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**From:** Kortze, John [john.kortze@wellsfargoadvisors.com]  
**Sent:** Thursday, February 03, 2011 12:53 PM  
**To:** Susan Marcinek  
**Subject:** FW: 1/27/11 minutes and attachments  
**Attachments:** 1-27-11.rtf; A thru I.pdf; J thru O.pdf

Here's Bruce's email. Please add to correspondence and we'll discuss.

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**From:** Bruce Walczak [mailto:bw.reloconsult@snet.net]  
**Sent:** Thursday, February 03, 2011 10:37 AM  
**To:** Kortze, John; Thomas A Hennick  
**Subject:** FW: 1/27/11 minutes and attachments

John I just read the BOF minutes and your comments, see below.

**COMMUNICATIONS:** A follow up email from Bruce Walczak (Att. A) was submitted regarding email communication between various elected officials and residents discussing business. The original concern Mr. Kortze had stemmed from a conversation he had with Tom Hennick of FOI. The bottom line is it is not appropriate for emails to go back and forth between elected officials and members of the public. Submitted for record were the timeline of Kevin's Community Center (Att. B), a pension fund editorial (Att. C), a Legislative Alert (Att. D) and items Mr. Kortze handed out at the Board of Education meeting with the auditor (Att. E). Mr. Gaston stated that in Mr. Walczak's email notes that even a conversation between two elected officials on the same board can be a violation of the Freedom of Information Act. That is a very limited situation such as if one person was talking to three other people on the board, another person talking to four or five other people on the board, basically collaborating to secure votes, positions or opinions. It is not a violation to have a one on one conversation on issues.

That is not what my email said and not what Tom conveyed to me. Elected officials can dialogue with members of the public and members of other boards all they want and back and forth. The issue is email communications between members of the same board. They can email their position, but should avoid a back and forth email communications with their own board members as this could ripen into a meeting. Please re-read my email and of course feel free to get further clarification from Tom.

Bruce Walczak  
President  
Relocation Consultants, Inc  
P.O. Box 0769, Newtown CT 06470  
203-364-0616  
Fax: 203-549-0479

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**From:** Susan Marcinek [mailto:susan.marcinek@newtown-ct.gov]  
**Sent:** Thursday, February 03, 2011 9:16 AM  
**To:** 'Harry Waterbury'; 'Jim Gaston'; 'Joe Kearney'; 'John Kortze'; 'Marty Gersten'; 'Mike Portnoy'; [ann.benore@newtown-ct.gov](mailto:ann.benore@newtown-ct.gov); 'Barbara Bozemen'; 'Ben Spragg'; 'Bill Furrier'; 'Bob Merola'; 'bruce walczak'; 'Christopher Lagana'; 'Dan Amaral'; 'Dave Grogins'; 'David Nanavaty'; 'Debbie Leidlein'; [debbie.aurelia@newtown-ct.gov](mailto:debbie.aurelia@newtown-ct.gov); 'Dr. Robinson'; 'Elaine McClure'; 'Fran Pennarola'; 'Fred Hurley'; 'Gary Davis'; 'George Ferguson'; 'James Beldon'; 'Jan Andras'; 'Jan Brookes'; 'Jeff Capecci'; 'Kathy Fetchick'; 'Kathy June'; 'Kevin Fitzgerald'; 'Lillian Bittman'; 'Linda Gejda'; 'Linda Zukauskas'; 'Mary Ann Jacob'; 'Pat Llodra'; 'Po Murray'; 'Renee'; 'Richard Gaines'; 'Richard Woycik'; 'Robert Tait'; 'Ron Bienkowski'; 'Will Rodgers'; 'William Hart'  
**Subject:** 1/27/11 minutes and attachments

**Kortze, John**

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**From:** Maggie Conway [ctconway@att.net]  
**Sent:** Sunday, February 13, 2011 10:33 PM  
**To:** Kortze, John  
**Subject:** Fw: Newtown students making a difference  
**Attachments:** Cambodia2.doc

Hi Everyone,

With the craziness of the budget season, I wanted to shift your focus to something more positive that concerns our Newtown High School students. All too often we hear negative news about our students and unfortunately, not enough about the good they do. Therefore, I wanted to share some information about a great project that a group of our students is deeply involved with. It is admirable that this small group of students has embarked on an initiative that will make such an incredibly positive impact on many lives. It was started - and continues to grow - from a living room in Newtown with not many people knowing about it. In fact, the NHS Administration did not know about it until last week. Please feel free to pass this information along to your respective colleagues, friends and school families, and consider joining us for the festivities. Attached please find the details.

Sincerely,

Maggie Conway

# TWO SCHOOLS – ONE SONG

## **Newtown, Connecticut students build a Village School in Cambodia**

A group of Newtown High School (NHS) students inspired by the book, *Half the Sky – Turning Oppression into Opportunity for Women Worldwide* by Nicholas D. Kristof and Sheryl WuDunn, decided to find ways to make a difference. After much research, the students decided to become part of the Rural School Project and raise funds to build a school for children in rural Cambodia. This is an ongoing independent effort not affiliated with NHS. Last year, the high school students held a fundraiser which netted over \$13,000.00, enough to attain their dream in building the school. This was made possible with matching funds from the World Bank and Asian Development Bank. The local students have decided to name their school the **Newtown Village School**.

In December, 2010, construction began in the province of Kampong Thom in Cambodia with an anticipated completion date of April, 2011. The school will have 5 classrooms with the capacity for 100 students, none of whom have ever attended school since they need to help support their families and because schools have not existed in their area. However, the American Assistance for Cambodia will pay a stipend to rural farmers to afford their children the opportunity to attend the school in exchange for their commitment to maintain perfect attendance – females are generally not able to take advantage of this opportunity so this was designed to help them.

The second phase of this project is to fund enhancements for the Newtown Village School. The primary goal this year is to pay for an English teacher, computers, a garden and two drinking wells which will help their entire village, located in a very rural area approximately three hours by car from the capital, Phnom Penh. Part of the enhancements will also help equip the school with solar panels designed to provide enough energy to operate a computer for 4-5 hours a day. In order to achieve this goal, a 2<sup>nd</sup> fundraiser will be held in February, 2011. We invite you to learn more about this project and different ways you can help. Please log on to: [www.cambodiaschools.com](http://www.cambodiaschools.com) and click on Rural School Project - the Newtown Village School is #494.

Please join us on: **Friday, February 25, 2011, 7 p.m. – 11 p.m., at The Fox Hill Inn - 257 Federal Road, Brookfield, CT.**

Donation: **\$75.00 per person** - includes hearty hors d'oeuvres, pasta, a side dish, carving stations and lots of dancing.

