library project	3,162,000	10/12/10	07/01/26	1.50%-4.00%	-	3,162,000	-	3,162,000	7,000
Total General Purpose					7,172,000	3,162,000	3,524,000	6,810,000	527,000
Schools:									
Improvement bond	12,575,000	03/15/92	03/15/12	5.50%-7.50%	1,230,000	-	630,000	600,000	600,000
Improvement bond	5,980,000	01/15/94	06/15/13	3.60%-5.60%	945,000	-	315,000	630,000	315,000
Improvement bond	11,200,000	11/01/04	06/15/24	3.00%-5.00%	8,400,000	-	600,000	7,800,000	600,000
Refunding bond	1,106,000	01/19/06	09/15/19	3.50%-4.00%	813,000	-	56,000	757,000	90,000
Improvement bond	8,400,000	01/01/06	01/01/26	4.00%-5.63%	8,050,000	-	7,700,000	350,000	350,000
Refunding bond	7,363,000	10/12/10	07/01/26	1.50%-4.00%	-	7,363,000	-	7,363,000	28,000
Total Schools					19,438,000	7,363,000	9,301,000	17,500,000	1,983,000
Total General Obligation Bonds					26,610,000	10,525,000	12,825,000	24,310,000	2,510,000
Bond Premiums					41,810	467,169	26,309	482,670	-
Deferred Loss on Refunding					(240,000)	(589,479)	(38,170)	(791,309)	-
Total Bonds and Related Liabilities					26,411,810	10,402,690	12,813,139	24,001,361	2,510,000
Bond anticipation note					795,000	-	200,000	595,000	200,000
Other Long-Term Obligations:									
Compensated Absences					114,736	17,074	-	131,810	26,362
Net Pension Obligation					48,717	-	1,646	47,071	-
Other Post Employment Benefits (OPEB)					481,852	267,027	-	748,879	-
Landfill Closure Costs					2,304,994	-	1,118,859	1,186,135	35,000
Total Other Long-Term Obligations					2,950,299	284,101	1,120,505	2,113,895	61,362
Total General Long-Term Obligations					\$ 30,157,109	\$ 10,686,791	\$ 14,133,644	\$ 26,710,256	\$ 2,771,362

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

The following is a summary of amounts to be provided by the State of Connecticut for the retirement of school bonds and bond maturities.

<u>Fiscal Year</u>	<u>Bonds Payable</u>		<u>Amounts to be Provided by the State</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,510,000	\$ 898,676	\$ 307,796	\$ 17,971
2013	2,360,000	767,470	99,737	3,781
2014	1,795,000	679,441	-	-
2015	1,575,000	624,988	-	-
2016	1,580,000	573,357	-	-
2017 - 2021	8,120,000	1,957,216	-	-
2022 - 2026	5,660,000	563,490	-	-
2027	710,000	11,982	-	-
	<u>\$ 24,310,000</u>	<u>\$ 6,076,620</u>	<u>\$ 407,533</u>	<u>\$ 21,752</u>

Refunding Bonds - 2010 Issue

On October 1, 2010 the Town issued \$10,525,000 of General Obligation Refunding Bonds, with interest rates of 1.5% to 4.0% to advance refund \$7,350,000 and \$3,100,000 of the outstanding principal amounts of the Town's general obligation bond issues of \$8,400,000, dated January 1, 2006 and \$3,550,000, dated March 15, 2007, respectively (Refunded Bonds). This advance refunding will reduce total debt service payments by \$256,707 over the next 15 years. The Refunded Bonds were to mature at various dates through March 15, 2027 but will be called on July 1, 2011 and March 15, 2012, respectively.

The net proceeds of the 2010 Refunding Bonds of \$10,914,326 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through October 1, 2010. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$10,450,000 were removed from the Town's balance sheet.

The difference of \$589,479 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the 2010 Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the year ended June 30, 2011 totaled \$14,170.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Bond Anticipation Notes

On July 22, 2010 the Town issued \$595,000 in general obligation bond anticipation notes in order to finance the Daisy Ingraham Elementary School roof project. The notes bear interest at 1.0% and are due on July 21, 2011.

Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. An expense provision and related liability should be recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The Town landfill has been closed. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired currently.

As of June 30, 2011 the estimated monitoring costs for the next 24 years are \$1,186,135. This amount is based on estimates which are subject to change due to inflation, changes in technology or changes in applicable laws and regulations.

Authorized/Unissued Bonds

At June 30, 2011, the Town had the following authorized, unissued bonds:

Project Name	Amount Unissued
School Improvements:	
New middle school	\$ 87,446
Daisy Ingraham roof	260,251
	\$ 347,697

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Note 8 - Fund Balance

	General Fund	Bonded Projects	Capital Nonrecurring	Land Use Professional Services	Special Education Grants	Non-major Governmental Funds	Total
Fund balances:							
Nonspendable							
Inventory	\$ 2,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,325
Prepaid expenses	212,500	-	-	-	-	-	212,500
Nonexpendable							
permanent endowment	-	-	-	-	-	34,074	34,074
Restricted for:							
General government	-	-	-	-	-	100,796	100,796
Public safety	-	-	-	-	-	14,230	14,230
Development and community affairs	-	-	-	8,702	-	9,541	18,243
Health and welfare	-	-	-	-	-	40,277	40,277
Culture and recreation	-	-	-	-	-	279,595	279,595
Education	-	-	-	-	-	30,493	30,493
Capital projects	-	1,144,602	-	-	-	53,038	1,197,640
Committed to:							
General government	-	-	-	-	-	57,211	57,211
Capital projects	-	-	958,333	-	-	89,649	1,047,982
Assigned to:							
Development and community affairs	2,213	-	-	-	-	-	2,213
Capital projects	-	-	667,561	-	-	-	667,561
Unassigned	2,956,343	-	-	-	-	-	2,956,343
Total fund balances	<u>\$ 3,173,381</u>	<u>\$ 1,144,602</u>	<u>\$ 1,625,894</u>	<u>\$ 8,702</u>	<u>\$ -</u>	<u>\$ 708,904</u>	<u>\$ 6,661,483</u>

Encumbrances at June 30, 2011 are contained in the above table in the assigned category of the General Fund.

Note 9 - Risk Management

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters, and owners and contractor's protective liability.

Health Insurance Fund

The Town established as an internal service fund, the health insurance fund, to account for and finance the retained risk of loss for Town employee medical benefits coverage. A third party vender administers the plan for which the fund pays a fee. The health insurance fund provides coverage for all eligible full time employees.

The Town has purchased a stop loss policy for individual claims exceeding \$50,000 for hospital and \$50,000 for major medical.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Health insurance premiums are based upon estimates by number of employees and type of coverage, trends in the insurance claims and estimates for administration. The claims liability reported in the fund is based upon the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded.

The internal service fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used to compute claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, including the effects of specific, incremental claim adjustment expenditures, salvage and subrogation; allocated claim adjustment expenditures are not included.

<u>Fiscal Year</u>	<u>Claims Payable July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2008-2009	\$ 161,726	\$ 1,991,915	\$ 1,977,821	\$ 175,820
2009-2010	175,820	2,125,175	2,140,965	160,030
2010-2011	160,030	2,271,296	2,285,150	146,176

Retrospectively Rated Policy

The commercial insurance carried for workers' compensation is a retrospectively rated policy for which the Town's contribution is based on the Town's loss experience. It is not possible to estimate the possible loss.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction of insurance coverage from amounts held in prior years.

Commitments and Litigation

The Town has been named as defendant in various claims and legal actions. The Town's attorney estimates that the potential claims against the Town covered by insurance resulting from such claims and legal actions would not materially affect the financial condition of the Town.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

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

Note 10 - Pension Plans

The Town administers three single-employer, defined benefit pension plans (Town of Westbrook Retirement Plan, Town of Westbrook Volunteer Firefighters' Pension Fund and Town of Westbrook Constables' Pension Plan) covering substantially all Town employees with the exception of certified teachers and administrative personnel at the Board of Education. The plans were established through ordinances adopted July 1, 1971, August 10, 1993 and April 24, 2007, respectively. The Pension Commission makes recommendations for plan provisions which are approved by the Board of Finance and/or Board of Selectmen. The plans are considered to be a part of the Town's financial reporting entity and are included in the Town's financial statements as pension trust funds. The plans do not issue separate, stand alone, financial reports. The certified faculty and administrative personnel of the Board of Education participate in a contributory retirement plan administered by the State Teachers Retirement Board. The Town does not contribute to this plan.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The Town's pension trust funds' financial statements are prepared on the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contractual requirements and investment income is recognized when earned and expenses (benefits and administration) are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are valued at fair value. Securities traded on a national exchange are valued at the last reported sales price. There are no investments of 5% or greater in any one organization.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Plan Participants (July 1, 2011)

	Town	Firefighters	Constables
Retirees and beneficiaries currently receiving benefits	36	12	1
Terminated employees entitled to benefits but not yet receiving them	9	6	1
Active plan members	70	57	6
Total Plan Participants	115	75	8

Employer Contributions

Recommended contributions to each of the plans are determined each year as part of the actuarial valuation using the entry age normal cost method.

