

The **Board of Finance** held a regular meeting on Monday, September 12, 2011 in the Council Chambers, 3 Primrose Street, Newtown, CT. John Kortze called the meeting to order at 7:35 p.m.

PRESENT: John Kortze, James Gaston (7:40pm), Joseph Kearney, Harry Waterbury and Martin Gersten.
ABSENT: Michael Portnoy

ALSO PRESENT: First Selectman E. Patricia Llodra, Finance Director Robert Tait, Director, Board of Education member Debbie Leidlein, Director of Facilities Gino Faiello, three members of the public and two members of the press.

VOTER COMMENTS: none.

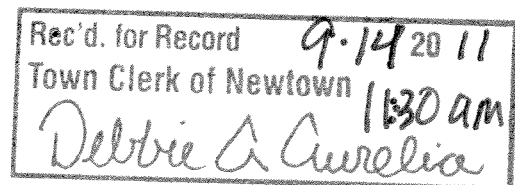
COMMUNICATIONS: A Westport Resource document was shared (Att. A). The policy on depositing unexpended funds and the reserve fund statute was discussed at the last meeting.

MINUTES: Mr. Gersten moved the acceptance of the minutes of 8/8/11. Mr. Waterbury seconded. All in favor. *

FIRST SELECTMAN REPORT: Costs related to Tropical Storm Irene, including expected FEMA reimbursement are at a net cost to the town of \$6,300 (Att. B). Change orders related to the Middle School roof were shared (Att. C). The project is nearly 95% complete. There was difficulty with the installation of the green house on the High School project; it was not sized correctly. The contractors continue to find a way to fix the problem without dismantling it. Some interior work is still not complete. Mr. Gersten and Mr. Gaston asked that the town strive to get a temporary CO. There is hope there will be resolution outside the courts with Hook & Ladder. The town is committed to helping them and would like them to move forward with alternatives that are more acceptable to the community. The Sandy Hook waterline has been completed; the road surfacing still needs to be done. Ms. Stocker continues to work with property owners. Mr. Kortze asked who would defend the town in a lawsuit involving the owner operators. He thinks there should be an understanding, through executive session, of what the circumstances are in current litigation and what potential liability the town or Board of Education may face. He would like to understand what is being spent on this legally and the appropriate venue, saying that at some point, if there is some sort of ramification this board, indirectly, will have to deal with it. Mr. Kearney stated he is uncomfortable talking about contingent liabilities. It's a legal matter now and he doesn't think we should comment on it.

***MINUTES:** Mr. Kearney moved to reopen the acceptance of the minutes. Mr. Waterbury seconded. All in favor. Mr. Gaston noted that each motion Mr. Gaston presented in the meeting of August 8, 2011 was made by Mr. Gersten and seconded by Mr. Waterbury. Mr. Gersten moved to approve the minutes of August 8, 2011 as amended. Mr. Waterbury seconded. All in favor.

FINANCE DIRECTOR REPORT: Mr. Tait presented an unaudited version of the budget for the year ended June 30, 2011 (Att. D). The town budgeted for a shortfall of \$1,000,000 in fund balance; the actual shortfall was \$472,000. Mr. Tait went over the medical self insurance fund analysis (Att. E). The financial advantage this year of this plan, as opposed to going with the premium paid plan, is a savings of \$1,715,499.



UNFINISHED BUSINESS:

Discussion and possible action:

1. **Policy on depositing unexpended funds to the Capital/Non-Recurring fund:** A June 23, 2011 letter from Jeff Capeci was mentioned (Att. F). Mr. Kortze sent a letter to Mr. Capeci and Mr. Spragg of the Council asking for input on this item and the statutory issue with the Board of Education. This item will be carried.
2. **Board of Education Monthly Reports, June 30, 2011 & July 31, 2011:** (Att. G) (Att. H) Mr. Kortze asked Mr. Tait to take a look at the year end financial report and to also share it with the auditor. It looks as if transfers done were within the old policies percentages; it seems that everything ended in the positive. The reports are moved as a whole at the Board of Education level.
3. **Town of Newtown Year to Date Budget Report:** (Att. I)
4. **Board of Education Transfer Policy:** a new policy has not yet been adopted by the Board of Education.
5. **Board of Education Reserve Fund Statute:** an email was sent to Board of Education Chairman Bill Hart asking for input on this item. This item will be carried.

NEW BUSINESS

Discussion and possible action:

1. **Board of Education Capital Improvement Plan:** Ms. Leidlein and Mr. Faiella were present for the BOE CIP presentation (Att. J) which included notes (Att. K). The consensus of the facilities board, as of June, is to look at closing the Middle School in 2017 if the Dr. Chung enrollment numbers ring true. K-5 would be in the elementary schools, 6-7-8 would be in Reed. Modifications would need to be made to Reed, particularly to science laboratories. The Middle School continues to remain in the CIP because the boilers and the ventilation system need to be addressed, because of their age, no matter what the use of the building. Mr. Gaston suggested looking into the legal issues with the Hawley Trust, should that school be a candidate for closing. Ms. Leidlein said there were issues with Hawley being code compliant should it be closed and reopened later as a school; very extensive renovations would need to be made. Ms. Leidlein said full day kindergarten is being considered when looking at space needs. Responding to a question regarding keeping Reed a 5-6 school but putting 8th grade into the high school, Ms. Leidlein said that educationally the board prefers not to put 8th graders into the high school; if they did they would be kept separately from the upper grades. Mr. Faiella said that portables can be placed at the soccer field at Reed. The space needs requirements are greater for 6, 7 and 8th grade because of the demands of the curriculum. Mr. Faiella said the boiler cost has not been to a formal pricing contractor. CES is confident with the estimated numbers. The estimated savings of closing the middle school is \$2 million per year. First Selectman Llodra said that the decision to close a school in 2017 needs to be made two years prior. Mr. Gersten said that it makes no financial sense to spend \$7 million on the middle school if it is going to be closed. Mr. Kortze stated the regulation calls for back up and impact statements relative to the CIP. The Board of Education voted on the Summary -- Capital Improvement Plan (Att. J)
2. **Fiscal Year End Budget Transfers:** Mr. Gaston moved the ten Town of Newtown Fiscal Year End Budget Transfers 2010-2011, dated 8/29/11. (Att. L) Mr. Gersten seconded. All in favor.
3. **General Fund Balance Policy:** item to be carried.

ANNOUNCEMENTS: none.