Music by: **The Sean Fleming Band** – an excellent band that plays all around the country including Hawaii. <http://seanflemingband.com/>

For Tickets Call: **Kate Sclafani @ 203-426-9729 or Maggie Conway @ 203-426-4774**

All donations are tax deductible. This is an independent effort not affiliated with NHS.

There will be a silent auction (no live auction) and Black Jack tables with “funny money”.

**Join us for this very important cause while enjoying time with friends & neighbors.**

**MOODY'S ASSIGNS Aa1 RATING TO NEWTOWN'S (CT) \$14 MILLION G.O. BONDS AND MIG 1 RATING TO \$10.5 MILLION G.O. BOND ANTICIPATION NOTES**

Aa1 RATING APPLIES TO \$92.2 MILLION OF PARITY DEBT, INCLUDING THE CURRENT ISSUE

Newtown (Town of) CT  
Municipality  
Connecticut

Moody's Rating

Issue	Rating
General Obligation Bonds, Issue of 2011	<b>Aa1</b>
Sale Amount      \$14,020,000	
Expected Sale Date 02/15/11	
Rating Description General Obligation	
Bond Anticipation Notes	<b>MIG 1</b>
Sale Amount      \$10,500,000	
Expected Sale Date 02/15/11	
Rating Description Bond Anticipation Notes	

NEW YORK, February 11, 2011 -- Moody's Investors Service has assigned a Aa1 rating to the Town of Newtown's (CT) \$14 million General Obligation Bonds, Issue of 2011 and a MIG 1 rating to the town's \$10.5 million Bond Anticipation Notes (BANs), dated February 23, 2011 and due February 22, 2012. At this time, Moody's has also affirmed the Aa1 rating on the town's \$77.4 million in outstanding general obligation bonds. The bonds are secured by the town's general obligation, unlimited tax pledge.

**RATINGS RATIONALE**

The Aa1 rating reflects the town's sizeable equalized net grand list with above average wealth characteristics and manageable debt position. The rating also factors the town's well managed financial position which has experienced reserve reductions over the past two fiscal year. Assignment of the MIG 1 rating reflects our expectation that the town will be able to refinance the notes at their February 22, 2012 maturity, given the town's strong underlying credit quality and history of favorable market access.

Proceeds from bond sale will fund various municipal capital improvements including \$10 million for high school renovations. The notes will also finance school improvement projects, including \$10 million for the high school.

**SHORT-TERM RATING REFLECTS EXPECTATION OF MARKET ACCESS AT MATURITY**

Newtown demonstrates a favorable history of access to the capital markets. The

town received 7 bids on its most recent note sale in February 2010. All bids were received from regional and national financial institutions. Moody's expects the town will continue to experience favorable market access and successfully refinance the notes, if necessary, at their February 2012 maturity.

#### STRENGTHS

- Stable tax base and strong demographic profile
- Financial position guided by formal policies
- Well funded pension plans and pro-active OPEB funding.

#### CHALLENGES

- Recent General Fund balance draws has reduced reserve position to levels below similarly rated municipalities

#### DETAILED CREDIT DISCUSSION

##### RESERVE POSITION WEAKENS FOLLOW FUND BALANCE DRAWDOWNS; RESERVES REMAIN WITHIN FORMAL POLICY GUIDELINES

Newtown's financial position is down from historical levels following budgeted General Fund balance reductions in fiscal years 2009 and 2010. The town fully utilized its budgeted \$2 million fund balance appropriation in fiscal 2010 reducing its unreserved General Fund balance to 8% of revenues. This represents a recent low for the town which had maintained an available reserve position as high as 14% in fiscal 2006. The town's reserve position remains in compliance with its formal policy which calls for unreserved General Fund balance to be maintained between 5% and 16% of budget however it trails the 11% Aa1 median for Connecticut municipalities. The town's ability to stabilize its reserve position at levels consistent with its current rating category will be an important consideration in future rating reviews.

The adopted fiscal 2011 budget reflects a 1.3% increase over the prior year's budget. The budget is balanced primarily with a 2.44% tax rate increase and incorporates a \$1 million General Fund balance appropriation. Positively, the level of fund balance applied as a revenue source is down from over \$3 million in 2008 and the town expects to eliminate the use of fund balance in the fiscal 2012 budget. Slightly more than halfway through the fiscal year the town expects another reserve reduction as positive variances are projected to fall short of fully replenishing the fund balance appropriation. The town expects to remain in compliance with its fund balance policy.

As of July 1, 2010, the town's police pension system was 89% funded and the combined selectman and board of education pension plan was funded at 97%.

While still strong the funded ratio's are down from 98% and 107% in 2008 due to market losses. The town continues to fund 100% of its annual required pension contributions (ARC). The town's other post retirement benefits (OPEB) actuarial liability is a relatively modest \$3.7 million with a \$430,000 ARC. The town has established a trust to pre-fund the liability and funded 113% of the ARC in fiscal 2010.

#### TAX BASE EXPECTED TO REMAIN; HEALTHY WEALTH INDICATORS

Moody's believes growth in Newtown's sizeable \$5.0 billion equalized net grand list (ENGL) will continue to lag historic levels reflecting the slow pace of economic recovery in the region. The town, located in Fairfield County along Interstate 84, is in close proximity to major employment centers including New York City (rated Aa2/stable outlook), Stamford, CT (rated Aa1), and Norwalk, CT (rated Aaa). The primarily residential tax base (81% of assessed value) expanded at a five-year average annual rate of 1.6%. This rate of growth is down from 6.6% in 2009 reflecting slower building activity due to economic conditions. Assessed values experienced a modest 0.1% reduction between fiscal years 2010 and 2011, reflecting reclassified land values and lower motor vehicle assessments. The town anticipates assessed values to remain stable over the near term as residential home value declines are offset by the value of new property. Future grand list and employment growth is expected to be supported, in part, by renovations to a former Pitney Bowes facility by Advanced Fusion Systems, expected to be completed this spring. The project is expected to include a 30,800 sq. ft. addition and the town expects the company to add over 200 research and development jobs over the near-term. Additionally, looking ahead, the town has approved the construction of 132 age restricted homes and 45 independent living condominiums for the Woods and Newtown project as well as several other new mixed use and office buildings.

Notably, the town has a non-taxable 600 inmate correctional facility within its boundaries. Even when including the inmate population, the town's per capita (PCI) income is a strong of \$37,786 (175% of the U.S.). Further, though slightly skewed downward by the presence of the tax-exempt correctional facility, the ENGL per capita of \$187,688 still exceeds the median for similarly-rated communities.