Employee Contributions

Plan members are not required to contribute to the plans.

Retirement Benefits

Town Plan

The Town Plan provides retirement benefits and death and disability benefits. Benefits vest after 5 years of service. Members may retire at age 65 with 5 years of service or at age 55 with 15 years of service. Members are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.75% of final average compensation per year of credited service up to 30 years. Final average compensation is defined as the average annual compensation for the five highest consecutive years of the last ten years immediately preceding retirement.

Firefighters' Plan

The Firefighters' Plan provides retirement benefits and death and disability benefits. Benefits vest after 20 years of service. Members may retire at age 65 with 20 years of service. Members are entitled to a monthly retirement benefit for life, in an amount equal to \$25 per month times years of service. The maximum benefit is \$500 per month.

Constables' Plan

The Constables' Plan provides retirement benefits and death and disability benefits. Benefits vest after 20 years of service. A year of service is a year in which the participant performed

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
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440 hours of service. Members may retire at age 65 with 20 years of service. Members are entitled to a monthly retirement benefit for life, in an amount equal to \$15 per month times years of service. Members are entitled to a retirement benefit for life of \$300 per month.

Annual Pension Cost and Net Pension Obligation (NPO)

The changes in the NPO were as follows:

	Town Plan	Firefighters' Plan	Constables' Plan
Annual required contribution	\$ 254,387	\$ 93,175	\$ 6,100
Interest on net pension obligation	302	2,593	759
Adjustment to annual required contribution	(461)	(3,967)	(872)
Annual pension cost	254,228	91,801	5,987
Contributions made	254,387	93,175	6,100
Increase (decrease) in net pension obligation'	(159)	(1,374)	(113)
Net pension obligation, July 1, 2010	4,023	34,578	10,116
Net pension obligation, June 30, 2011	<u>\$ 3,864</u>	<u>\$ 33,204</u>	<u>\$ 10,003</u>

Schedule of Employer Contributions and Net Pension Obligation (Asset)

Year Ended June 30,	Actual Contribution	Required Contribution (ARC)	Percentage of ARC Contributed	Pension Cost (APC)	Percentage of APC Contributed	Pension (Asset) Obligation
<u>Town Plan</u>						
2009	\$ 188,414	\$ 176,748	106.6 %	\$ 176,092	107.0 %	\$ 4,190
2010	156,475	156,475	100.0	156,308	100.1	4,023
2011	254,387	254,387	100.0	254,228	100.1	3,864
<u>Firefighters' Plan</u>						
2009	\$ 79,026	\$ 79,026	100.0 %	\$ 77,859	101.5 %	\$ 35,844
2010	86,736	86,736	100.0	85,470	101.5	34,578
2011	93,175	93,175	100.0	91,801	101.5	33,204
<u>Constables' Plan</u>						
2009	\$ 10,400	\$ 10,400	100.0 %	\$ 10,306	100.9 %	\$ 10,220
2010	7,348	7,348	100.0	7,244	101.4	10,116
2011	6,100	6,100	100.0	5,987	101.9	10,003

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Funding Status and Funding Progress

The funding status of each plan as of July 1, 2011, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarially Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL(UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
<u>Town Plan</u>						
7/1/2011	\$5,526,894	\$ 6,216,825	\$ 689,931	88.90 %	\$ 2,614,720	26.39 %
<u>Firefighters' Plan</u>						
7/1/2011	\$ 662,170	\$ 1,359,811	\$ 697,641	48.70 %	N/A	N/A
<u>Constables' Plan</u>						
7/1/2011	\$ 22,625	\$ 220,677	\$ 198,052	10.25 %	N/A	N/A

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Actuarial Assumptions

The information presented as historical trend information was determined as part of the actuarial valuation as of the date indicated in the tabulation. Additional information as of the latest valuation is as follows:

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal cost
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Town retirement plan	4.00%
Volunteer firefighters' plan	N/A
Constables' plan	N/A
Amortization method:	
Town retirement plan	Level dollar open
Volunteer firefighters' plan	Level dollar closed
Constables' plan	Level dollar closed
Remaining amortization period (closed):	
Town retirement plan	14 years
Volunteer firefighters' plan	13 years
Constables' plan	25 years

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Financial statements for each individual pension plan are as follows:

	Town Employees' Pension Trust Fund	Volunteer Firefighters' Pension Trust Fund	Constables' Pension Trust Fund	Total Pension Trust Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 181,125	\$ 21,702	\$ 761	\$ 203,588
Investments at fair value:				
Mutual funds	<u>5,319,347</u>	<u>637,347</u>	<u>22,356</u>	<u>5,979,050</u>
Total Assets	<u>5,500,472</u>	<u>659,049</u>	<u>23,117</u>	<u>6,182,638</u>
<u>Net Assets</u>				
Net assets held in trust for pension benefits	<u>\$ 5,500,472</u>	<u>\$ 659,049</u>	<u>\$ 23,117</u>	<u>\$ 6,182,638</u>
Additions:				
Contributions:				
Employer	\$ 258,799	\$ 93,175	\$ 6,100	\$ 358,074
Plan members	<u>100,960</u>	<u>-</u>	<u>-</u>	<u>100,960</u>
Total contributions	<u>359,759</u>	<u>93,175</u>	<u>6,100</u>	<u>459,034</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments	750,335	89,795	3,261	843,391
Interest and dividends	<u>132,799</u>	<u>16,189</u>	<u>592</u>	<u>149,580</u>
Total investment income	<u>883,134</u>	<u>105,984</u>	<u>3,853</u>	<u>992,971</u>
Total Additions	<u>1,242,893</u>	<u>199,159</u>	<u>9,953</u>	<u>1,452,005</u>
Deductions:				
Benefits	274,141	63,600	6,000	343,741
Administration	<u>41,878</u>	<u>5,162</u>	<u>190</u>	<u>47,230</u>
Total Deductions	<u>316,019</u>	<u>68,762</u>	<u>6,190</u>	<u>390,971</u>
Changes in net assets	926,874	130,397	3,763	1,061,034
Net Assets - July 1, 2010	<u>4,573,598</u>	<u>528,652</u>	<u>19,354</u>	<u>5,121,604</u>
Net Assets - June 30, 2011	<u>\$ 5,500,472</u>	<u>\$ 659,049</u>	<u>\$ 23,117</u>	<u>\$ 6,182,638</u>

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Note 11 - On-Behalf Payments

The faculty and professional personnel of the Board of Education participate in a multiple employer contributory cost-sharing defined benefit plan with a special funding situation, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. The financial statements of the plan are available from the State of Connecticut State Teachers' Retirement Board, 765 Asylum Avenue, Hartford, CT 06105.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual entity basis. Total contributions made by the State of Connecticut were \$581,593,216, of which \$1,178,154 benefited Town employees, and has been included in intergovernmental revenues and education expenditures in the accompanying combined statement of revenues, expenditures and changes in fund balances. For the year ended June 30, 2011, Town teachers contributed \$537,209 to the plan and covered Board of Education payroll for the year was approximately \$7,410,000.

Note 12 - Other Postemployment Benefits (OPEB)

Plan Description

The Town and the Board of Education (the Board) provide post-employment medical benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit OPEB plan. The OPEB plan provides medical coverage to eligible retirees and their spouse. A triennial actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2008. The OPEB plan does not issue a separate, stand-alone, financial report.

Town employees are eligible for medical coverage upon retirement at age 55 with 20 years of service.

Board teachers and administrators are eligible for medical coverage upon retirement at age 55 with 20 years of service or at any age with 25 years of service. Board hourly employees are eligible for medical coverage upon retirement at age 55 with 15 years of service or age 65 with 5 years of service.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

The contribution requirement of plan members, the Town and the Board are established and may be amended by the Town or the Board. The Town and the Board currently contribute enough money to the plan to satisfy the current obligations on a pay-as-you go basis.

Membership in the plan consisted of the following at of July 1, 2008, the date of the last actuarial valuation:

	Town	Board
Active members	34	147
Retirees and dependents	6	11
Total	40	158

Funding Policy

Town retirees pay 100% of the premium; however, the Town pays \$200 per month towards the cost of the retirees' medical premium upon reaching 65. The Town also contributes \$100 per month towards the cost of a surviving spouse's medical premium upon reaching age 65. Board retirees pay 100% of the premium.

Contributions

The Town and Board's contributions represent payments made for premiums for insured individuals.