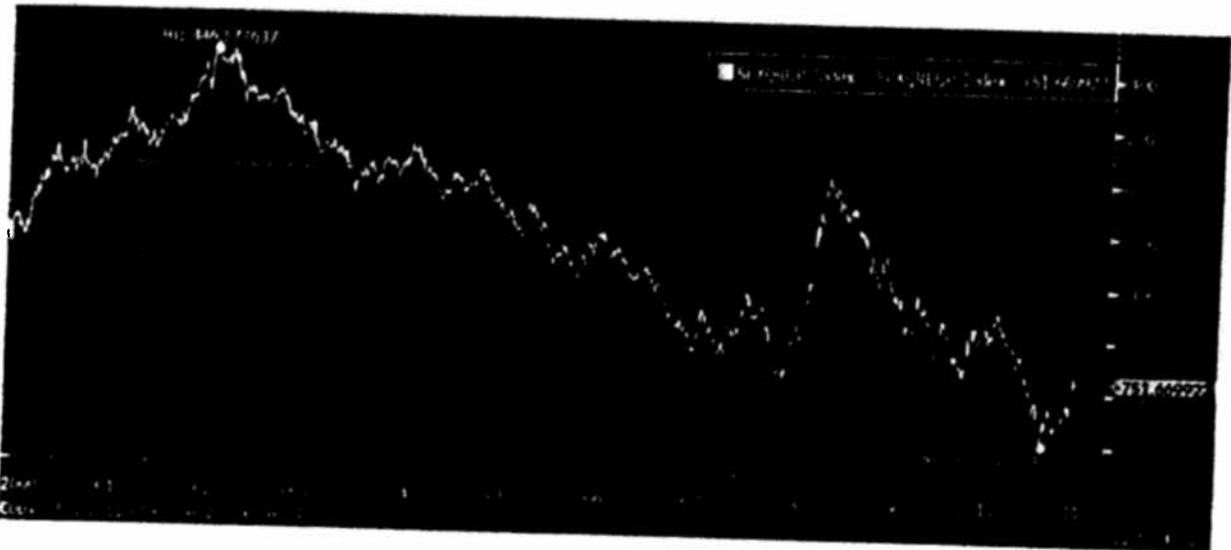
ADJOURNMENT: Having no further business, the Board of Finance adjourned their regular meeting at 8:42 p.m.


Susan Marcinek, Clerk

- Att. A: Westport Resources report
- Att. B: Tropical Storm Irene – storm related costs
- Att. C: Middle School Roof change orders
- Att. D: Unaudited TON budget, year ending June 30, 2011
- Att. E: TON Medical Self Insurance Fund Analysis
- Att. F: 6/23/11 letter from J. Capecci to J. Kortze re: Policy for Depositing Unexpended Appropriated Education Funds
- Att. G: Board of Education Year End Financial Report, June 30, 2011
- Att. H: Board of Education Monthly Financial Report, July 31, 2011
- Att. I: TON YTD Budget, 9/12/11
- Att. J: Board of Education CIP
- Att. K: Board of Education CIP notes
- Att. L: TON Fiscal Year End Budget Transfers, 2010-2011



First the good news. The pendulum is swinging back toward quality. Since early 2009, low quality (usually high beta) stocks have been on a tear relative to high quality stock (seen below as the line going down). Some of this was aided by QE1 and QE2 and the zero interest rate policies of the Fed. These policies tend to be short lived and artificial but after an extreme low of 666, the S&P 500 recently peaked at around 1370. As QE2 ends, we will see if the S&P rocket has reached escape velocity or whether gravity will reassert itself. We fully expect that higher quality stocks (especially those with bargain valuations) will outperform for several quarters. It is no coincidence that we are positioned accordingly.



The next piece of somewhat good news is Japan. As key manufacturing plants come back on line, those products that were stopped due to a lack of key components should start up again. It is uncertain how this will impact the US. We have been a partial beneficiary as some of the alternative capacity was shifted here. Whether this production is shifted back to Japan or stays here will determine the longer term effects of the Japan supply disruption. Net net this should be positive for earnings and GDP.

Finally, with all of the difficulties in Europe, the US dollar could be a beneficiary. If that were to occur and the correlations of the past few years hold up, oil prices would drop which would free up consumption dollars for consumers and help GDP and earnings growth.

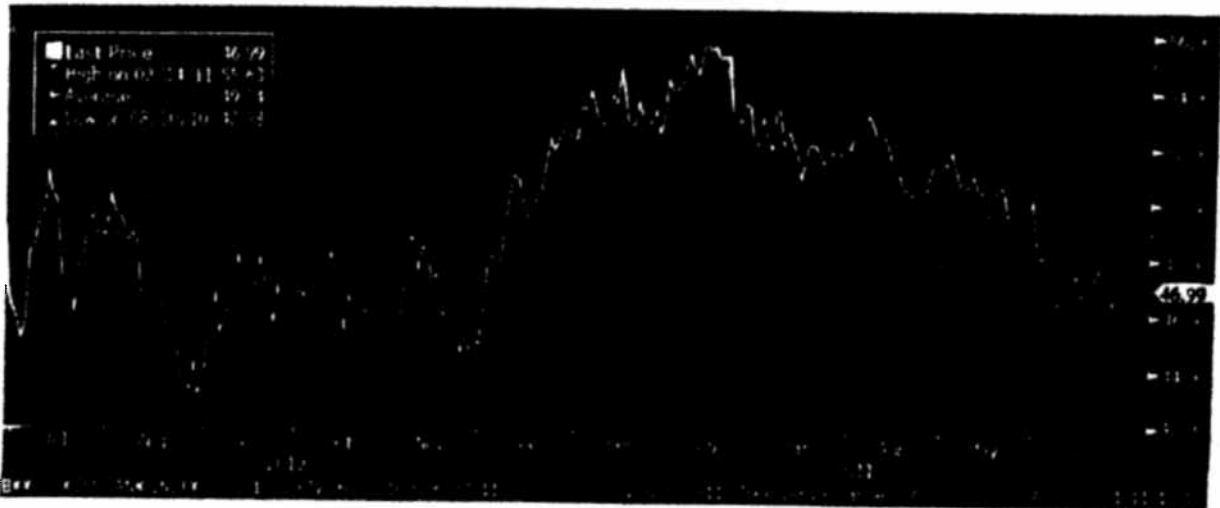
Notwithstanding the prior good news, we are currently cautious. We are using some cash to protect the portfolio which has led to significant outperformance this quarter and ytd.

Our concerns center around the following:

1. US household debt and its impact on housing prices (and therefore the financials) and consumption.
2. US federal deficits and debt as it constrains fiscal policy.
3. European PIIGS debt and their creditor (German and French) banks.
4. Chinese inflation and slowdown.