#### MANAGEABLE DEBT BURDEN

Moody's believes the town's moderate debt position will remain manageable given the town's above-average amortization of principal, state school building assistance, and prudent debt policy. Incorporating this issue, the town's direct debt position is an above average 2.0% of equalized net grand list, compared to the 1.0% national average. However, the town's rate of principal amortization remains favorable with 75% retired within 10 years and the town expects to remain in line with its debt policy which calls for debt service not to exceed 10% of budget. Debt service represented 9.6% of expenditure in 2010. The town maintains a comprehensive five-year, \$34.9

million capital improvement plan of which \$26.6 million is expected to be funded through borrowing and \$7 million through pay-as-you-go funding. The plan calls for \$1.6 million of bond funded projects in fiscal 2012 followed by \$5.2 million the subsequent fiscal year. All outstanding debt is fixed rate and the town is not party to any derivative agreements.

What could make the rating change - UP

- Improvement to the town's financial position
- Strengthening of tax base and demographic profile

What could make the rating change - DOWN

- Protracted structural budget imbalance
- Depletion of General Fund balance
- Deterioration of the town's tax base and demographic profile

#### KEY STATISTICS:

2000 Census Population: 25,031

2010 Equalized net grand list: \$5.0 billion

2010 Equalized net grand list per capita: \$187,688

1999 Per Capita Income: \$37,786 (131% of the state, 175% of the U.S.)

1999 Median Family Income: \$99,192 (151% of the state, 198% of the U.S.)

2010 General Fund Balance: \$9.2 million (9.3% of General Fund revenues)

2010 Undesignated General Fund Balance: \$6.9 million (7% of General Fund revenues)

Direct Debt Ratio: 2.0% of equalized net grand list

Adjusted Debt Ratio: 1.8% of equalized net grand list

Payout of Principal in 10 Years: 75%

Post-closing Parity Debt Outstanding: \$92.2 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments, published in October 2009.

## REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, and public information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

### ANALYSTS:

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### CONTACTS:

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Moody's Investors Service  
250 Greenwich Street  
New York, NY 10007



# Global Credit Portal

## RatingsDirect®

February 14, 2011

### Summary:

## Newtown, Connecticut; General Obligation; Note

#### Primary Credit Analyst:

Hilary A Sutton, New York 212-438-7093; hilary\_sutton@standardandpoors.com

#### Secondary Contact:

Linda Yip, New York (1) 212-438-2036; linda\_yip@standardandpoors.com

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Rationale

Outlook

Related Criteria And Research

**Summary:**

# Newtown, Connecticut; General Obligation; Note

## Credit Profile

US\$14.02 mil GO bnds ser 2011 dtd 02/15/2011 due 02/15/2012-2031

<i>Long Term Rating</i>	AA+/Stable	New
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US\$10.5 mil GO BANs dtd 02/23/2011 due 02/22/2012

<i>Short Term Rating</i>	SP-1+	New
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Newtown GO

<i>Long Term Rating</i>	AA+/Stable	Affirmed
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## Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating, and stable outlook, to Newtown, Conn.'s issue of 2011 general obligation (GO) bonds and affirmed its 'AA+' rating, with a stable outlook, on the town's existing GO debt. At the same time, Standard & Poor's assigned its 'SP1+' rating to the town's \$10.5 million GO bond anticipation notes (BANs).

The 'AA+' rating reflects our assessment of the town's:

- Affluent community with access to regional employment centers in the county, as well as New York City;
- Extremely strong property wealth levels;
- History of sound financial operations; and
- Low-to-moderate debt burden.

The town's full faith and credit pledge secures the GO bonds and BANs. Officials have indicated they plan to use bond and BAN proceeds to finance various capital projects.

Newtown is in Fairfield County in southwestern Connecticut. Its population increased 7% from the 2000 census to a current estimate of 26,800. Interstate 84 and U.S. routes 6 and 302 traverse the town, providing residents with easy access to employment centers in the county and New York. Newtown Board of Education is the leading local employer with 796 employees. Other leading local employers include the Masonicare of Newtown nursing home (315 employees) and a state prison (294 employees). Most of the town's residents commute into other parts of the county and Westchester County in New York State for employment. Given the town's access to a variety of employment centers, town unemployment averaged 6.3% in 2009, lower than state and national rates. Median household effective buying income is, in our opinion, very strong, accounting for 200% of the national average.

The city's net taxable grand list totaled \$3.9 billion as of Oct. 1, 2010, having declined 0.2% year-over-year in 2008 and 0.1% in 2009 before increasing 0.6% in 2010. The estimated full value of \$5.6 billion is extremely strong, in our view, at about \$210,000 per capita. Little concentration exists in the taxpayer base with the 10 leading taxpayers accounting for, in our view, a very diverse 3% of net taxable grand list.

Financial operations over the past three fiscal years have been, in our opinion, sound with the town maintaining an unreserved general fund balance in excess of 7% of expenditures. Despite a general fund drawdown of \$2.0 million in fiscal 2010, the town ended the fiscal year with an unreserved general fund balance of \$7.9 million, or, in our opinion, a good 7.4% of expenditures. Management attributes the drawdown to reduction in intergovernmental revenues. Property taxes and intergovernmental revenue account for 87% and 11% of general fund revenue respectively. In anticipation of additional, but smaller, state revenue cuts in fiscal 2011, management budgeted for a \$1 million use of fund balance to help balance operations.

We consider the town of Newtown's management practices strong under Standard & Poor's Financial Management Assessment (FMA). An FMA of strong indicates our view that practices are strong, well embedded and likely sustainable.

The town's overall net debt burden is in our view moderate at roughly \$3,400 per capita and low at 1.6% of market value. We consider carrying charges moderate at 12% of fiscal 2010 expenditures. The town's five-year capital improvement plan totals \$35 million; \$27 million is expected to be debt funded.

## Outlook

The stable outlook reflects Standard & Poor's view of the town's stable local economy with access to stronger economic centers in the county and New York State. Despite additional pressures from further state revenue reductions and capital needs, we believe the town should continue to maintain its good financial position and sustainable debt burden.

## Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Short-Term Debt, June 15, 2007

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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BoS  
Feb 7, 2011

Set debt load at 9% of operating budget by year 5 of the CIP (2015-2016)

- Reduce bonding from \$30 million to \$20 million

Note:

*Amount available for CIP projects in year 6,7, and 8 is limited*

Year 6: \$5,000,000

Year 7: \$5,000,000

Year 8: \$10,000,000

*If a \$10 million reduction in year 5 of this CIP is then distributed to year 6 and 7, all available money for projects is used up through 2017-2018*

BoS task.....

Confirm/communicate priorities.

React/respond with recommendations regarding the goal of reducing the debt to 9% of the operating budget.