The Town and Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if it were paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

The calculation of the change in the net OPEB obligation for the year ended June 30, 2011 follows:

	Town	Board
Annual required contribution (ARC)	\$ 37,227	\$ 277,137
Interest on net OPEB obligation	2,124	17,940
Adjustment to annual required contribution	<u>(2,341)</u>	<u>(19,288)</u>
Annual OPEB cost	37,010	275,789
Contributions made	<u>15,658</u>	<u>30,114</u>
Increase in net OPEB obligation	21,352	245,675
Net OPEB obligation, beginning of year	<u>33,367</u>	<u>448,485</u>
Net OPEB obligation, end of year	<u><u>\$ 54,719</u></u>	<u><u>\$ 694,160</u></u>

The annual OPEB cost, the percentage of annual OPEB costs contributed to the plan and the net OPEB obligation (three-year trend information *) is as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u>Town</u>				
6/30/2009	\$ 32,374	\$ 16,800	51.89%	\$ 15,574
6/30/2010	33,839	16,046	47.42%	33,367
6/30/2011	37,010	15,658	42.31%	54,719
<u>Board</u>				
6/30/2010	\$ 245,473	\$ 25,976	10.58%	\$ 219,497
6/30/2010	260,435	31,447	12.07%	448,485
6/30/2011	275,789	30,114	10.92%	694,160

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

The schedule of funding progress presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Town</u>						
7/1/2008	\$ -	\$ 319,991	\$ 319,991	0.00%	\$ 1,358,901	23.55%
<u>Board</u>						
7/1/2008	\$ -	\$ 1,562,290	\$ 1,562,290	0.00%	N/A	N/A

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuation follows:

Valuation Date	July 1, 2008
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Actuarial Cost Method
Amortization Method	Level Percent
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Discount rate	4.0%
Investment rate of return	4.0%
Inflation rate	3.5%
Medical cost trend rates	10.0% graded to 5.0% over 6 years

TOWN OF WESTBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
. . . Continued . . .

Note 13 - Prior Period Adjustments

The General Fund and Special Education Grants Fund fund balances have been restated to correct an error in classification of expenses made in the prior year. The Capital Nonrecurring Fund fund balance has been restated to correct an error in classification of bond anticipation notes. Fund balance as of June 30, 2010 has been adjusted for the effects of the restatement on prior years.

Note 14 - Subsequent Events

On July 21, 2011 the Town issued \$195,000 in general obligation bond anticipation notes in order to refund a portion of the \$595,000 general obligation bond anticipation notes issued July 22, 2010 that were maturing. The additional \$400,000 was paid by the General Fund. The new notes bear interest at 1.5% and are due on July 19, 2012.

On December 15, 2011, the Town issued \$9,610,000 of General Obligation Refunding Bonds, with interest rates of 2.0% to 4.0% to advance refund \$7,040,000 and \$2,515,000 of the outstanding principal amounts of the Town's general obligation bond issues of \$13,360,000, dated November 1, 2004 and \$4,169,000, dated January 19, 2006, respectively (Refunded Bonds). This advance refunding will reduce total debt service payments by \$204,487 over the next 13 years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**TOWN OF WESTBROOK, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
WESTBROOK RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS**

TOWN EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2006	\$ 4,379,128	\$ 4,342,928	(\$ 36,200)	100.83 %	\$ 2,112,093	(1.71) %
2007	5,324,031	5,585,365	261,334	95.32	2,274,681	11.49
2008	N/A	N/A	N/A	N/A	N/A	N/A
2009	4,885,841	5,166,533	280,692	94.57	2,664,933	10.53
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	5,526,894	6,216,825	689,931	88.90	2,614,720	26.39

VOLUNTEER FIREFIGHTERS' PENSION

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2006	\$ 463,015	\$ 1,027,805	\$ 564,790	45.05 %	N/A	N/A
2007	526,511	1,089,161	562,650	48.34	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A	N/A
2009	542,369	1,135,667	593,298	47.76	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	662,170	1,359,811	697,641	48.70	N/A	N/A

CONSTABLES' PENSION

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2007	\$ -	\$ 58,151	\$ 58,151	0.00 %	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A	N/A
2009	20,800	65,249	44,449	31.88	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	22,625	220,677	198,052	10.25	N/A	N/A

N/A - Not Available

**TOWN OF WESTBROOK, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
WESTBROOK RETIREMENT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

TOWN EMPLOYEES' RETIREMENT SYSTEM

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 177,500	80.70 %
2007	185,400	93.90
2008	196,100	96.40
2009	176,748	106.60
2010	156,475	100.00
2011	254,387	100.00

VOLUNTEER FIREFIGHTERS' PENSION

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 69,956	100.00 %
2007	69,956	48.60
2008	79,026	94.90
2009	79,026	100.00
2010	86,736	100.00
2011	93,175	100.00

CONSTABLES' PENSION

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 10,400	0.00 %
2008	10,400	100.00
2009	10,400	100.00
2010	7,348	100.00
2011	6,100	100.00

**TOWN OF WESTBROOK, CONNECTICUT
 REQUIRED SUPPLEMENTARY INFORMATION
 WESTBROOK OTHER POSTEMPLOYMENT BENEFITS PLANS
 SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
<u>Town</u>						
7/1/2008	\$ -	\$ 319,991	\$ 319,991	0.00 %	\$ 1,358,901	23.55%
<u>Board</u>						
7/1/2008	\$ -	\$ 1,562,290	\$ 1,562,290	0.00 %	N/A	N/A

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
<u>Town</u>		
2009	\$ 32,374	51.89 %
2010	33,868	47.38
2011	37,227	42.06
<u>Board</u>		
2009	\$ 245,473	10.58 %
2010	260,833	12.06
2011	277,137	10.87

SUPPLEMENTARY INFORMATION

GENERAL FUND

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

**TOWN OF WESTBROOK, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes, Interest and Lien Fees:				
General property taxes	\$ 22,965,309	\$ 22,965,309	\$ 22,767,921	(\$ 197,388)
Interest and lien fees	70,000	70,000	101,419	31,419
Total Taxes, Interest and Lien Fees	23,035,309	23,035,309	22,869,340	(165,969)
Intergovernmental:				
Mashantucket Pequot funds	13,324	13,324	10,100	(3,224)
Grant in lieu of taxes	36,837	36,837	37,048	211
Telecommunication tax	45,000	45,000	25,917	(19,083)
Elderly tax relief	35,000	35,000	42,377	7,377
Boat tax reimbursements	57,340	57,340	90,569	33,229
Property tax relief - vets	9,000	9,000	11,476	2,476
Town aid road fund	107,944	107,944	108,057	113
Educational equalization (ECS)	427,677	427,677	359,279	(68,398)
Adult education	1,913	1,913	1,924	11
School building grants	350,880	350,880	350,880	-
Miscellaneous state revenues	27,300	39,345	49,542	10,197
PILOT: manufacturers' machinery	270,000	270,000	214,436	(55,564)
Special education	100,000	100,000	30,046	(69,954)
School transportation	9,418	9,418	7,471	(1,947)
DUI enforcement	10,000	10,000	11,554	1,554
Federal wildlife	6,000	6,000	4,808	(1,192)
Payment in lieu of taxes	10,000	10,000	16,381	6,381
Total Intergovernmental	1,517,633	1,529,678	1,371,865	(157,813)
Charges for Services:				
Fees:				
Town clerk fees	25,000	25,000	64,082	39,082
Conveyance tax	54,000	54,000	96,317	42,317
Conservation land records	-	-	6,063	6,063
Bulky waste	40,000	40,000	38,606	(1,394)
Planning and zoning	12,500	12,500	15,015	2,515
Nursing fees	335,000	335,000	455,746	120,746
Library fees and fines	3,000	3,000	2,188	(812)
Board of recreation fees	190,000	190,000	190,330	330
Riggio building rent	12,000	12,000	1,435	(10,565)
Senior center	6,500	6,500	5,246	(1,254)
Private duty reimbursement	25,000	25,000	50,569	25,569
Boca education fee	-	-	755	755
Total Fees	703,000	703,000	926,352	223,352
Licenses and Permits:				
Building permits	100,000	100,000	181,916	81,916
Sanitation permits	6,500	6,500	10,615	4,115
Beach permits	-	-	8,345	8,345
Miscellaneous	500	500	2,210	1,710
Total Licenses and Permits	107,000	107,000	203,086	96,086

. . . Continued . . .