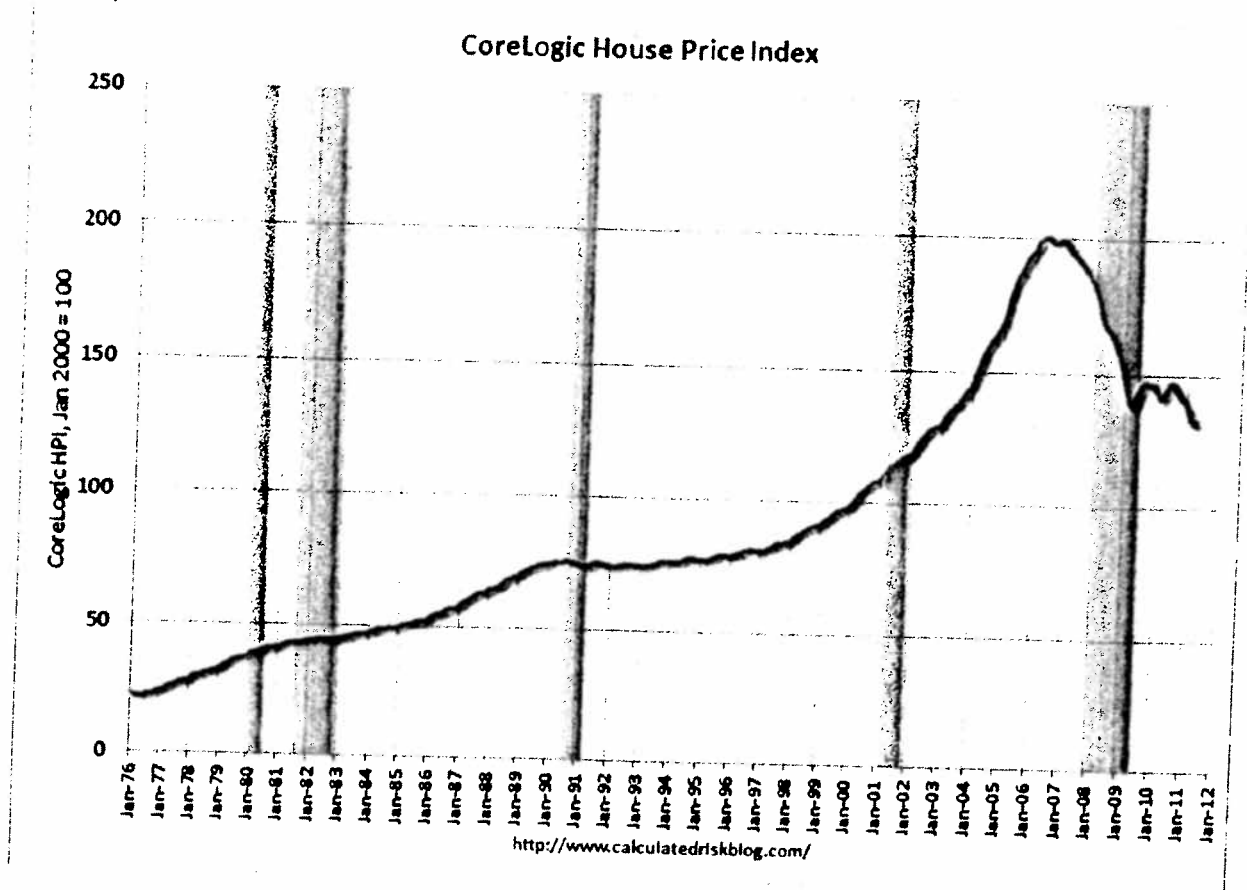
Home prices

We have been saying for some time that home prices would roll over again and that banks would have to start building reserves again. As a result we have been underweight banks in particular and financials in general. The government programs in 2009 and early 2010 were ways to kick the can down the road, not fix the problem. They created an artificial boomlet in housing which is reversing now. The government programs encouraging modifications allowed banks to accept less interest in exchange for not having to writedown the principal of the mortgage and raise more capital. The problem with this approach is that the most modified mortgages redefaulted within 12 months. So while the banks could release reserves into earnings for a couple of quarters as these mortgages became "current" most of them will have to be re-reserved for. We should begin to see that over the next few quarters. Our underweight of financials hurt us last December as investors bought into the "all clear" signal from bank reserve releases, but it is helping us now as investors re-examine the signal. The large bank KBW Index has nearly round-tripped from early December.



Homes are the single largest asset for most Americans and accounts for a large portion of bank and overall lending. Currently about 25% of homeowners have a home worth less than their mortgage according to Core Logic. Probably another 25% are functionally underwater, in that they cannot sell their home, pay the realtor commission and have 20% to put down on another home. That means 50% of potential home buyers are out of the market which means severely reduced demand. Couple this with banks finally putting foreclosures on the market and you can see why less demand and more supply leads to lower prices.

Home price chart



Lower home prices lead to lower homeowner equity which leads to less consumption.

Government Deficits

The government (Federal Reserve, federal and state governments) have the stimulus spigot turned wide open. Even with 0% short term interest rates, the Fed printing trillions of dollars and the federal government running 10% deficits we are seeing very little GDP growth. Policy makers are crying out for more stimulus.

The Fed is running out of options. It is already at 0% short term rates. It has run two quantitative easing programs with debatable success. QE2 was supposed to lower 10 yr Treasury rates which would reduce mortgage rates, increase home demand, increase home prices and strengthen the banks. Instead we got higher interest rates, higher commodity prices and increased inflation. We also got a higher stock market which has led to increased consumption among the wealthy. The top 10% of consumers make up 40% of consumption, so wealth effects can have outsized impacts on consumption. However, these effects are usually transitory and lumpy. As long as the stock market stays up, the Fed will probably stand pat as it realizes that the costs of further money printing outweigh the benefits. But if the market drops over 10-20% expect some form of QE3.

After 3 years of 10% deficits, the federal government has little flexibility left. We are nearing the 100% debt to GDP threshold where foreign investors tend to shun a country's debt, which would increase interest rates and slow the economy, earnings and stock market returns. Already the

emphasis in Washington has shifted from stimulus to austerity. Deficit spending is much like using a credit card. Even the US government does not have unlimited credit. However, the credit limit may be larger than most expect. Certainly the temptation is to stimulate until the 2012 election and then cut, but one never knows what will be agreed to.

State governments are now having to balance their budgets. Much of the nearly \$800 billion stimulus plan enacted in 2009 went to the states in the form of transportation grants. However, since money is fungible, the states could now spend less of their own budgets on transportation and spend it elsewhere. Most of that stimulus money is now gone and the new fiscal year for most states begins July 1. States are getting creative on ways to cut their budgets to try to balance their budgets and make up for the lost stimulus money. This will put a drag on GDP growth going forward.