**TOWN OF NEWTOWN  
COMBINED BOS - BOE CIP (2011 - 2012 TO 2015 - 2016) - SEPTEMBER, 2010**

RANK		2011 - 2012 (YEAR ONE)			Proposed Funding			
		Dept.	Amount Requested	Bonding	Grants	General Fund	Other	
<b>BOARD OF SELECTMEN</b>								
1	Bridge Replacement (Poverty Hollow Road)	PW	430,000	430,000				
1	Capital Road Program	PW	1,500,000			1,500,000		
2	Newtown H & L Fire House Construction	FIRE	500,000	500,000				
3	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000				
4	FFH Infrastructure	FFH	350,000	350,000				
<b>BOARD OF EDUCATION</b>								
1	Hawley HVAC Renovations - Design	BOE	350,000	350,000				
			<u>3,330,000</u>	<u>1,830,000</u>		<u>1,500,000</u>		
RANK		2012 - 2013 (YEAR TWO)			Proposed Funding			
		Dept.	Amount Requested	Bonding	Grants	General Fund	Other	
<b>BOARD OF SELECTMEN</b>								
1	Bridge Replacement (Brushy Hill Road)	PW	315,000	315,000				
1	Capital Road Program	PW	1,500,000			1,500,000		
2	Newtown H & L Fire House Construction	FIRE	500,000	500,000				
3	Dickinson Playground / Sprayground	P & R	750,000	750,000				
3	Dickinson Park Bath House / Concession Stand	P & R						
4	Infrastructure Renovations Treadwell Park	P & R	350,000	350,000				
5	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000				
<b>BOARD OF EDUCATION</b>								
1	Hawley HVAC Renovations - Phase I	BOE	3,000,000	3,000,000				
2	High School Auditorium Improvement Project	BOE	100,000	100,000				
			<u>6,715,000</u>	<u>5,215,000</u>		<u>1,500,000</u>		
RANK		2013 - 2014 (YEAR THREE)			Proposed Funding			
		Dept.	Amount Requested	Bonding	Grants	General Fund	Other	
<b>BOARD OF SELECTMEN</b>								
1	Bridge Replacement (Meadow Brook Road)	PW	355,000	355,000				
1	Capital Road Program	PW	1,500,000			1,500,000		
2	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000				
3	FFH Sidewalks, Roads & Storm Drains	FFH	450,000	450,000				
4	FFH Utility Infrastructure Phase I	FFH	300,000	300,000				
5	Open Space Acquisition Program	LAND USE	1,500,000	1,500,000				
6	Addition To Fire House Sub-Station	FIRE	375,000	375,000				
-	Artificial Turf Replacement at Treadwell Field	P & R	500,000				500,000	
<b>BOARD OF EDUCATION</b>								
1	Hawley HVAC Renovations - Phase II	BOE	2,200,000	2,200,000				
2	Middle School Improvements Project - Design	BOE	630,000	630,000				
3	High School Auditorium Improvement Project	BOE	1,339,338	1,339,338				
			<u>9,349,338</u>	<u>7,349,338</u>		<u>1,500,000</u>	<u>500,000</u>	
RANK		2014 - 2015 (YEAR FOUR)			Proposed Funding			
		Dept.	Amount Requested	Bonding	Grants	General Fund	Other	
<b>BOARD OF SELECTMEN</b>								
1	Bridge Replacement (Jacklin Road)	PW	265,000	265,000				
1	Capital Road Program	PW	1,500,000			1,500,000		
2	FFH Walking Trails Phase II	FFH	250,000	250,000				
3	Replacement of Fire Tankers (2)	FIRE	700,000	400,000			300,000	
4	Open Space Acquisition Program	LAND USE	1,000,000	1,000,000				
5	Community Center Design Phase	P & R	700,000	700,000				
6	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000				
<b>BOARD OF EDUCATION</b>								
1	Hawley HVAC Renovations - Phase III	BOE	1,600,000	1,600,000				
2	Middle School Improvements Project - Phase I	BOE	2,070,000	2,070,000				
			<u>8,285,000</u>	<u>6,485,000</u>		<u>1,500,000</u>	<u>300,000</u>	
RANK		2015 - 2016 (YEAR FIVE)			Proposed Funding			
		Dept.	Amount Requested	Bonding	Grants	General Fund	Other	
<b>BOARD OF SELECTMEN</b>								
1	Bridge Replacement (one bridge)	PW	414,000	414,000				
1	Capital Road Program	PW	1,500,000			1,500,000		
2	Replacement of Fire Tanker (#9) & Engine (#111)	FIRE	975,000	800,000			175,000	
3	Open Space Acquisition Program	LAND USE	1,000,000	1,000,000				
4	FFH Building Demolition	FFH	6,000,000	6,000,000				
5	FFH Complete Walking Trails	FFH	513,804	513,804				
6	Community Center Construction Phase	P & R	15,000,000	15,000,000				
7	Bath House/Concession Stand at Eichlers Cove	P & R	425,000	425,000				
8	Police/Communications Facility	POLICE	800,000	800,000				
9	Newtown Technology Park	ECON DEV	815,000	725,000	90,000			
10	Hawleyville Sewer Extension	ECON DEV	5,000,000				5,000,000	
<b>BOARD OF EDUCATION</b>								
1	Middle School Improvements Project - Phase II	BOE	4,805,000	4,805,000				
			<u>37,247,804</u>	<u>30,482,804</u>	<u>90,000</u>	<u>1,500,000</u>	<u>5,175,000</u>	
<b>GRAND TOTALS</b>			<u>64,926,942</u>	<u>51,361,942</u>	<u>90,000</u>	<u>7,500,000</u>	<u>5,975,000</u>	

1

**TOWN OF NEWTOWN**  
**ESTIMATED AMOUNT AVAILABLE FOR CIP PROJECTS**  
**2011-12 TO 2015-16 CIP; 5th YEAR AND EXTENDING OUT TO THE 6th, 7th & 8th YEARS**  
**(using a cap of 9% debt service to total budget)**

<u>5th Year</u> (2015-16)	<u>6th Year</u> (2016-17)	<u>7th Year</u> (2017-18)	<u>8th Year</u> (2018-19)
\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ 10,000,000

Estimated Amount Available for Projects (bonding)  
 (assuming a 9% debt cap)

Possible Project Scenarios:

- Bridge Replacement
- Fire Tanker (#9) & Engine (#111) Repl.
- Open Space Acquisition Program
- FFH Building Demolition
- FFH Walking Trails
- Community Center Construction
- Bath House/Concession Stand (Eichler's)
- Police/Communications Facility
- Newtown Technology Park
- Middle School Improvements - Phase II