**TOWN OF WESTBROOK, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
... Continued ...**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Revenues:				
Motor vehicle fines	\$ 650	\$ 650	\$ 150	(\$ 500)
Miscellaneous	10,000	13,820	38,840	25,020
Total Other Revenues	<u>10,650</u>	<u>14,470</u>	<u>38,990</u>	<u>24,520</u>
Total Charges for Services	<u>820,650</u>	<u>824,470</u>	<u>1,168,428</u>	<u>343,958</u>
Investment Income:				
Interest income	42,000	42,000	16,544	(25,456)
Total Revenues	<u>25,415,592</u>	<u>25,431,457</u>	<u>25,426,177</u>	<u>(5,280)</u>
Other Financing Sources:				
Appropriation of fund balance	-	233,034	-	(233,034)
Transfer in	-	-	306,387	306,387
Total Other Financing Sources	<u>-</u>	<u>233,034</u>	<u>306,387</u>	<u>73,353</u>
Total Revenues and Other Financing Sources	<u>\$ 25,415,592</u>	<u>\$ 25,664,491</u>	<u>\$ 25,732,564</u>	<u>\$ 68,073</u>

**TOWN OF WESTBROOK, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Legislative:				
Town meeting	\$ 4,000	\$ 4,000	\$ 2,607	\$ 1,393
Executive:				
Chief elected officer	404,466	381,011	344,792	36,219
Judicial:				
Probate court	1,150	3,651	3,379	272
Elections:				
Administration	27,126	27,126	23,862	3,264
Primary elections	5,450	5,212	4,806	406
General elections	6,450	6,687	6,311	376
Special elections	3,450	3,450	1,657	1,793
Total Elections	42,476	42,475	36,636	5,839
Finance:				
Treasurer	13,283	13,283	12,729	554
Finance Director	150,140	150,140	84,613	65,527
Assessor	119,703	123,486	85,633	37,853
Tax collector	121,179	121,586	114,580	7,006
Total Finance	404,305	408,495	297,555	110,940
Law:				
Legal services	65,000	65,000	76,571	(11,571)
Recording and Reporting:				
Town clerk	94,123	94,585	94,415	170
Recording	28,300	28,300	24,579	3,721
Total Recording and Reporting	122,423	122,885	118,994	3,891
Administrative Boards and Commissions:				
Board of tax review	4,117	4,117	593	3,524
Board of finance	39,395	44,495	40,449	4,046
ADA compliance	750	750	-	750
Total Administrative Boards and Commissions	44,262	49,362	41,042	8,320
Municipal Insurance	239,919	239,919	229,979	9,940
Contingency	-	28,000	28,000	-

. . . Continued . . .

**TOWN OF WESTBROOK, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
... Continued ...**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Pension Contributions:				
Town	\$ 143,266	\$ 143,266	\$ 143,266	\$ -
Police department	6,100	6,100	6,100	-
Fire department	93,175	93,175	93,175	-
Total Pension Contributions	242,541	242,541	242,541	-
Social Security	185,873	185,873	186,744	(871)
Workers' Compensation	112,757	145,776	136,238	9,538
Life Insurance	14,000	14,000	6,077	7,923
Health/Dental Insurance	571,234	571,234	571,234	-
Total General Government	2,454,406	2,504,222	2,322,389	181,833
Public Safety:				
Civil Preparedness:				
Emergency management	35,355	35,406	15,614	19,792
Public Safety:				
Street lighting	76,000	76,000	75,160	840
Fire hydrants	220,000	220,000	235,392	(15,392)
Communications	101,907	101,907	101,396	511
Traffic signals	2,300	2,300	2,370	(70)
Total Public Safety	400,207	400,207	414,318	(14,111)
Police Protection:				
Protection and training	17,842	18,103	18,103	-
Resident State trooper	369,250	369,250	362,147	7,103
Harbor patrol	8,300	8,300	6,065	2,235
Police vehicle service	23,500	23,500	23,835	(335)
Constables	282,150	282,150	237,203	44,947
ADV-traffic authority	5,008	5,206	1,296	3,910
Game warden	300	300	-	300
Total Police Protection	706,350	706,809	648,649	58,160
Fire Protection:				
Training	14,495	11,250	10,353	897
Fire prevention	3,000	3,000	2,809	191
Fire protection	188,753	189,623	192,505	(2,882)
Fire station building	57,607	60,607	60,212	395
Fire marshal	20,112	20,112	19,043	1,069
Fire commissioners	772	772	270	502
Open burning official	1,000	1,000	1,000	-
Total Fire Protection	285,739	286,364	286,192	172
Total Public Safety	1,427,651	1,428,786	1,364,773	64,013

... Continued ...

**TOWN OF WESTBROOK, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
... Continued ...**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Works:				
Public Works Department:				
Public works	\$ 364,821	\$ 375,400	\$ 359,161	\$ 16,239
Roads	265,300	269,041	267,820	1,221
Total Public Works Department	<u>630,121</u>	<u>644,441</u>	<u>626,981</u>	<u>17,460</u>
Sanitation and Waste Disposal:				
Water pollution control commission	68,635	68,635	18,063	50,572
Waste disposal engineering	8,000	8,000	-	8,000
Waste collection and disposal	75,000	75,000	54,695	20,305
Landfill	77,529	77,529	62,915	14,614
Total Sanitation and Waste Disposal	<u>229,164</u>	<u>229,164</u>	<u>135,673</u>	<u>93,491</u>
General Engineering	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Municipal Buildings:				
Mulvey center	57,450	57,450	41,394	16,056
Garage	13,500	13,500	6,529	6,971
Academy building	10,800	10,800	5,807	4,993
Riggio	23,660	23,660	21,153	2,507
Town buildings and land	20,790	20,790	13,085	7,705
Mulvey buildings and land	246,095	246,095	225,597	20,498
Total Municipal Buildings	<u>372,295</u>	<u>372,295</u>	<u>313,565</u>	<u>58,730</u>
Equipment Maintenance and Repair	<u>57,150</u>	<u>57,150</u>	<u>63,639</u>	<u>(6,489)</u>
Total Public Works	<u>1,291,730</u>	<u>1,306,050</u>	<u>1,139,858</u>	<u>166,192</u>
Development and Community Affairs:				
Planning and Zoning:				
Planning commission	121,896	122,925	95,561	27,364
Zoning commission	86,617	87,460	75,311	12,149
Zoning board of appeals	12,800	15,800	14,627	1,173
Total Planning and Zoning	<u>221,313</u>	<u>226,185</u>	<u>185,499</u>	<u>40,686</u>
Town Center	<u>5,600</u>	<u>9,420</u>	<u>8,299</u>	<u>1,121</u>
Land Use	<u>74,994</u>	<u>74,994</u>	<u>63,622</u>	<u>11,372</u>
Housing:				
Housing Authority	250	250	-	250
Fair rent	200	200	-	200
Total Housing	<u>450</u>	<u>450</u>	<u>-</u>	<u>450</u>
Conservation Commission	<u>11,565</u>	<u>11,565</u>	<u>10,942</u>	<u>623</u>
Economic Development	<u>8,300</u>	<u>8,300</u>	<u>6,500</u>	<u>1,800</u>

... Continued ...

**TOWN OF WESTBROOK, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
... Continued ...**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Inlands Wetlands	\$ 62,217	\$ 62,998	\$ 50,972	\$ 12,026
Inspections:				
Building inspections	82,806	82,977	80,103	2,874
Harbor Commissions	6,440	6,440	2,084	4,356
Shellfish Commissions	85	85	-	85
Total Development and Community Affairs	473,770	483,414	408,021	75,393
Health and Welfare:				
Health:				
Public health nursing	416,052	421,711	424,504	(2,793)
Sanitarian	119,730	119,730	115,377	4,353
Total Health	535,782	541,441	539,881	1,560
Human Resources:				
Social services	8,300	8,300	8,259	41
Elderly Programs	42,870	43,050	42,886	164
Senior Center	33,894	34,145	33,421	724
Total Human Resources	85,064	85,495	84,566	929
Youth and Family Services	17,300	17,300	17,300	-
Total Health and Welfare	638,146	644,236	641,747	2,489
Culture and Recreation:				
Libraries	355,753	361,338	356,668	4,670
Recreation:				
Recreation administration	110,493	111,387	107,482	3,905
Activities	174,505	174,505	141,989	32,516
Swimming	19,758	19,758	19,498	260
Total Recreation	304,756	305,650	268,969	36,681
Parks	196,200	196,200	187,425	8,775
Total Culture and Recreation	856,709	863,188	813,062	50,126

... Continued ...