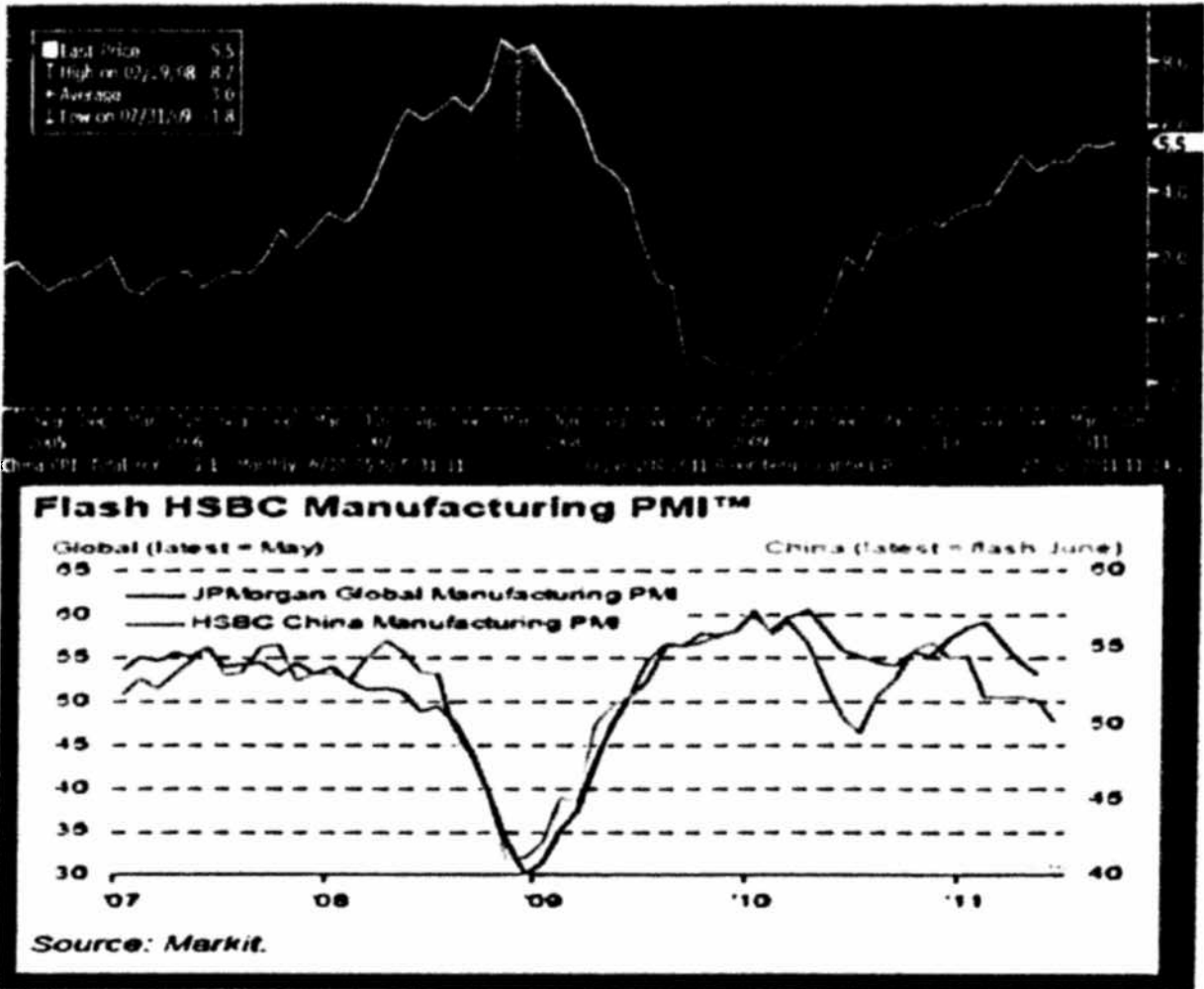
European Austerity

Greece has been in the headlines recently and has been an issue for at least the past year. Greece is only about 2% of European GDP so austerity in Greece is a minor issue. The larger issue is Greece's debt, over \$330 billion, and who owns that debt, the European Central Bank, the French banks and the German banks. So the issue is over any capital hits to any of those banks due to writedowns on Greek debt and the impact that would have on their ability to lend in their host countries. If the banks had to raise more capital it would hurt their ability to lend and slow the economies of their host countries, France and Germany, which are the largest and fastest growing economies in Europe. So Greece is really about France and Germany.

Another issue for Europe is that the high debt-to-GDP levels in some of the small to medium countries is leading to higher funding costs and budget cuts. This austerity is slowing growth in the Euro-zone economies. Again the potential impact is largest to the local banks and then to the larger German and French banks who lend there.

Chinese Inflation

Back in 2009 China started a program where it caused its bank to lend out 30% of GDP to get its economy jump started. If we did that in the US, that would be equivalent to an almost \$5 trillion stimulus package. It led to a construction boom in China and caused increased commodity prices and orders for companies like Caterpillar and Deere. It also helped fuel growth in our industrial companies. That was then. Now China is seeing growing inflation (graph below) and is trying to slow their economy. Unlike market driven economies which build when there is end demand, China builds when the local governments want jobs and projects. As such there are apartment buildings, malls, airports and plants waiting for users. When these projects are built, they are stimulative, but when there are no takers for them, they become bad loans and a drag to future building.



We believe that our bargain, high quality stocks will do well in this environment. Our cash and puts have helped dampen the volatility that the market experienced over the past couple of months. As QE2 ends, we believe that we are well positioned.

Best regards,

Thomas H. Forester
Portfolio Manager

The foregoing does not constitute an offer of any securities for sale. Past performance is not indicative of future results. The views expressed herein are those of Thomas Forester and are not intended as investment advice.

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CALM AND COLLECTED

So far this year the markets have been able to keep their composure amazingly well, despite events that would be expected to shake them. In contrast last year at this time, we had seen surging corporate profits fuel a 20% advance in the stock market and a sharp increase in interest rates, but that was quickly followed by fears of a double dip recession and the markets gave up all their gains and then some.

This year's surge and purge was only about half as much as last year's, despite news that the bulls argued should have ricketed the market higher, and the bears were sure would set it on its ear. Corporate profits continued to come in better than expected, but unemployment remained stubbornly high, and the economy again showed signs of weakening. The Fed announced it would stop quantitative easing, thus taking the training wheels off the bond market, but interest rates remained near all time lows. Greece threatened to bring down the European Union. The European Union threatened to bring down the major European banks. Everybody blinked and they kicked the can down the road. The economic anarchists in the House of Representatives are threatening to throw a Molotov cocktail at the U.S. government if they don't get their way, but we are assuming they'll also just kick the can, not light a match.

Oil prices spiked and then sank like a rock. The dollar got killed and then became the safe haven of choice. China's housing bubble finally began to burst, but their government seems able to support their banks. There's no wage inflation and US corporations are flush with cash, but health care costs continue to burn a hole in profit margins. A Republican House means there can be no new big spending programs, but the ones we have are eating up 140% of what we are taking in. We finally killed Osama Bin Laden, but we are braced for a counter attack. The banks are still posting major losses from their mortgage deals three years after the fact, but they have the capital to do it, so they remain solvent.

Maybe the movie just isn't as scary the second time you see it, or maybe they've been giving out free valium samples on Wall Street, but for whatever reason, the markets have been taking all this news in stride. Maybe this is the "New Normal" PIMCO's Bill Gross has been talking about, or maybe the markets are just too waiting for the real fun to begin in the second half. I don't know. The bulls and bears have had plenty of reasons to support their cases, but neither has done so convincingly.

In the first half we lightened up on, or didn't add to, energy and commodity stocks when they were going to moon. That saved us some major pain as the year went on, and what was hot became cold. We took that money and added to our positions in healthcare, technology, and financials because they were lagging the market. By the end of the second quarter, it looked like health care was turning around, but technology and financial stocks remain in the dog house. We are patient investors.

Other than the relatively minor rotation from commodity and cyclical stocks to the more mundane consumer and health care names, the market hasn't offered a lot of opportunity to outperform or underperform the averages; unless you were looking for a sustainable trend, in which case you had a good chance of losing your shirt. We don't do that, so most of our accounts followed the market, which is to say, net-net, haven't done much so far this year.

We are neither discouraged nor encouraged by this performance, or lack thereof. Our job is to try to match the market most of time, do a little better when a market bubble bursts or there is a major cyclical recovery. If we do that well, we should give our clients a smoother ride and superior long term returns. Here is why we think we can do that.

CASE CLOSED

A recent academic study has proved that value investing is the only market strategy ever tested that not only reduces the risk of owning stocks, but also improves performance. The results were so overwhelmingly in favor of value over growth that the study was named "CASE CLOSED." That's big news for several reasons.

First, it's not supposed to be that way. Academic theory had held that markets are efficient and the world is fair. If you buy a portfolio of high-risk fast growing companies, you should be compensated for taking that additional risk by getting a higher return. The fact that all recent studies have shown that this is not the case, that lower risk stocks give superior returns, is contrary to "the efficient market hypothesis" that has been the cornerstone of modern portfolio theory for decades.

Second, if low risk stocks give better returns than the popular high flyers, most of what passes for wisdom on Wall Street is just plain nonsense. The theory that you can make the most money by buying the fastest growing, most innovative companies is just plain wrong. Selecting stocks based on their recent performance is counterproductive. The more popular an investment is, the less well it is likely to perform.

And finally, it means that what we have been preaching for years is right. Contrarian investing offers the best opportunity to beat the market, and get a smoother ride along the way, by buying what the crowd hates and selling what they love. Buying a company at the right price is more important than estimating how fast a company will grow because value can be calculated, but future growth is only a guess, and all too often a bad guess.

CLOSING THE CASE

Most investment philosophies sound great, but they are either untested or can't be tested. Pinning down a quantitative or computer generated trading system, so you can test it is like chasing your tail. Yes, they back test the model, but the model is always changing. As soon one doesn't work, a new one is devised from back testing to fit the new reality. The result is something we know worked in the past, but may or may not work in the future. That's just not science.