\$ 414,000
\$ 800,000
\$ 1,000,000
\$ 6,000,000
\$ 515,000
\$ 5,000,000
\$ 425,000
\$ 800,000
\$ 725,000
\$ 4,321,000

\$ 5,000,000

\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ -
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2

**TOWN OF NEWTOWN**  
**ESTIMATED AMOUNT AVAILABLE FOR CIP PROJECTS**  
**2011-12 TO 2015-16 CIP; 5th YEAR AND EXTENDING OUT TO THE 6th, 7th & 8th YEARS**  
 (using a cap of 9% debt service to total budget)

<u>5th Year</u> (2015-16)	<u>6th Year</u> (2016-17)	<u>7th Year</u> (2017-18)	<u>8th Year</u> (2018-19)
\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ 10,000,000

Estimated Amount Available for Projects (bonding)  
 (assuming a 9% debt cap)

Possible Project Scenerios:

- Bridge Replacement
- Fire Tanker (#9) & Engine (#111) Repl.
- Open Space Acquisition Program
- FFH Building Demolition
- FFH Walking Trails
- Community Center Construction
- Bath House/Concession Stand (Eichler's)
- Police/Communications Facility
- Newtown Technology Park
- Middle School Improvements - Phase II

\$ 414,000			
\$ 800,000			
\$ 1,000,000			
\$ 4,000,000			
\$ 515,000			
\$ 9,000,000	\$ 5,000,000		
\$ 425,000			
\$ 800,000		\$ 5,000,000	
\$ 725,000			
\$ 2,321,000			
\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ -



1	Bridge replacement	\$414,000
2	Fire Tanker and Engine	\$800,000
3	Open Space	\$1,000,000
4	FFH Building Demo	\$6,000,000
5	FFH Walking Trails	\$513,000
6	Comm. Center	\$15,000,000
7	{ Bath House/Concession Eichler's Cove	\$425,000
8	Police Facility	\$800,000
9	Tech Park	\$725,000
/	MS Improvements	\$4,805,000



Business Advisors and Certified Public Accountants

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Farmington, CT 06032-2571

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Web: [www.kostin.com](http://www.kostin.com)

Legislative Council  
Town of Newtown, Connecticut

We have audited the basic financial statements of the Town of Newtown, Connecticut, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 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 noted other matters involving the internal control over financial reporting and its operation that we are reporting to the management of the Town in the attached Recommendations to Management.

This report is intended solely for the information and use of management, the Legislative Council, Federal/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.

*Kostin, Ruffkess & Company, LLC*

Farmington, Connecticut  
November 9, 2010

**Members of:**

Leading Edge Alliance • Kreston International • American Institute of Certified Public Accountants

*An Equal Opportunity Employer*



**TOWN OF NEWTOWN, CONNECTICUT**

RECOMMENDATIONS TO MANAGEMENT  
FOR THE YEAR ENDED JUNE 30, 2010

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We present for your consideration our comments and recommendations relating to the internal control and other operating and administrative matters, which came to our attention during the course of our audit. Comments and recommendations being repeated from the prior year's audit are identified by an "\*".

**TOWN**

1. \* POLICIES AND PROCEDURES

CONDITION:

The Town does not have formally documented accounting procedures and policies which notate job responsibilities within the Town departments.

CAUSE & EFFECT:

The lack of formally documented policies and procedures can create an environment where expectations and responsibilities are not clearly understood, communicated, monitored and evaluated. Under such conditions, certain job duties could be omitted, or performed improperly, which could create material misstatements in the financial report.

RECOMMENDATION:

A policies and procedures manual is currently being drafted. We recommend the Town continue towards completion of documenting its departmental responsibilities, as well as all individual employee's roles and job duties. Documentation should be formal so that it can be used in case of employee changes.

2. \* JOURNAL ENTRIES

CONDITION:

During our testing we noted that not all non-standard journal entries were approved.

CAUSE & EFFECT:

There is an increased risk of improper entries and manipulation of the financial statements when entries can be made without approval.

RECOMMENDATION:

We recommend all non-standard journal entries are approved by an employee at least one level above the employee making the journal entry.



TOWN OF NEWTOWN  
RECOMMENDATIONS TO MANAGEMENT

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**INFORMATION TECHNOLOGY**

We performed a review the Town and Board's information technology system for the purpose of obtaining an understanding necessary to perform out audit.

Based upon that review, we provide to the IT Department our recommendations for any improvements. Due to the sensitive nature of such comments, they are not presented in this report.

**BOARD OF EDUCATION**

1. **GENERAL LEDGER**

**CONDITION:**

Various fund accounting records are maintained on a manual basis and are not under general ledger control.

**CAUSE & EFFECT:**

General ledger control encompasses the recording of all transactions utilizing double entry procedures. Assets, liabilities, along with revenue and expenditure activity should all be recorded and controlled by the general ledger. Although expenditures transactions are currently processed through the computer system, the remainder of the general ledger accounting is done outside the general ledger software. The result of maintaining these accounts outside of the general ledger system the loss of general ledger controls and efficiency in the process of recording, controlling, monitoring and preparation of financial statement and other reports.

**RECOMMENDATION:**

We recommend development of automated systems, including general ledger accounting control, for all funds. The system should be structured to facilitate systematic processing of all financial data. A common account structure will ensure financial reporting consistency between funds.

2. **GRANTS**

**CONDITION:**

The drawdown request for grants are prepared and submitted without management review or approval.

**CAUSE & EFFECT:**

In order to ensure that grant requirements regarding drawn downs are properly met, proper procedures would include review and approval by management.

**RECOMMENDATION:**

We recommend that either the Grants Manager or Business Manager review the requests prior to submission to the granting agencies.



TOWN OF NEWTOWN  
RECOMMENDATIONS TO MANAGEMENT

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**BOARD OF EDUCATION**

3. BUDGET TRANSFERS

CONDITION:

The Business Office did not submit budget transfers to Board of Education as required by State Statutes and Board policy.

The Board policy, which is in accordance with State Statutes, requires that budget transfers between objects be approved by the Board of Education. The Board policy provides that management is authorized to make and approve transfers within object codes.

CAUSE & EFFECT:

The cause is unknown. The effect is that Board of Education, is not in compliance with the State Statutes and Board policy regarding approval of budget transfers

RECOMMENDATION:

We recommend that the Business Office begin submitting budget transfers to the Board of Education as required by State Statutes and Board policy.