**TOWN OF WESTBROOK, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
... Continued ...**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Board of Education	\$ 14,154,967	\$ 14,154,967	\$ 14,148,751	\$ 6,216
Debt Services:				
Bonding Administration Fees	14,550	14,550	88,695	(74,145)
Debt Payment - Interest:				
1992 school bonds	77,490	77,490	77,490	-
1994 school bonds	47,250	47,250	47,250	-
2004 school bonds	335,250	335,250	335,250	-
2004 open space bonds	60,363	60,363	60,362	1
2006 school bonds	29,090	29,090	29,090	-
2006 general purpose bonds	80,604	80,604	80,604	-
2007 middle school bonds	331,406	279,132	180,469	98,663
2007 Library Interest	137,500	115,371	75,500	39,871
Daisy roof - short term interest	10,710	10,710	10,703	7
2010 school refunding	-	52,274	52,274	-
2010 general purpose refunding	-	22,129	22,129	-
Total Debt Payment - Interest	1,109,663	1,109,663	971,121	138,542
Debt Payment - Principal:				
1992 school bonds	630,000	630,000	630,000	-
1994 school bonds	315,000	315,000	315,000	-
2004 school bonds	600,000	600,000	600,000	-
2004 open space bonds	120,000	120,000	120,000	-
2006 school bonds	406,000	406,000	406,000	-
2006 general purpose bonds	154,000	154,000	154,000	-
2007 general purpose bonds	150,000	150,000	150,000	-
Daisy roof - short term principal	200,000	200,000	200,000	-
Total Debt Payment - Principal	2,575,000	2,575,000	2,575,000	-
Total Debt Service	3,699,213	3,699,213	3,634,816	64,397
Total Expenditures	24,996,592	25,084,076	24,473,417	610,659
Other Financing Uses:				
Transfers out - capital nonrecurring fund	174,000	335,415	335,415	-
Transfers out - capital nonrecurring fund	195,000	195,000	195,000	-
Transfers out - assessor's evaluation	20,000	20,000	20,000	-
Transfers out - dog fund	20,000	20,000	20,000	-
Transfers out - insurance fund	10,000	10,000	10,000	-
Total Other Financing Uses	419,000	580,415	580,415	-
Total Expenditures and Other Financing Uses	\$ 25,415,592	\$ 25,664,491	\$ 25,053,832	\$ 610,659

**TOWN OF WESTBROOK, CONNECTICUT
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2011**

Grand List Year	Uncollected Taxes July 1, 2010	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2011
			Additions	Deductions			Taxes	Interest & Lien Fees	Total	
1994	\$ 5,546	\$ -	\$ -	\$ 5,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995	5,576	-	-	-	-	5,576	-	-	-	5,576
1996	5,441	-	-	-	-	5,441	-	-	-	5,441
1997	7,155	-	-	-	-	7,155	-	-	-	7,155
1998	6,302	-	-	-	-	6,302	-	-	-	6,302
1999	8,008	-	-	-	-	8,008	-	-	-	8,008
2000	6,594	-	-	-	-	6,594	-	-	-	6,594
2001	8,118	-	-	114	-	8,004	(114)	-	(114)	8,118
2001	5,361	-	-	16	-	5,345	(16)	-	(16)	5,361
2003	5,600	-	-	-	-	5,600	-	-	-	5,600
2004	34,675	-	-	3,799	-	30,876	2,413	2,411	4,824	28,463
2005	42,035	-	-	3,987	-	38,048	5,737	2,298	8,035	32,311
2006	24,667	-	-	1,162	-	23,505	3,821	1,426	5,247	19,684
2007	55,391	-	-	3,020	-	52,371	9,534	7,123	16,657	42,837
2008	206,421	-	38,208	49,053	-	195,576	116,690	21,026	137,716	78,886
Total										
Prior Years	426,890	-	38,208	66,697	-	398,401	138,065	34,284	172,349	260,336
2009	-	22,903,446	-	10,537	-	22,892,909	22,596,679	64,529	22,661,208	296,230
Total	<u>\$ 426,890</u>	<u>\$ 22,903,446</u>	<u>\$ 38,208</u>	<u>\$ 77,234</u>	<u>\$ -</u>	<u>\$ 23,291,310</u>	<u>\$ 22,734,744</u>	<u>\$ 98,813</u>	22,833,557	<u>\$ 556,566</u>

* Uncollected taxes eliminated pursuant to Section 12-165 of the CT General Statutes.

Property taxes considered available

June 30, 2010	(56,400)
June 30, 2011	<u>78,347</u>

Total Property Tax Revenues \$ 22,855,504

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes.

**TOWN OF WESTBROOK, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds									
	School Cafeteria Fund	Dog Fund	Insurance Fund	Conservation Fund	Open Space Preservation Fund	Westbrook Library Fund	Detention Ponds Fund	Town Improvement Program	Westbrook Nurses Fund	Small Cities Repayment Fund
ASSETS										
Cash	\$ 21,155	\$ 20,628	\$ 57,636	\$ -	\$ 54,120	\$ 109,468	\$ 53,038	\$ -	\$ 9,415	\$ 92,495
Investments	-	-	-	-	-	193,422	-	-	-	-
Receivables:										
Intergovernmental	11,810	-	-	-	-	-	-	-	-	-
Other	1,187	15	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	35,529	2,673	-
Total assets	\$ 34,152	\$ 20,643	\$ 57,636	\$ -	\$ 54,120	\$ 302,890	\$ 53,038	\$ 35,529	\$ 12,088	\$ 92,495
LIABILITIES AND FUND BALANCES										
Liability:										
Accounts payable	\$ 3,659	\$ 6,074	\$ 425	\$ -	\$ -	\$ 539	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	339	-	-	-	-	-	-	-	-
Total Liabilities	3,659	6,413	425	-	-	539	-	-	-	-
Fund Balances:										
Nonspendable	-	-	-	-	-	34,074	-	-	-	-
Restricted	-	14,230	-	-	54,120	268,277	-	35,529	12,088	92,495
Committed	-	-	-	-	-	-	53,038	-	-	-
Assigned	30,493	-	57,211	-	-	-	-	-	-	-
Total fund balance	30,493	14,230	57,211	-	54,120	302,351	53,038	35,529	12,088	92,495
Total liabilities and fund balances	\$ 34,152	\$ 20,643	\$ 57,636	\$ -	\$ 54,120	\$ 302,890	\$ 53,038	\$ 35,529	\$ 12,088	\$ 92,495

... Continued ...

**TOWN OF WESTBROOK, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011
...Continued...**

	Special Revenue Funds									
	DEP Conservation Fund	Recreation Concert Series	Weatherhead Medical Fund	Document Preservation Fund	Family Fun Day Fund	West Beach Playground Fund	Evictions Fund	Social Services Fund	Senior Center Fund	Total
ASSETS										
Cash	\$ 9,134	\$ -	\$ -	\$ 7,128	\$ 4,610	\$ 7,161	\$ 1,173	\$ 23,525	\$ 2,155	\$ 472,841
Investments	-	-	-	-	-	-	-	-	-	193,422
Receivables:										
Intergovernmental	647	-	-	-	-	-	-	-	-	12,457
Other	-	-	-	-	-	-	-	-	-	1,202
Due from other funds	-	2,307	2,509	-	-	-	-	-	-	43,018
Total assets	<u>\$ 9,781</u>	<u>\$ 2,307</u>	<u>\$ 2,509</u>	<u>\$ 7,128</u>	<u>\$ 4,610</u>	<u>\$ 7,161</u>	<u>\$ 1,173</u>	<u>\$ 23,525</u>	<u>\$ 2,155</u>	<u>\$ 722,940</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 240	\$ -	\$ -	\$ -	\$ 1,810	\$ -	\$ -	\$ -	\$ -	12,747
Due to other funds	-	950	-	-	-	-	-	-	-	1,289
Total Liabilities	<u>240</u>	<u>950</u>	<u>-</u>	<u>-</u>	<u>1,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,036</u>
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	34,074
Restricted	9,541	1,357	2,509	7,128	2,800	7,161	1,173	23,525	2,155	534,088
Committed	-	-	-	-	-	-	-	-	-	53,038
Assigned	-	-	-	-	-	-	-	-	-	87,704
Total fund balances	<u>9,541</u>	<u>1,357</u>	<u>2,509</u>	<u>7,128</u>	<u>2,800</u>	<u>7,161</u>	<u>1,173</u>	<u>23,525</u>	<u>2,155</u>	<u>708,904</u>
Total liabilities and fund balances	<u>\$ 9,781</u>	<u>\$ 2,307</u>	<u>\$ 2,509</u>	<u>\$ 7,128</u>	<u>\$ 4,610</u>	<u>\$ 7,161</u>	<u>\$ 1,173</u>	<u>\$ 23,525</u>	<u>\$ 2,155</u>	<u>\$ 722,940</u>