Science is a long term study using accepted sampling techniques, which is published for peer review and submitted for independent replication of the results. "Case Closed" by professors Robert A. Haugen and Nardin L. Baker closes the case on value versus growth and momentum investing. They studied every U.S. company they could get data on (677 to 6382) from 1963 to 2007. They analyzed the monthly performance, trend factors and measurements of value and growth for each stock and computed the effect each of these factors had on future stock performance.

Their conclusions are as follows:

"The stocks with the highest risk [most expensive, most price momentum, fastest growing] produced the lowest returns – and stocks with the lowest risk produced the highest returns."

"Last month's residual return and the return over the preceding three months [positive price momentum] have negative predictive power relative to next month's return [are more likely to lose you money]."

"Four measures of cheapness; cash flow-to-price, earnings-to-price, book-to-price, and sales-to-price, all have positive payoffs."

The results were powerful. Value beat growth in every one of the forty-five years studied except one, 2003. Every value metric was found to be positively correlated to better future returns, and every measurement of momentum was found to be negatively correlated to future returns. Parallel studies have shown value beat growth in England, France, Germany, and Japan too. The results are overwhelmingly in favor of value investing and the effect isn't getting any weaker over time.

Chasing yesterday's winners or today's hot stocks is a recipe for disaster. Boring is beautiful. Out of favor is heavenly. The prudent investors shop from the stocks on the new lows list, not the new highs list. Buying value and going against the crowd is not only safer, it's more profitable. Slow and steady wins the day. Markets tend to overreact to news, creating buy opportunities and chances to sell at elevated prices.

WHY VALUE WORKS

Why is this true? It's certainly counterintuitive. How can a stock that just dropped thirty percent be safer than a stock that doubled in the past quarter? Why can you expect to make more money on a portfolio of big old boring blue chip stocks than small cap wonders?

The rationale for all this is as follows. Start off with the fact that we have a biological instinct to chase what is running and overlook what's familiar and barely moving. Worse yet, we are programmed to project trends, expecting that what has just happened will continue. Enter the charlatans, cowards and fools, willing to tell investors any story for their own profit, or are afraid to disappoint their clients or fail to understand the market. The result is a market that under-prices value and overprices growth.

Then we accentuate that mispricing by having talking knuckleheads in the media who are trying to make news. News is that some little biotech company has a new cancer drug. News isn't that Procter and Gamble gained 2% market share in the diaper market, but P&G will bring a lot more money to the bottom line [sorry about that] than that little biotech will. Finally, we have the quantitative traders and chartists who make their decisions based solely on price movement of the stock, accentuating what would otherwise be a minor trend, if it wasn't for their piling on.

For years now we have been reporting on the dismal performance of stock analysts. Study after study, in good and bad markets, showed their sell recommendations outperformed their buy recommendations. That's right, not just that their buy recommendations didn't do much better than the market, but that the few stocks that they had the courage to rate sells, did better than their buy recommendations. According to the latest figures reported by Bloomberg, analysts are getting even dumber. "Large company analysts failed to add value throughout the bull market that began March 2009. Through Dec. 31, the most-favored S&P 500 stocks posted average gains of 73%, compared to 165% for their least favorite."

The stocks they hated did twice as well as the stocks they loved! These people get paid for that? Unfortunately, this is entirely consistent with our contrarian thesis. Cheap stocks do better than expensive ones. Stocks don't get cheap because everybody loves them. Analysts provide a vital function for us. They encourage the crowd to act irrationally and create value.

The result is mispriced securities. It leads to companies that are temporarily selling below their intrinsic value and other stocks that make no investment sense. These abnormalities are usually corrected before long. Even more appealing are great companies that have long histories of steady earnings and dividend growth, who fly below investor's radar because the market rewards volatility more than consistency.

In our portfolios, we try to use a blend of stocks that have recently fallen from favor and stocks that tend to consistently offer superior value. The mix of fallen angels and orphans is to some extent dictated by market conditions. During major market corrections there are bargains galore, and even the fastest growing companies can be bought cheaply. Some of our best relative performance has happened after major market corrections as the fallen angels get their wings back.

As market recoveries become mature, the trick for us is to move from distressed securities to boring stocks that offer steadier, but less spectacular, appreciation potential. In the later stages of a bull market, we tend to underperform the averages because we are moving to less volatile securities, but if we do our job well, that temporary underperformance will be offset by downside protection when the market finally corrects.

We never get the timing quite right, but fortunately it doesn't matter. As long as we can buy a little when the market is having a panic attack, and avoid the most dangerous securities when the market is in mania territory, we will do just fine. We won't beat the market every year, but over time we should be able to offer our clients good investment performance based on a consistent philosophy.

Bill Matthes



Multi-Cap Equity Focus – Ray Hofshi

Thus far this year the stock market is following the same general pattern as last year. That pattern produced a new post recession high in the first quarter, with a correction in the second quarter that gave most of the gain back. This year the correction was rational because it was based on the world economy slowing significantly below projected growth. The spiking of oil to \$113 per barrel acted as a major new tax on consumers, reducing the amount of money that could be spent on non energy purchases. Secondly, the Japanese earthquake and tsunami disturbed automobile and electronics supply chains around the world, thereby lowering product availability. Both of the above factors lowered US GDP growth to roughly last year's level. The economy continues to move forward, but at a painfully slow rate.

During the Second Quarter of 2011, the average of all Westport Resources accounts appreciated by 0.3 percent after commissions. Over the same time period, the S&P 500 index increased by 0.4 percent. Thus, on a year-to-date basis, the accounts have appreciated by 9.0 percent, while the S&P 500 index has increased by 4.9 percent.

Over the last twelve months, Westport Resources accounts have appreciated by 29.3 percent (after commissions), while the S&P 500 index has increased by 21.7 percent.

During the Second Quarter we traded some of our AT&T for Hess Oil and thereby positioned our accounts a bit more aggressively. Our June calls on Manitowoc expired "out of the money". The calls improved our account performance by roughly 0.5 percent. By the end of the Second Quarter, our average cash position was roughly 7.5 percent.

TIMING MODEL

The Timing model improved in the Second Quarter. It moved up by five points to a strong bullish reading of 65%. Thus, it predicts a 65% chance of market appreciation and a 35% chance of market decline, over the next 3-6 months.

MARKET OUTLOOK

As mentioned above, during the first half of this year, the US economy slowed to an annual GDP growth rate of about 2 percent. This was a disappointment when compared to an expected growth of 3.0 – 3.5 percent. If, in fact, the slowdown is due to the economic disruptions in Japan and the recent spike of commodity prices, then there is hope that the slowdown will be short lived. Commodity prices have eased. In particular, oil prices have eased from \$113 per barrel to roughly \$95 per barrel. In addition, the automobile parts and electronics production in Japan is almost back to pre – tsunami levels.

The monetary policy of the Federal Reserve continues to be stimulative. Short-term interest rates are close to zero, and thirty year fixed rate mortgages are well below five percent. Bank balance sheets continue to improve. While the housing market is about the same as last year (i.e. poor), it is maintaining itself without last years eight thousand dollar tax credit. There is some hope that this Summer's house buying season will show some improvement.

I do not view the present slowdown as leading to a new recession. I, therefore, believe that the present market decline should be viewed as a correction within a potentially long-term Bull Market. I expect US GDP growth to increase in the second half of the year. I am assuming, of course, that our Congress is not so crazy as to refuse to lift the debt ceiling and cause a Treasury bond default. I am also assuming that there is no default of a European nation. Even our great nation needs to learn to live within its means. But the budget deficits need to be lowered gradually over time in order to avoid another recession (or worse).