Follow-up on Prior Year's Recommendations

The following comments and recommendations from the prior year's audit are not being repeated, since the Town has implemented procedures to rectify the situations:

- A investment policy was developed
- Actuarial assumptions were reviewed and approved by management

NEWTOWN MUNICIPAL CENTER  
3 PRIMROSE STREET  
NEWTOWN, CT 06470



John W. Kortze, Chairman  
James O. Gaston, Vice Chairman  
Joseph W. Kearney  
Michael E. Portnoy  
Martin J. Gersten  
Harrison A. Waterbury

[www.newtown-ct.gov](http://www.newtown-ct.gov)

*Robert Tait, Finance Director*

## TOWN OF NEWTOWN BOARD OF FINANCE

To: Legislative Council, Town of Newtown  
From: Board of Finance, Town of Newtown  
Subject: Referral of auditor's management letter and requesting input regarding Board of Education transfers  
Date: February 14, 2011

The Legislative Council has requested input regarding the most recent management letter contained in the Town of Newtown 2009-2010 audit report regarding transfers. The Board of Finance has been discussing the issue of Board of Education transfers for some time and brought it to the forefront more recently as a result of the Board of Education changing its standing practice of reporting on transfers. In September of 2009, the Board of Education acted on a motion that required transfers only in the event of "error or correction" (see attachment). This action apparently did not change the current standing policy of approving transfers but will arguably complicate the matter. Shortly following that action, the Board of Finance officially requested that the Board of Education revert to their standing policy on transfers and perform them according to that policy. The primary reasons were for clarity and financial controls, but also to comply with existing Board of Education policy, town charter and state statute.

The Board of Finance supports the Board of Education policy of "encumbrance based" budgeting as presently employed but should be coupled with performing transfers as a matter of practice. As a result, the Board of Finance would recommend the following actions:

- 1) The Board of Education return to performing transfers as a standing practice as outlined in their current policy, town charter and state statute.
- 2) The Board of Education revisit its 2009 -2010 year end financial report and correct the three items, or object codes, that ended the fiscal year in deficit to return to compliance as recommended by the town auditor.
- 3) The Board of Education revisit the motion made in September 2009 (minutes attached) requiring the board to approve transfers only for "errors and corrections" and at a minimum, reverse the motion and abide by the current policy absent the change.
- 4) The Board of Education should consider instituting a policy of financial controls that is more detailed than "object code". Perhaps extending the transfer threshold to a line item of a certain amount or greater. This would provide more transparency and clarity as well as oversight of spending. Currently "object codes" vary greatly in amounts and because current policy provides an amount or percentage threshold (or greater) for transfers, this creates inconsistency with transfer amounts. For example, the salary object is dramatically larger than supplies and could render a substantially larger transfer without oversight of the Board of Education.
- 5) The Board of Education, as recommended by the auditor, perform and approve transfers as a matter of practice prior to expending the funds as allowed by current policy.

The Board of Finance, as allowed by charter, has the authority to institute regulations and reporting practices with the approval of the Legislative Council. However, we understand and respect the Board of Education's role and autonomy and recommend that they implement practices consistent with existing requirements including the above mentioned items.

Respectfully Submitted,

Board of Finance, Town of Newtown

Attachments:

- 1) Town of Newtown Charter reference, Board of Education policy, Ct. State Statute reference, Kostin Rufkess & Company management letter, Shipman & Goodwin/Tom Moony memo 9/2010
- 2) Minutes of Board of Education September 2009 meeting
- 3) St of CT dept of OPM email from William Plummer
- 4) Town Attorney, David Grogins opinion

Minutes of November 4, 2009:

Mrs. Bittman asked for a report from Mrs. Raymo on what was discussed at the finance committee meeting including the new financial report form.

\*\*\*Members of the Finance Committee include Lillian Bittman, Bill Hart, Elaine McClure

Minutes of November 17, 2009:

Outline Budget Process/Restructure Monthly Financial Report:

Mrs. Raymo spoke about the new format for the financial report. Two columns added to the report are Anticipated Obligations and Projected Balance. Anticipated obligations provides a method to forecast expense category fund balances that have not been approved but are anticipated to be expended or remain with an account balance to maintain the budget funding level.

Minutes of September 7, 2010:

Item 5 – New Business Transfers: MOTION: Mrs. Bittman moved that as proposed by the Board of Education Finance Committee last fall and subsequently used during most of FY2009-2010, that the Newtown Board of Education officially move to an encumbrance financial reporting system, employing transfers only in the event of error or correction, giving Board of Education financial statements more clarity, accessibility, and easy-to-understand year- to-year accountability. Mr. Gaines seconded.

Mrs. Bittman said we should finalize this. The finance committee decided this last year to give us clarity

Mrs. Fetchick said the state statutes say that if there are transfers they have to be stated and not approved by the board only if there is an emergency. Transfers allow us to have a discussion about where the money is coming from and going to.

Mrs. Bittman said we encumbered this year instead of using transfers. Mr. Hart said the state allows us to define transfers as broadly as we like. There isn't a requirement that we transfer at the micro level. The state requires we stay within our budget amount.

Mr. Nanavaty said the Board of Finance wanted monthly reports and commented on where we moved money. The encumbrance system is transparent. The transfers occur in the final report at the end of the fiscal year.

Mr. Bienkowski said there are circumstances that increase the budget. Our policy says transfers have to exceed a 5% negative balance. He was in another district that didn't do transfers and approved making the change.

Mrs. Bittman said when Mr. Bienkowski puts the budget together it will show what was actually spent last year. That's the intent of the motion.

Mrs. Leidlein asked if we could do both. We have a responsibility to the money being spent. Mr. Nanavaty stated the timing of the statute is at the end of the fiscal year. Mr. Nanavaty asked to move the question.

Mrs. Leidlein asked to have the motion re-read and asked if the motion violated our policy. Mrs.



Leidlein asked why we had been doing our accounting this way for the fiscal year 2009-2010 if we had not voted on changing it.

Vote:

Mr. Lagana – yes

Mr. Gaines – yes

Mrs. Bittman – yes

Mr. Nanavaty – yes

Mrs. Leidlein – nay

Mrs. Fetchick – nay

Mr. Hart – yes

The motion passed.

Town Charter:

6-90

(f) Neither the Board of Selectmen nor the Board of Education shall draw any order upon the Financial Director unless there is sufficient money appropriated to pay for the object for which such order is drawn and each order shall designate the object

28

for and the account upon which it is drawn. Said Financial Director shall not pay any order unless there are sufficient funds appropriated and available for such object. This section shall not limit in any way the power of the Board of Education to make transfers within its own budget. The Board of Education shall report transfers within its budget in writing monthly to the Financial Director.