TOWN OF WESTBROOK, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds									
	School Cafeteria Fund	Dog Fund	Insurance Fund	Conservation Fund	Open Space Preservation Fund	Westbrook Library Fund	Detention Ponds Fund	Town Improvement Program	Westbrook Nurses Fund	Small Cities Repayment Fund
Revenues:										
Intergovernmental	\$ 89,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	189,668	1,561	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	8,001	-	-	752	-
Investment income	-	37	78	-	67	9,477	65	-	64	115
Total revenues	279,199	1,598	78	-	67	17,478	65	-	816	115
Expenditures:										
Current:										
General government	-	-	13,507	-	-	-	-	-	-	-
Public safety	-	32,710	-	-	-	-	-	-	-	-
Development and community affairs	-	-	-	298	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	2,184	-
Culture and recreation	-	-	-	-	-	9,790	-	-	-	-
Education	264,637	-	-	-	-	-	-	-	-	-
Total expenditures	264,637	32,710	13,507	298	-	9,790	-	-	2,184	-
Excess (deficiency) of revenues over expenditures	14,562	(31,112)	(13,429)	(298)	67	7,688	65	-	(1,368)	115
Other financing sources:										
Transfers in (out)	-	20,000	10,000	-	-	-	-	-	-	-
Net change in fund balances	14,562	(11,112)	(3,429)	(298)	67	7,688	65	-	(1,368)	115
Fund balances - July 1, 2010	15,931	25,342	60,640	298	54,053	294,663	52,973	35,529	13,456	92,380
Fund balances - June 30, 2011	<u>\$ 30,493</u>	<u>\$ 14,230</u>	<u>\$ 57,211</u>	<u>\$ -</u>	<u>\$ 54,120</u>	<u>\$ 302,351</u>	<u>\$ 53,038</u>	<u>\$ 35,529</u>	<u>\$ 12,088</u>	<u>\$ 92,495</u>

. . . Continued . . .

TOWN OF WESTBROOK, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
... Continued ...

	DEP Conservation Fund	Recreation Concert Series	Weatherhead Medical Fund	Special Revenue Funds						Total
				Document Preservation Fund	Family Fun Day Fund	West Beach Playground Fund	Evictions Fund	Social Services Fund	Senior Center Fund	
Revenues:										
Intergovernmental	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,531
Charges for services	1,995	-	-	1,868	2,410	751	-	-	-	198,253
Contributions	-	-	-	-	-	-	-	30,761	2,155	41,669
Investment income	-	-	-	20	-	11	2	-	-	9,936
Total revenues	1,995	-	-	4,888	2,410	762	2	30,761	2,155	342,389
Expenditures:										
Current:										
General government	-	-	-	16,805	-	-	-	-	-	30,312
Public safety	-	-	-	-	-	-	-	-	-	32,710
Development and community affairs	-	-	-	-	-	-	-	-	-	298
Health and welfare	-	-	-	-	-	-	-	7,236	-	9,420
Culture and recreation	-	-	-	-	3,501	3,274	-	-	-	16,565
Education	-	-	-	-	-	-	-	-	-	264,637
Total expenditures	-	-	-	16,805	3,501	3,274	-	7,236	-	353,942
Excess (deficiency) of revenues over expenditures	1,995	-	-	(11,917)	(1,091)	(2,512)	2	23,525	2,155	(11,553)
Other financing sources (uses):										
Transfers in (out)	-	-	-	-	-	-	-	-	-	30,000
Net change in fund balances	1,995	-	-	(11,917)	(1,091)	(2,512)	2	23,525	2,155	18,447
Fund balances - July 1, 2010	7,546	1,357	2,509	19,045	3,891	9,673	1,171	-	-	690,457
Fund balances - June 30, 2011	\$ 9,541	\$ 1,357	\$ 2,509	\$ 7,128	\$ 2,800	\$ 7,161	\$ 1,173	\$ 23,525	\$ 2,155	\$ 708,904

Fiduciary Funds

Fiduciary funds are used to account for assets held by the town in a trustee capacity for individuals, private organizations or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

**TOWN OF WESTBROOK, CONNECTICUT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>ASSETS</u>				
Cash:				
Student activities	\$ 76,703	\$ 408,181	\$ 393,460	\$ 91,424
Performance bonds	522,717	51,695	318,869	255,543
Total cash	599,420	459,876	712,329	346,967
Investments:				
Student activities	45,220	728	-	45,948
Westbrook library	33,477	26	1,000	32,503
Total investments	78,697	754	1,000	78,451
Accounts receivable - performana bonds	1,000	-	1,000	-
Total Assets	\$ 679,117	\$ 460,630	\$ 714,329	\$ 425,418
<u>LIABILITIES</u>				
Accounts Payable:				
Student activities	\$ 121,923	\$ 408,909	\$ 393,460	\$ 137,372
Performance bonds	523,717	51,695	319,869	255,543
Westbrook library	33,477	26	1,000	32,503
Total Liabilities	\$ 679,117	\$ 460,630	\$ 714,329	\$ 425,418

**TOWN OF WESTBROOK, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2011**

Total Tax Collections (including interest and lien fees)
for the year ended June 30, 2011: \$ 22,833,557

Reimbursement for Revenue Loss:
Tax relief for elderly -

Base for Debt Limitation Computation \$ 22,833,557

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation: (1)					
2 1/4 times base	\$ 51,375,503	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	102,751,007	-	-	-
3 3/4 times base	-	-	85,625,839	-	-
3 1/4 times base	-	-	-	74,209,060	-
3 times base	-	-	-	-	68,500,671
 Total Debt Limitation	<u>51,375,503</u>	<u>102,751,007</u>	<u>85,625,839</u>	<u>74,209,060</u>	<u>68,500,671</u>

Indebtedness:					
Bonds payable	6,810,000	17,500,000	-	-	-
Bond anticipation notes	-	595,000	-	-	-
Authorized and unissued bonds	-	347,697	-	-	-
Less school building grants	-	(429,284)	-	-	-
 Net Indebtedness	<u>6,810,000</u>	<u>18,013,413</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt Limitation in Excess of Outstanding Debt	<u>\$ 44,565,503</u>	<u>\$ 84,737,594</u>	<u>\$ 85,625,839</u>	<u>\$ 74,209,060</u>	<u>\$ 68,500,671</u>
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(1) The total of the above net indebtedness amounts to: \$ 24,823,413

In no event shall total indebtedness exceed seven times the base debt limitation computation: \$ 159,834,899

There is no overlapping debt.

TREND INFORMATION

**TOWN OF WESTBROOK, CONNECTICUT
NET ASSETS BY COMPONENT
LAST SIX YEARS
(UNAUDITED)**

	Fiscal Year Ended					
	2011	2010	2009	2008	2007 As restated	2006
Governmental Activities:						
Invested in capital assets, net of related debt	\$ 31,186,356	\$ 28,949,121	\$ 26,403,626	\$ 24,336,710	\$ 19,771,746	\$ 21,398,285
Restricted for capital projects	-	-	-	399,696	2,806,008	190,918
Restricted for nonexpendable permanent endowments	34,074	34,074	34,074	34,074	-	-
Unrestricted	7,734,747	6,652,732	7,037,766	5,745,262	5,137,018	6,437,602
Total Net Assets	<u>\$ 38,955,177</u>	<u>\$ 35,635,927</u>	<u>\$ 33,475,466</u>	<u>\$ 30,515,742</u>	<u>\$ 27,714,772</u>	<u>\$ 28,026,805</u>

TOWN OF WESTBROOK, CONNECTICUT
CHANGES IN NET ASSETS
LAST SIX YEARS
(UNAUDITED)

	Fiscal Year Ended					
	2011	2010	2009	2008	2007	2006
Expenses:						
Governmental activities:						
General government	\$ 2,652,059	\$ 2,596,749	\$ 2,166,037	\$ 2,062,110	\$ 1,769,310	\$ 1,747,589
Public safety	1,668,253	1,319,021	1,351,058	1,324,685	1,507,560	1,412,971
Public works	241,464	1,162,756	1,139,920	1,143,085	1,522,152	1,176,565
Development and community affairs	405,808	-	-	-	-	-
Health and welfare	651,167	754,837	638,421	557,242	645,645	642,175
Culture and recreation	832,379	846,270	807,707	740,027	728,258	628,710
Education	16,863,986	16,216,398	15,535,704	18,300,874	12,844,223	12,144,473
Interest expense	950,424	1,213,060	1,295,106	1,367,985	1,407,463	1,309,007
Total expenses	24,265,540	24,109,091	22,933,953	25,496,008	20,424,611	19,061,490
Program Revenues:						
Governmental activities:						
Charges for services:						
General government	431,768	523,407	353,356	876,834	525,715	555,726
Public safety	50,719	69,597	34,608	125,835	6,732	7,570
Public works	38,606	45,487	40,528	45,632	43,510	51,603
Health and welfare	489,478	414,741	335,964	362,383	346,992	402,162
Culture and recreation	200,174	233,799	216,471	214,187	213,928	177,414
Education	189,668	191,838	213,911	207,628	212,862	224,499
Operating grants and contributions	2,173,670	2,173,784	2,072,552	5,860,707	1,417,907	1,335,872
Capital grants and contributions	527,923	-	876,718	450,000	45,000	5,445,527
Total program revenues	4,102,006	3,652,653	4,144,108	8,143,206	2,812,646	8,200,373
Net Expenses:						
Governmental activities	(20,163,534)	(20,456,438)	(18,789,845)	(17,352,802)	(17,611,965)	(10,861,117)
General Revenues and Other Changes in Net Assets:						
Governmental activities:						
Property taxes	22,970,748	21,702,816	20,930,232	19,310,767	17,956,139	17,065,027
Grants and contributions not restricted to specific programs	480,546	815,002	595,026	466,731	646,795	608,357
Investment income	31,490	99,081	175,614	376,184	477,088	319,624
Total governmental activities	23,482,784	22,616,899	21,700,872	20,153,682	19,080,022	17,993,008
Change in Net Assets	\$ 3,319,250	\$ 2,160,461	\$ 2,911,027	\$ 2,800,880	\$ 1,468,057	\$ 7,131,891