Since the economy continues to grow, I see no reason to change my original forecast that the stock market will advance by roughly 8 – 12 percent during 2011.

Sincerely yours,

Ray Hofshi



Markets Summary and Economic Outlook

June 30, 2011

Second quarter 2011 results for most equity markets ended little changed compared to the first quarter, masking a growing sense of unease by some about the state of the economy. The perception of higher than expected inflation, debt problems affecting the Eurozone and Greece in particular, the U.S. debt ceiling impasse, and slowing economic and jobs growth in the U.S. were prominent issues the markets had to face down during the second quarter, some of which remain at the forefront as we head into the third quarter.

We have to take care, however, in maintaining a balanced view of the future, no matter how difficult that might be while slowly climbing back following a deep recession. In our view, the positives still outweigh the negatives, and the second half of the year could turn out surprisingly well. Even if it has slowed a bit the past three months, it's worth emphasizing that the economy continues to grow. Disposable income, retail sales, new orders for durable goods, purchasing manager data, and industrial production are doing quite well year-to-date. There has been a slight slowing in the steep rebound in corporate profits, but they have never been better even as the financial sector still struggles. We may even see material improvement in the jobs data toward year-end, something long overdue, and this has been the prime factor behind the slow recovery.

The following table summarizes the performance of the major indices the first half of 2011 compared to the full year 2010. The S&P 500, an index comprised of large and mid-size companies rose a very modest **0.1%** during the second quarter (up **6.0%** year-to-date through June 30, 2011). The NASDAQ Composite, heavily weighted in technology stocks, actually fell **-0.03%** during the second quarter (up **5.0%** y-t-d). The Russell 2000, an index of U.S. small cap stocks, dropped **-1.1%** in the second quarter (up **6.2%** y-t-d). The MSCI EAFE Index, a broad composite of non-U.S. stocks was up **1.8%**, and the MSCI Emerging Markets Index was down **-1.1%**. It may seem counterintuitive given endless bad press but the European markets generally have outperformed other regions thus far in 2011.

The Dow Jones Real Estate Index, comprised of real estate investment trusts (REITs), was up a remarkable **2.7%** for the quarter, and was up **10.1%** through June, and this comes on top of a **26.9%** rise in 2010. The exceptionally low interest rate environment has been highly beneficial in propping up commercial real estate and the big REITs in particular.

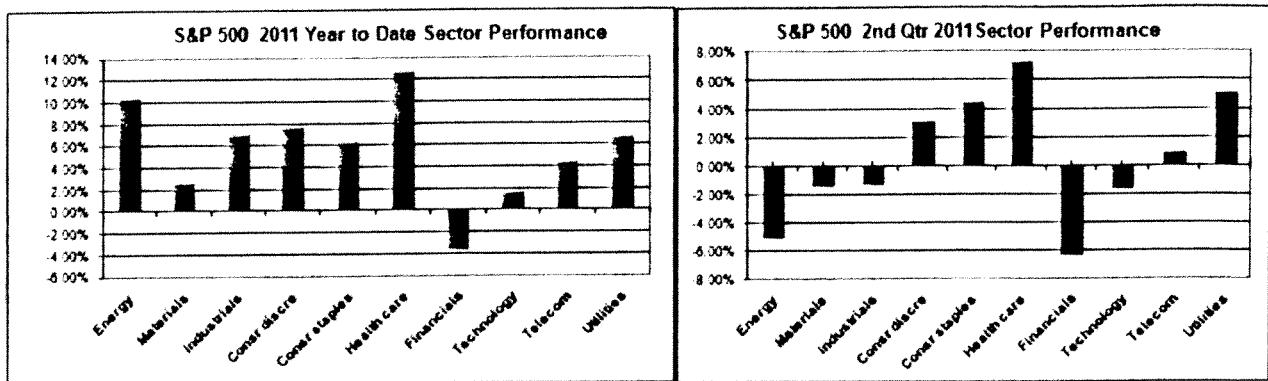
Total returns for major indexes (1)	First half 2011	2010 (full year)
S&P 500	6.0%	15.1%
NASDAQ composite	5.0%	18.2%
Russell 2000	6.2%	28.9%
MSCI EAFE	5.4%	7.8%
MSCI Emerging Markets	0.8%	18.9%
DJ Real Estate	10.1%	26.9%
Barclays Aggregate Bond	2.7%	6.5%
DJ-UBS Commodity	-2.6%	16.7%

The Barclays Aggregate Bond Index, comprised of Treasuries, agency, and investment grade corporate bonds, was up **2.3%** during the second quarter (**2.7%** y-t-d), as U.S. agency and Treasury bonds rallied in a flight to quality. The 10-year Treasury rate dropped nearly 50 basis points during the quarter (bond prices rise when interest rates fall). We continue to believe there is a high probability of higher interest rates over the next couple of years, which could result in very



modest returns, or even losses, for intermediate to long-term bonds. High yield bonds have also performed well thus far in 2011, as default rates have dropped to near record lows.

Turning to sector performance during the second quarter, health care performed exceptionally well, followed by utilities, and the consumer-oriented sectors. The health care sector was driven primarily by a strong rally among the managed care companies such as Wellpoint and Cigna. The financial sector fared particularly poorly during the quarter, while the energy sector pulled back a bit as the price of oil fell over the quarter. The difficulty in the financial sector was felt across the board from large to regional banks and insurance companies. This may present opportunities down the road among some of the higher quality names within the financial sector. Technology, one of the larger industry sectors in the U.S., also took a step backward, probably out of fear that capital spending might slow. As is the case for the financials, there appear to be some interesting opportunities within technology if one holds a positive outlook on capital and consumer spending over the next year.



It might surprise some that Europe witnessed very strong performance in the equity markets (see below). France, Germany, and even Spain were among the best performing markets for the second quarter and year-to-date. The emerging markets have struggled in 2011, following a strong 5-year run. The threat of higher inflation was likely a major factor behind the relatively weak performance in the emerging world, but there appeared increasingly prominent risks affecting certain of the large emerging markets countries. China, for instance, faces substantial inflation risk and there are growing concerns that the property market may be headed for a severe downward shock, which would also cause disruptions within the indigenous financial sector. It also may not be smooth sailing for resource-rich Brazil, another of the large emerging markets countries that has demonstrated strong 5-year performance, as new worries surface about the scale of household debt and the sustainability of internal consumer demand over the next twelve months.