BOE Policies:

### BUDGET TRANSFERS

In accordance with Connecticut General Statutes 10-222, the Newtown Board of Education shall prepare an itemized estimate of its budget each year for submission to the Board of Finance and the Legislative Council for review and appropriation. Such budget estimate shall include, but is not limited to, the following major object line item categories:

Salaries

Employee Benefits

Purchased Professional Services

Purchased Property Services

Other Purchased Services

Supplies

Property

Other

Following the annual appropriation, the Board of Education shall meet and revise such itemized estimate, if necessary, and adopt a final appropriated budget for the year. Line items in the budget may be allocated more specifically by the superintendent or his designee in the development, administration and monitoring of the budget.

The superintendent and/or his designee shall be responsible for administering and monitoring the budget through the course of the year. The superintendent or his designee shall maintain a system of appropriate expenditures and encumbrance accounting that is organized to conform to the requirements for State and Federal accounting reports. A budget report shall be prepared in the same format as the annual object detail budget amount, transfers, expenditure to date, encumbered amounts, and current balance.

Such budget report shall be presented to the Board of Education at the regularly scheduled meeting in the month following the period for which such report is prepared, and in accordance with the following schedule:

Period Covered Submitted

July, August, September October

October, November, December January

January, February, March April

April, May June

Year-end Report August

Based on expenditures, encumbrances, and budget projections, the superintendent or his

designee shall recommend to the Board of Education transfers from one line item to  
- 2 -

another as needed (as set forth above). Transfers are required when an account's expenditures, encumbrances and projected need exceed \$10,000 or 5% of the current account allocation, whichever is greater.

For effective and efficient administration of day-to-day operations, budget transfer authority is granted to the superintendent or the director of business, as his designee, under the following restrictions.

1. Between detail accounts within an object summary category as presented in the annual budget, i.e. certified salary accounts, non-certified salary accounts, employee benefits, professional services, professional education services, building repair contracted services, etc., and

2. Funds from any line item in an amount less than \$50,000 under emergency conditions if the urgent need for the transfer prevents the Board of Education from meeting in a timely fashion to consider such transfer.

All emergency transfers and all those beyond detail accounts within an object summary category will be presented to the Board of Education and announced at its next regularly scheduled meeting.

The Board of Education shall not expend more than the amount of the total appropriation and the amount of money received from other sources for school purposes. If any occasion arises whereby additional funds are needed by the Board of Education, the chairperson of the Board of education shall notify the Board of Finance and submit a request for such necessary additional funds. No additional funds shall be expended until such supplemental appropriation is granted and no supplemental expenditures shall be made in excess of those so authorized.

Reference: C.G.S 10-222

Adopted 6/14/88

Updated 8/1/89, 12/12/95, 8/6/02

State Statute:

**Sec. 10-222. Appropriations and budget. Financial information system.** (a) Each local board of education shall prepare an itemized estimate of the cost of maintenance of public schools for the ensuing year and shall submit such estimate to the board of finance in each town or city having a board of finance, to the board of selectmen in each town having no board of finance or otherwise to the authority making appropriations for the school district, not later than two months preceding the annual meeting at which appropriations are to be made. The money appropriated by any municipality for the maintenance of public schools shall be expended by and in the discretion of the board of education. Except as provided in this subsection, any such board may transfer any unexpended or uncontracted-for portion of any appropriation for school purposes to any other item of such itemized estimate. Boards may, by adopting policies and procedures, authorize designated personnel to make limited transfers under emergency circumstances if the urgent need for the transfer prevents the board from meeting in a timely fashion to consider such transfer. All transfers made in such instances shall be announced at the

next regularly scheduled meeting of the board. Expenditures by the board of education shall not exceed the appropriation made by the municipality, with such money as may be received from other sources for school purposes. If any occasion arises whereby additional funds are needed by such board, the chairman of such board shall notify the board of finance, board of selectmen or appropriating authority, as the case may be, and shall submit a request for additional funds in the same manner as is provided for departments, boards or agencies of the municipality and no additional funds shall be expended unless such supplemental appropriation shall be granted and no supplemental expenditures shall be made in excess of those granted through the appropriating authority. The annual report of the board of education shall, in accordance with section 10-224, include a summary showing (1) the total cost of the maintenance of schools, (2) the amount received from the state and other sources for the maintenance of schools, and (3) the net cost to the municipality of the maintenance of schools. For purposes of this subsection, "meeting" means a meeting, as defined in section 1-200.

(b) The Commissioner of Education shall develop a financial information system to assist local and regional boards of education in providing to the State Board of Education budget and year-end expenditure data in conformance with the provisions of section 10-227. The financial information system shall be consistent with regulations concerning guidelines for municipal financial reports adopted by the Secretary of the Office of Policy and Management pursuant to the provisions of section 7-394a.

June 30, 2010 Town of Newtown Audit:

## **BOARD OF EDUCATION**

### **1. GENERAL LEDGER**

#### **CONDITION:**

Various fund accounting records are maintained on a manual basis and are not under general ledger control.

#### **CAUSE & EFFECT:**

General ledger control encompasses the recording of all transactions utilizing double entry procedures. Assets, liabilities, along with revenue and expenditure activity should all be recorded and controlled by the general ledger. Although expenditures transactions are currently processed through the computer system, the remainder of the general ledger accounting is done outside the general ledger software. The result of maintaining these accounts outside of the general ledger system the loss of general ledger controls and efficiency in the process of recording, controlling, monitoring and preparation of financial statement and other reports.

#### **RECOMMENDATION:**

We recommend development of automated systems, including general ledger accounting control, for all funds.

The system should be structured to facilitate systematic processing of all financial data. A common account

structure will ensure financial reporting consistency between funds.

### **2. GRANTS**

**CONDITION:**

The drawdown request for grants are prepared and submitted without management review or approval.

**CAUSE & EFFECT:**

In order to ensure that grant requirements regarding drawn downs are properly met, proper procedures would include review and approval by management.

**RECOMMENDATION:**

We recommend that either the Grants Manager or Business Manager review the requests prior to submission to the granting agencies.

**TOWN OF NEWTOWN**

**RECOMMENDATIONS TO MANAGEMENT**

**BOARD OF EDUCATION**

**3. BUDGET TRANSFERS**

**CONDITION:**

The Business Office did not submit budget transfers to Board of Education as required by State Statutes and Board policy.

The Board policy, which is in accordance with State Statutes, requires that budget transfers between objects be approved by the Board of Education. The Board policy provides that management is authorized to make and approve transfers within object codes.

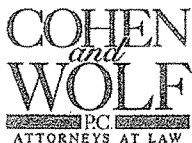
**CAUSE & EFFECT:**

The cause is unknown. The effect is that Board of Education, is not in compliance with the State Statutes and Board policy regarding approval of budget transfers

Shipman & Goodwin/ Mooney Transfers Memo – Sept 2010:

Based on expenditures and budget projections, with such budget reports, the Superintendent shall recommend to the Board of Education transfers from one line item (as set forth above) to another as needed.