GOVERNMENT AUDITING STANDARDS

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
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INDEPENDENT AUDITORS' 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*

To the Honorable Members
of the Board of Finance
Town of Westbrook , Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Westbrook, Connecticut (the Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 and correct 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying federal and state schedules of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2011-01 and 2011-02. A significant deficiency is a deficiency, or a 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town, in a separate letter dated January 3, 2012

This report is intended solely for the information and use of management, the Board of Finance, 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.

Seward and Monde

North Haven, Connecticut
January 3, 2012

FEDERAL SINGLE AUDIT

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
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INDEPENDENT AUDITORS' 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

To the Honorable Members
of the Board of Finance
Town of Westbrook, Connecticut

Compliance

We have audited the compliance of the Town of Westbrook, Connecticut (the Town), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Town's major federal 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 federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town of Westbrook, 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 federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal 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 OMB Circular A-133, 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'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 federal program on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control 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 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.

This report is intended solely for the information and use of management, the Board of Finance, 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.

Seward and Monde

North Haven, Connecticut
January 3, 2012

**TOWN OF WESTBROOK, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Agriculture			
Passed through State Department of Education:			
School breakfast program	10.553	12060-20508-82079-2010-170005	\$ 143
School breakfast program	10.553	12060-20508-82079-2011-170005	<u>2,704</u>
Total School Breakfast Program			<u>2,847</u>
Food distribution program	10.555		19,496
National school lunch program	10.555	12060-20560-82079-2010-170005	6,067
National school lunch program	10.555	12060-20560-82079-2011-170005	<u>49,542</u>
Total National school lunch program			<u>75,105</u>
Total U.S. Department of Agriculture			<u>77,952</u>
U.S. Department of Education			
Passed through State Department of Education:			
Title I grants to local educational agencies	84.010	12060-20679-82070-2011-170002	<u>62,869</u>
Improving teacher quality state grants	84.367	12060-20858-84131-2011-170002	<u>23,365</u>
Special education - grants to states		12060-20977-82032-2010-170002	10,516
Special education - grants to states		12060-20977-82032-2011-170002	<u>70,883</u>
Total special education - grants to states	84.027		<u>81,399</u>
Special education - preschool grants	84.173	12060-20983-82032-2011-170002	<u>6,959</u>
ARRA - Special education - grants to states	84.391	12060-29011-82032-2009-170002	<u>94,786</u>
ARRA - Special education - preschool grants	84.392	12060-29012-82032-2009-170002	<u>6,329</u>
ARRA - State fiscal stabilization fund - education state grant	84.394	12060-29012-82032-2009-170002	<u>61,015</u>
Total U.S. Department of Education			<u>336,722</u>
U.S. Department of Energy			
Passed through State Office of Policy and Management:			
ARRA - Energy efficiency & conservation block grant	81.128		<u>41,249</u>
U.S. Department of Justice			
Passed through State Office of Policy and Management:			
ARRA - Edward Byrne memorial justice assistance grant	16.841		<u>2,267</u>
U.S. Department of Homeland Security			
Passed through CT Department of Emergency and Homeland Security:			
Emergency Management Performance Grants	97.042		3,035
Public Assistance Grants	97.036		<u>15,304</u>
Total U.S. Department of Homeland Security			<u>18,339</u>

... Continued ...

TOWN OF WESTBROOK, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011
. . . Continued . .

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Transportation			
Passed through CT Department of Transportation:			
Alcohol Open Container Requirements	20.607		11,554
Highway Planning and Construction	20.205		283
ARRA - Highway Planning and Construction	20.205		<u>407,363</u>
Total U.S. Department of Transportation			<u>419,200</u>
Total Expenditures of Federal Awards			<u>\$ 895,729</u>

See notes to schedule of expenditures of federal awards.

**TOWN OF WESTBROOK, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2011**

1 - Significant Accounting Policy

The accounting policies of the Town of Westbrook, Connecticut conform to U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to Federal awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Westbrook, Connecticut and is presented on the modified accrual basis of accounting and a current financial resources measurement focus. 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 Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

2 - Noncash Federal Awards

The Town received and consumed \$19,496 of USDA donated commodities under the Federal Food Distribution program.

**TOWN OF WESTBROOK, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies)? 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 OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
81.128	ARRA - Energy Efficiency & Conservation Block Grant
20.205	ARRA - Highway Planning and Construction

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

Auditee qualified as low-risk auditee? yes no

TOWN OF WESTBROOK, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
. . . Continued . . .
Year ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS

Our report on internal control over financial reporting indicated the following significant deficiencies:

2011-01 - RISK MANAGEMENT - ASSESSMENT, DOCUMENTATION AND MONITORING

Condition - Those charged with governance have not fully implemented a complete process to assess, document and monitor internal controls.

Criteria - Components of an entity's risk management as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is considered a recognized standard for internal control, states the following:

Enterprise risk management consists of eight interrelated components. These are derived from the way management runs an enterprise and are integrated with the management process. These components are:

- *Internal Environment* - The internal environment encompasses the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.
- *Objective Setting* - Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.
- *Event Identification* - Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channeled back to management's strategy or objective-setting processes.
- *Risk Assessment* - Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.
- *Risk Response* - Management selects risk responses - avoiding, accepting, reducing, or sharing risk - developing a set of actions to align risks with the entity's risk tolerances and risk appetite.

- *Control Activities* - Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.
- *Information and Communication* - Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity.
- *Monitoring* - The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

Context - Control deficiencies and the lack of documentation or evidence of authorized procedures or processes effected for proper internal control including checks and balances continue to exist in the current audit year.

Cause - The Town's capacity for delegating proper risk assessment, control design, documentation and monitoring was limited by part-time positions and budgetary constraints.

Town Action - During fiscal year ended June 30, 2011 a part-time finance director was hired. The finance director along with Town department heads and the Board of Finance have implemented some new policies and procedures regarding risk assessment and internal controls.

However, the absence of a complete internal control process/system over financial reporting continued to exist during our current audit.

We therefore cite this matter again with emphasis on the following recommendation.

Recommendation - We continue to recommend that the overall process for internal control over financial reporting be effected by those charged with governance. We would recommend that the responsibility for the design and operation be centralized along with delegating other primary responsibilities for various aspects amongst board members, management and department heads. This involvement would include the assessment of existing controls, design of controls, documentation of controls, and monitoring controls on a department by department basis.

We recommend that the internal control elements include, among others, the following:

- Documented narrative (also flow chart) of the accounting system and procedures for each department and the Town as a whole and the incorporated internal control features.
- Written job descriptions for each department.
- Written procedural manuals for each department.
- Processing forms, checklists and documents that accompany the flow of transactions/documents from department to department and ultimately to the Finance Department including review and approval by the Department Head, evidenced by sign-off.

- Separation of duties.
- Internal Control Protocols established by the Board of Selectmen and Finance and disseminated accordingly.
- Employee manuals.
- Documented and disseminated fraud policy.
- Conflict of interest statements.
- Written fraud policy, code of ethics and conduct.
- Boards and/or sub committee agendas that would include the discussion of internal control and management information reports that monitor controls.

2011-02 - PURCHASE ORDER (P.O.). SYSTEM

Condition - There is no purchase order system.

Criteria - A purchase order system provides for authorization and scrutiny of intended purchases prior to ordering goods and services and is a good internal control procedure.

Context - Purchases are initiated without a pre approved purchase order.

Effect - Purchases could be made without the proper authorization and oversight from management.

Cause - Not determined

Recommendation - We recommend that the Town implement a purchase order system.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned costs.