Best performing foreign equities 5-year annualized

Index Name	Return
Single Country	
MSCI Malaysia Index (07/01/2011)	+19.96%
MSCI Brazil Index(SM) (07/01/2011)	+18.19%
MSCI China Index (07/01/2011)	+15.87%
MSCI Singapore Index (07/01/2011)	+14.07%
FTSE China 25 Index (06/30/2011)	+13.33%
MSCI South Africa Index (06/30/2011)	+12.42%
MSCI Hong Kong Index (07/01/2011)	+10.31%
MSCI Australia Index (07/01/2011)	+9.58%
MSCI Korea Index(SM) (07/01/2011)	+9.23%
MSCI Sweden Index (06/30/2011)	+8.36%
MSCI Canada Index (06/30/2011)	+8.07%

YTD through 6/30/2011

Index Name	Return
Single Country	
MSCI France Index (06/30/2011)	+15.54%
MSCI Spain Index (06/30/2011)	+15.50%
MSCI Germany Index (06/30/2011)	+14.21%
MSCI Indonesia Investable Market Index (07/01/2011)	+13.23%
MSCI New Zealand Investable Market Index (07/01/2011)	+12.30%
MSCI Ireland Investable Market 25 / 50 Index (06/30/2011)	+12.24%
MSCI Italy Index (06/30/2011)	+10.82%
MSCI Poland Investable Market Index (06/30/2011)	+10.80%
MSCI Korea Index(SM) (07/01/2011)	+9.89%
MSCI Russia 25 / 50 Index (06/30/2011)	+8.99%
MSCI Malaysia Index (07/01/2011)	+8.62%

Worst YTD through 6/30/2011

Index Name	Return
MSCI Brazil Small Cap Index (06/30/2011)	-0.11%
MSCI Mexico Investable Market Index (06/30/2011)	-0.28%
MSCI Hong Kong Index (07/01/2011)	-1.37%
MSCI Brazil Index(SM) (06/30/2011)	-1.65%
MSCI Taiwan Index(SM) (07/01/2011)	-1.84%
MSCI Chile Investable Market Index (06/30/2011)	-3.30%
MSCI South Africa Index (06/30/2011)	-3.30%
MSCI Japan Index(SM) (07/01/2011)	-4.38%
MSCI Turkey Investable Market Index (06/30/2011)	-5.02%
MSCI Israel Capped Investable Market Index (06/30/2011)	-6.38%
MSCI China Small Cap Index (06/30/2011)	-10.45%
MSCI All Peru Capped Index (06/30/2011)	-23.18%

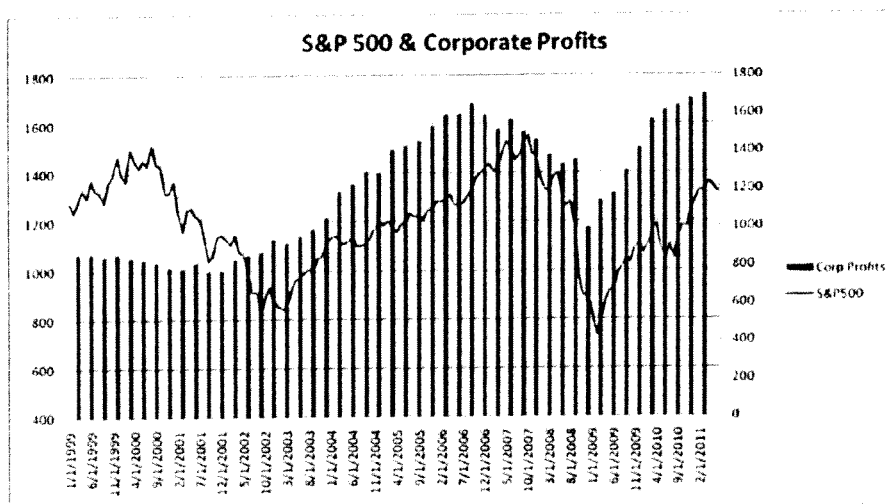
Source: Blackrock



2011 Mid-Year Outlook

The U.S. economy slowed during the first quarter and growth appears to have remained sluggish through much of the second quarter. Real GDP grew 1.8% annualized during the first quarter, down from 3.1% for the fourth quarter 2010. We maintain a view that economic activity should pick up the second half of the year, which could provide corporate revenue surprises on the upside, helping to maintain the overall trend in corporate profits (chart below). Notice the correlation between corporate profitability and equity performance. Most times they trend together strongly, a notable exception occurring back in the dot.com days, which should have been a warning at the time. Strong current corporate profitability and future expectations for further profit growth generally bode well for the equity markets.

Much has been written that recent record profitability has come about mainly from cost cutting rather than revenue growth. The reality is that increased profitability has come about from both higher revenue and lower costs, contributing to excellent operating margins for many U.S. companies, an exception being the financial sector. It is true that little low hanging fruit remains in the form of future cost savings, therefore the driver of future profits growth will have to come from improvement in top line revenue.

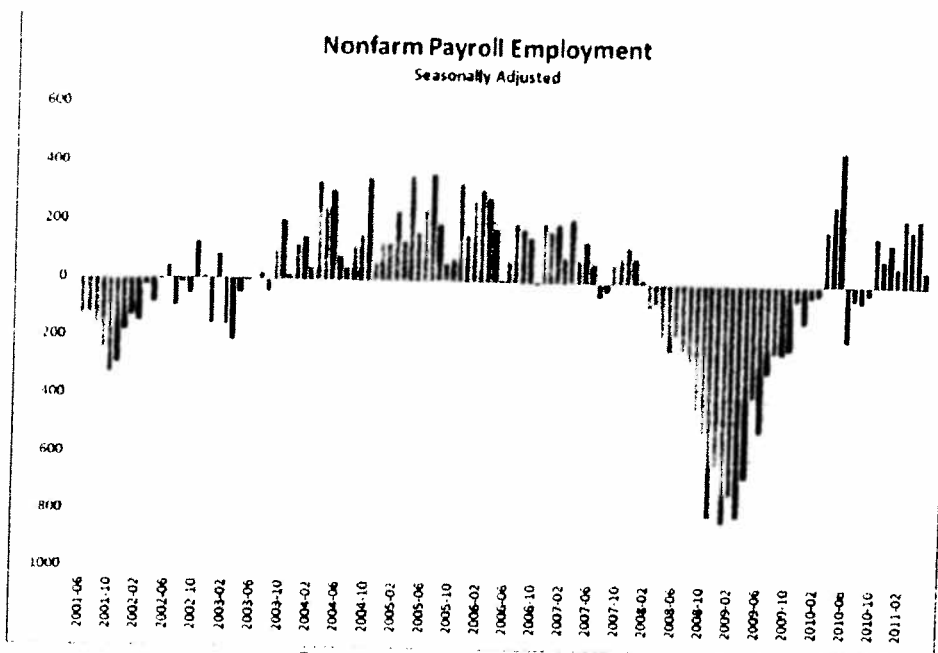


Corporate profits with IVA & CCADJ source: Bureau of Economic Analysis

We're also very focused on the monthly jobs growth numbers. Jobs growth and losses are closely tied to the business cycle (period spanning economic growth to contraction), and ultimately to corporate profits. With more jobs comes greater disposable income, increased consumer confidence, an incentive for corporations to increase capital spending which eventually triggers higher revenues. Consider the next chart. We started to see sustained monthly job losses beginning in early 2008, mainly in the construction sector as the housing boom collapsed, which quickly spread to most other sectors over the succeeding months. Jobs growth since 2009 has been relatively weak compared to past recoveries. We were on track to add about 200,000 private sector jobs on a monthly basis, but jobs growth slowed to 54,000 in May. Monthly jobs growth would have to be over 300,000 to make a dent in the unemployment rate, which stands at a very



sticky 9.1%, and this task is even harder when you consider that state and local government headcount is likely to drop 30,000 a month the next few months.



Source: Bureau of Labor Statistics

What this demonstrates is that out of all the daily noise, there are really just a few factors on which we place special emphasis while monitoring magnitude and direction. Right now, our belief is that future jobs growth holds the key to how well the economy and the markets perform over the next couple of years. It's not what happens in Greece or Portugal (and exactly what effect does this have on the U.S. consumer?), when and by how much the debt ceiling will be raised (it will be by the way), or the threat of Weimar Republic-like hyperinflation (periodic spikes in commodity prices mean revert and are not a major factor determining future inflation rates), it's jobs and only jobs.