The Superintendent is authorized to make such transfers as necessary if the urgent need for transfer prevents the Board of Education from meeting in a timely fashion to consider the transfer, provided that such transfers by the Superintendent shall not exceed five percent (5%) of the annual budget. Transfers made in such instances shall be announced at the next regularly scheduled meeting of the Board of Education, and transfers subsequently ratified by the Board at any such meeting shall not be counted in the limitation on the authority of the Superintendent to make transfers.



January 5, 2011

HERBERT L. COHEN  
(1928-1983)

Via Email Only

AUSTIN K. WOLF  
RICHARD L. ALBRECHT  
JONATHAN S. BOWMAN  
IRVING J. KERN  
STEWART I. EDELSTEIN  
NEIL R. MARCUS  
G. KENNETH BERNHARD  
DAVID L. GROGINS  
GRETA E. SOLOMON  
ROBIN A. KAHN  
RICHARD SLAVIN  
DANIEL S. NAGEL  
RICHARD J. DI MARCO  
DAVID B. ZABEL  
MARK A. KIRSCH  
DAVID M. LEVINE  
JOSEPH G. WALSH  
DAVID A. BALL  
JOCELYN B. HURWITZ  
STUART M. KATZ  
MONTE E. FRANK  
PATRICIA C. SULLIVAN  
VINCENT M. MARINO  
JULIE D. KOHLER  
ARI J. HOFFMAN  
COURTNEY A. GEORGE  
JANE L. HARNESS  
JESSE A. LANGER  
RACHEL A. PENCU  
JASON A. BUCHSBAUM  
L. JOYELLE DEPELICE  
LAUREN G. WALTERS  
DAVID M. MOROSAN  
HEATHER R. SPAIDE  
MARCIA M. ESCOBEDO  
AUSTIN D. KIM  
DAVID DOBIN  
PHILIP C. PIRES  
ELIZABETH A. ULLMAN

Mr. John W. Kortze  
Board of Finance  
Newtown Municipal Center  
3 Primrose Street  
Newtown, CT 06470

Re: Board of Education Transfers

Dear John:

You have asked me to comment upon the recommendations of the Town Auditor, Kostin, Ruffkess, as expressed in its letter to the Legislative Council dated November 9, 2010. Specifically, you are concerned about item number 3 entitled "Budget Transfers". Therein the auditors comment as follows: "The Business Office did not submit budget transfers to Board of Education as required by State Statutes and Board policy". "The Board policy, which is in accordance with State Statutes, requires that Budget Transfers between objects be approved by the Board of Education. The Board policy provides that management is authorized to make and approve transfers within object codes."

The recommendation goes on to state that this is not in compliance with State Statute and Board policy regarding approval of budge transfers. It is then recommended that the Business Office begin submitting budget transfers to the Board of Education as required by state statute and Board policy.

In the above regard, I have reviewed State Statutes (specifically, Section 10-222 Conn. Gen. Stats.) and Board policy. Section 10-222 C.G.S. clearly grants authority to the "board" to transfer funds from one account to another. Board policy confirms this requirement. Therefore, I am in agreement with the auditor's conclusions and recommendations, and further am of the opinion that transfers require affirmative Board approval.

SPECIAL COUNSEL  
GARY E. PHELAN

OF COUNSEL  
MARTIN J. ALBERT  
PETER A. ARTURI  
LEONARD C. BLUM  
ANN L. FOWLER-CRUZ  
JOSHUA Z. HERSH  
ROSAMOND A. KOETHER  
JACK E. MCGREGOR  
ALLAN J. ROSEN  
BARBARA M. SCHELLENBERG  
MARTIN F. WOLF

Very truly yours,

  
David L. Grogins

DLG/pld

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FAX: (203) 791-8149

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WESTPORT, CT 06880  
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FAX: (203) 227-1373

657 ORANGE CENTER ROAD  
ORANGE, CT 06477  
TEL: (203) 298-4066  
FAX: (203) 298-4068

**From:** Plummer, William W. [mailto:Bill.Plummer@ct.gov]  
**Sent:** Wednesday, January 05, 2011 5:50 PM  
**To:** Kortze, John  
**Subject:** RE: Following Up

John,

Sorry for the delay in getting back to you, but I had hoped to hear back from the State Dept. of Education; unfortunately they have not responded to my request for their input on the issue.

I did discuss the matter with a couple of individuals for their input and I've reviewed 10-222 on several occasions.

The following would represent my thoughts on the matter. As I indicated we cannot give legal opinions and these are purely my thoughts based upon my discussion with you and as it relates to section 10-222 and not any charter or policies and procedures that have been developed by the Town.

10-222 appears to reaffirm that the Bd. of Education budget in the adopted town budget is one line item and gives the Bd. of Ed the sole discretion as to the expenditures for the maintenance of public schools. That being said, the statute appears to provide certain parameters for the sub-items within the Bd. of Ed budget by indicating that the Bd. should transfer from sub-items that have not been fully expended to sub-items that needs additional funds in order to not be over-drawn for that particular sub-item (after reviewing and approving of the additional expenditures for the sub-item). In emergency situations, the Board of Ed can designate other personnel to make "limited transfers" if the Board will not be able to meet in a timely manner to consider the transfer. The Board of Education can allow such emergency transfers by following the policies and procedures that it has developed for such situations.

Apparently, some town Boards of Ed wait until the fiscal year has ended to approve of transfers so that no sub-item appears over-drawn at year-end. We have always thought that making the additional expenditures before prior approval (transfer) is not a sound policy and it is debatable as to whether this is in conformance with state statutes. You have indicated that the Bd. of Education in Newtown does not make transfers and therefore certain sub-items remain over-drawn even at year-end. I did not see anything in 10-222 that would allow this.

In regard to the audit finding in the management letter, that particular finding would be followed upon by the State Dept. of Education either as a management letter finding or if it were to rise to the level of a significant deficiency/noncompliance in the future. You may want to discuss the implications of the finding with that agency.

Bill

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**From:** Kortze, John [mailto:john.kortze@wellsfargoadvisors.com]  **Sent:** Tuesday, January 04, 2011 3:20 PM  **To:** Plummer, William W.  **Subject:** Following Up

Bill,  
Hope you had a good New Year. I wanted to follow up on our conversation of last week regarding the info I sent you. If you recall, I had asked your opinion on Newtown's procedures



Regarding transfers and the Board of Ed.  
Have you had a chance to review?

Thanks in advance for your help.

John Kortze