STATE SINGLE AUDIT

SEWARD AND MONDE

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INDEPENDENT AUDITORS' 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

To the Honorable Members
of the Board of Finance
Town of Westbrook, Connecticut

Compliance

We have audited the Town of Westbrook, Connecticut 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 Westbrook, 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 Westbrook, Connecticut's management. Our responsibility is to express an opinion on the Town of Westbrook, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Westbrook, 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 Westbrook, Connecticut's compliance with those requirements.

In our opinion, the Town of Westbrook, 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.

Internal Control Over Compliance

The management of the Town of Westbrook, 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 Westbrook, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our 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 Westbrook, 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 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, 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 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.

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

Seward and Monde

North Haven, Connecticut
January 3, 2012

TOWN OF WESTBROOK, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	<u>Expenditures</u>
Department of Education:		
Child Nutrition Program-School Lunch-State Match	11000-SDE64370-16072-82051	\$ 3,524
Healthy Food	11000-SDE64370-16072-82010	7,680
Adult Education	11000-SDE64370-17030	1,924
Youth Service Bureau	11000-SDE64370-17052	14,000
Youth Service Bureau Enhancement	11000-SDE64370-16201	3,300
<u>Office of Policy and Management:</u>		
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17011	638
Property Tax Relief for Elderly Homeowners- Freeze Program	11000-OPM20600-17019	41,739
Property Tax Relief for Veterans	11000-OPM20600-17024	11,476
PILOT-Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	214,436
Department of Environmental Protection:		
Boat Grant	12060-DEP44434-35403	90,568
<u>Department of Transportation:</u>		
Town Aid Road Grants Transportation Fund	12052-DOT57000-43455	28,815
Town Aid Road Grants Transportation Fund	13033-DOT57000-43459	79,242
OPM Westbrook Town Garage	12052-DOT57191-42918	29,890
<u>Connecticut State Library:</u>		
Historic Document Preservation	11000-CSL66094-35150	3,000
State Grants to Public Libraries	11000-CSL66051-17003	1,451
Connecticard Payments	11000-CSL66051-17010	679

. . . Continued . . .

TOWN OF WESTBROOK, CONNECTICUT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011
. . . Continued . . .

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<u>Office of State Comptroller:</u>		
Payment in Lieu of Taxes (PILOT) on State Owned Property	11000-OSC15910-17004	\$ 37,048
<u>Commission on Culture & Tourism:</u>		
Historic Restoration Fund	12060-CAT45241-90455	10,000
<u>Judicial Branch:</u>		
Parking Fines	34001-JUD95162-40001	<u>12,025</u>
Total State Financial Assistance Before Exempt Programs		<u>591,435</u>
Exempt Programs:		
<u>Office of State Comptroller:</u>		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	10,100
<u>Department of Education:</u>		
Transportation of School Children	11000-SDE64370-17027	7,471
Education Cost Sharing	11000-SDE64370-17041	359,279
Special Education: Excess Costs Student Based	11000-SDE64370-17047	30,046
School Construction Projects - Interest Subsidy	13009-SDE64370-40896	32,681
School Construction Projects - Principal Subsidy	13009-SDE64370-40901	<u>318,199</u>
Total Exempt Programs		<u>757,776</u>
Total State Financial Assistance		<u>\$ 1,359,311</u>

See note to schedule.

**TOWN OF WESTBROOK, CONNECTICUT
NOTE TO 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 Westbrook, 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 property tax relief, education, road and highway maintenance, and library.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Westbrook, Connecticut conform to U.S. generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The Government funds and the accompanying Schedule of Expenditures of State Financial assistance are presented on the modified accrual basis of accounting and a current financial resources measurement focus. The following is a summary of such a basis:

- Revenues are recognized when they become both measurable and available.
- Expenditures are recorded when a liability is incurred, except for debt service expenditures, compensated absences expenditures and claims and judgments, which are recorded when payment is due.

The government-wide, proprietary funds, and fiduciary funds financial statements contained in the Town of Westbrook's annual audit report are prepared on the accrual basis of accounting. The following is a summary of such basis:

- Revenues and gains are recognized when earned.
- Expenses and losses are recognized when incurred.

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 WESTBROOK, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported
- Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X 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 X no

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

State Grantor and Program	State Core-CT Number	Expenditures
<u>Office of Policy and Management</u>		
Pilot - Property Tax Relief for Manufacturing and Equipment and Commercial Vehicles	11000-OPM20600-17031	\$ 214,436
<u>Department of Transportation</u>		
Town Aid Road Grants	12052-DOT57000-43455	28,815
Town Aid Road Grants	13033-DOT57000-43459	79,242

- Dollar threshold used to distinguish between type A and type B programs. \$100,000

II. FINANCIAL STATEMENT FINDINGS

Our report on internal control over financial reporting indicated the following significant deficiencies:

2011-01 - RISK MANAGEMENT - ASSESSMENT, DOCUMENTATION AND MONITORING (Repeat 2010-01, 2009-01 & 2008-01)

Condition - Those charged with governance have not fully implemented a complete process to assess, document and monitor internal controls.

Criteria - Components of an entity's risk management as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is considered a recognized standard for internal control, states the following:

Enterprise risk management consists of eight interrelated components. These are derived from the way management runs an enterprise and are integrated with the management process. These components are:

- *Internal Environment* - The internal environment encompasses the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.
- *Objective Setting* - Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.
- *Event Identification* - Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channeled back to management's strategy or objective-setting processes.
- *Risk Assessment* - Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.
- *Risk Response* - Management selects risk responses - avoiding, accepting, reducing, or sharing risk - developing a set of actions to align risks with the entity's risk tolerances and risk appetite.
- *Control Activities* - Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

- *Information and Communication* - Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity.
- *Monitoring* - The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

Context - Control deficiencies and the lack of documentation or evidence of authorized procedures or processes effected for proper internal control including checks and balances continue to exist in the current audit year.

Cause - The Town's capacity for delegating proper risk assessment, control design, documentation and monitoring was limited by part-time positions and budgetary constraints.

Town Action - During fiscal year ended June 30, 2011 a part-time finance director was hired. The finance director along with Town department heads and the Board of Finance have implemented some new policies and procedures regarding risk assessment and internal controls.

However, the absence of a complete internal control process/system over financial reporting continued to exist during our current audit.

We therefore cite this matter again with emphasis on the following recommendation.

Recommendation - We continue to recommend that the overall process for internal control over financial reporting be effected by those charged with governance. We would recommend that the responsibility for the design and operation be centralized along with delegating other primary responsibilities for various aspects amongst board members, management and department heads. This involvement would include the assessment of existing controls, design of controls, documentation of controls, and monitoring controls on a department by department basis.

We recommend that the internal control elements include, among others, the following:

- Documented narrative (also flow chart) of the accounting system and procedures for each department and the Town as a whole and the incorporated internal control features.
- Written job descriptions for each department.
- Written procedural manuals for each department.
- Processing forms, checklists and documents that accompany the flow of transactions/documents from department to department and ultimately to the Finance Department including review and approval by the Department Head, evidenced by sign-off.
- Separation of duties.
- Internal Control Protocols established by the Board of Selectmen and Finance and disseminated accordingly.

- Employee manuals.
- Documented and disseminated fraud policy.
- Conflict of interest statements.
- Written fraud policy, code of ethics and conduct.
- Boards and/or sub committee agendas that would include the discussion of internal control and management information reports that monitor controls.

2011-02 - PURCHASE ORDER (P.O.) SYSTEM (Repeat 2010-04, 2009-04 & 2008-06)

Condition - There is no purchase order system.

Criteria - A purchase order system provides for authorization and scrutiny of intended purchases prior to ordering goods and services and is a good internal control procedure.

Context - Purchases are initiated without a pre approved purchase order.

Effect - Purchases could be made without the proper authorization and oversight from management.

Cause - Not determined

Recommendation - We recommend that the Town implement a purchase order system.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.

TOWN OF WESTBROOK, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011

Finding No. 2008-01 & 2009-01 & 2010-01

Condition: Those charged with governance have not affected an adequate process to assess, document and monitor internal controls.

Current status: Partially corrected, see finding 2011-01.

Finding No. 2008-02 & 2009-02 & 2010-02

Condition: The Town does not maintain a sufficient complement of personnel and appropriate skills, training and specific experience in the selection, application and implementation of generally accepted accounting principles commensurate with financial reporting requirements. This is common to organizations with a small staff.

Current status: The finding has been corrected.

Finding No. 2008-05 & 2009-03 & 2010-03

Condition: We observed that the Town's financial oversight function is presently concentrated as part of the part-time Treasurer's duties, initiated more so by the Treasurer's efforts than by the design of those charged with governance.

Current status: The finding has been corrected.

Finding No. 2008-06 & 2009-04 & 2010-04

Condition: There is no purchase order system.

Current status: See finding 2011-02 in the schedule of findings and questioned costs.