Portfolio Implications for mid-2011

- Equity valuations for the most part appear very reasonable, based on both current and future estimated earnings. Future earnings are obviously not predictable, but the outlook for at the least the next six months looks reasonably good. Volatility is well down (running around 15 at the moment), indicating that near term there really isn't much fear in the markets. From a valuation standpoint there are several sectors that appear attractive and may present interesting opportunities, a few of which include pockets of technology, industrials, health care, and even retail.
- Income oriented investors would do well to stick with a mix of domestic and non-U.S. dividend paying equities and very selective fixed income holdings. Our belief is that fixed income should focus on relatively short average duration to minimize interest rate risk. Rates on bonds have risen the last couple of weeks and a 4% 10-year Treasury bond may



not be too far off, especially if the second half economic activity gathers steam. Some of our traditional distribution-centric holdings, like master limited partnerships, have pulled back recently and may offer opportunities to gain additional exposure to gain some very attractive yield if the price is right. , Some MLPs we like are back in the 7.5% to 9% yield range.

- Over the near term, our bias is to favor the developed markets over emerging markets when considering exposure to equities. The emerging markets may have some growing pains as we mentioned above For example, what might happen to property values in China?
- We are just getting started with the second quarter earnings season, so slight misses off of consensus expectations may also provide unique opportunities to acquire quality holdings at especially attractive price points.

Joseph Tatusko CFP®, CFA

jtatusko@westportresources.com

- (1) Total returns include capital gains and losses plus dividend and interest payments received and reinvested over the periods described. S&P 500 is an index of U.S. large and mid cap stocks; NASDAQ is the NASDAQ Composite Index; Russell 2000 is an index of U.S. small cap stocks; EAFE is the MSCI index of stocks from Europe, Australia, and Far East; Emerg Mkts is the MSCI Emerging Markets Index; DJ Real Estate is an index of traded U.S. REITs (real estate investment trusts); Barclay's Aggregate is an index of U.S. Treasury, agency, and investment grade corporate bonds; DJ-UBS Commodity is a total return index of futures contracts on metal, agricultural, and energy commodities. Sources for all returns data include Barclays, Bloomberg, Dow Jones, Russell Investments, Standard & Poor's, and Thomson Reuters. Currency return data was obtained from the Federal Reserve.

The information herein has been obtained from sources believed to be reliable, but we cannot guarantee its accuracy or completeness. Past performance is no guarantee of future results. Neither the information nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Westport Resources Management, Inc. is an Investment Advisor registered with the SEC.

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Storm Numbers

Wed 9/7/2011 2:34 PM

From: Hurley, Fred

To: Llodra, Pat, Tait, Robert

Hi Pat & Bob,

We have preliminary Public Works numbers for the storm. They only cover the response to the storm they do not include restoration of washouts which is a separate item. The numbers are as follows:

Overtime	\$45,000
Contractors	\$95,000
Town Equipment Use Fema Credit	\$51,000*

Total	\$191,000

Fema reimbursement @ 70% = $.7 \times \$191,000 = \$133,700$

Net Cost to the Town = $\$191,000 - \$133,700 - \$51,000^* = \$6,300$

In other words we may have to come up with \$6,300 of new money to cover Public Works operational costs for debris removal during the storm. We are also looking at less than \$20,000 of road repairs. Using the same 70% formula would mean another \$6,000 of matching money for the storm damage.

Hopefully this will help to give you an idea of the financial impact for Public Works.

Fred Hurley

NEWTOWN PCO LOG

DESCRIPTION	AMOUNT	O.T. to date	Total
Silktown Premium Time	\$49,290.86	\$2,200.00	\$51,490.86
Fireproofing (Atlantic Insulation)	\$96,637.20		
New Piping (Tucker PCO's 2 thru 7)	\$44,997.70		
R15 Roof edge (Drywall Assoc)	\$5,008.30		
RTU 5&6 Tee's (Tucker)	\$2,248.00		
Café Ceiling Tile Only (Drywall Assoc)	\$10,450.00		
Lighting Fixture whips Cor. 104 & 106	\$2,077.90		
Connect / Disconnect Temp Abatement Panel	\$570.90		
Premium Time For Drywall Associates	\$2,998.00	\$999.00	\$3,997.00
Drywall Fire Rated Ceilings	\$1,666.50		
Drywall Sheet Rock @ Reading Rm.	\$1,617.00		
Drywall Pipe Enclosures	\$8,831.90		
Drywall Access Doors	\$380.60		
Drywall Soffit enclosures	\$1,104.40		
Pelweld Café Joist support	\$385.00		
Tucker relocate steam vent PCO #8	\$1,515.80		
Tucker holes in canopy	\$479.60		
Drywall enclose pipes E wing & entry vest	\$531.30		
Drywall soffits in café & locker rm	\$1,134.10		
Drywall new ceiling tiles @ ramp	\$2,475.00		
Guerrera additional items	\$5,108.68		
Atlantic Ticket work	\$1,171.23		
Drywall soffits @ 2nd Fl.	\$391.60		
Sayadoff Paint added entrances and walls	\$1,479.23		
Tucker added work to EF 1,2 &3	\$5,010.50		
Total	\$250,760.30		
Unused Allowances	\$71,196.00		
Total	\$179,564.30		

UNAUDITED

SCHEDULE 1

(1 of 2)

TOWN OF NEWTOWN, 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
PROPERTY TAXES:				
Collections - current year.....	\$ 91,559,032	\$ 91,559,032	\$ 91,587,482	\$ 28,450
Collections - prior years.....	575,000	575,000	251,979	(323,021)
Interest and lien fees.....	425,000	425,000	423,587	(1,413)
Motor vehicle supplement list.....	550,000	550,000	507,032	(42,968)
Telecommunications Property Tax Grant.....	149,000	149,000	85,169	(63,831)
TOTAL PROPERTY TAXES.....	93,258,032	93,258,032	92,855,249	(402,783)
INTERGOVERNMENTAL:				
Veterans additional exemptions.....	10,450	10,450	11,664	1,214
Elderly tax relief - circuit breaker.....	122,290	122,290	131,383	9,093
In lieu of taxes.....	907,197	907,197	912,401	5,204
Totally disabled.....	1,757	1,757	1,872	115
Town aid for roads.....	234,000	234,000	234,101	101
Manufacturers' machinery and equipment.....	242,996	242,996	192,643	(50,353)
Mashantucket Pequot fund grant.....	618,289	618,289	684,286	65,997
Connecticut school building grants.....	863,512	863,512	863,513	1
Equalized cost-sharing grant.....	4,309,646	4,309,646	3,717,626	(592,020)
Public school transportation aid.....	130,045	130,045	145,965	15,920
Non-public school transportation aid.....	15,625	15,625	15,035	(590)
Health services - St. Rose.....	11,500	11,500	9,279	(2,221)
Miscellaneous grants.....	0	0	52,381	52,381
LOCIP grant.....	201,170	201,170	198,000	(3,170)
Services for the blind.....	3,500	3,500		(3,500)
TOTAL INTERGOVERNMENTAL.....	7,671,977	7,671,977	7,170,149	(501,828)
CHARGES FOR SERVICES:				
Town clerk - conveyance tax.....	325,000	325,000	380,876	55,876
Town clerk - other.....	230,000	230,000	246,747	16,747
Police recruitment.....	-	-	5,025	5,025
Parks and recreation.....	220,000	220,000	176,669	(43,331)
Tuition.....	16,000	16,000	12,800	(3,200)
School generated fees.....	123,106	123,106	113,133	(9,973)
Building.....	375,000	375,000	441,540	66,540
Permit fees.....	5,000	5,000	975	(4,025)
Landfill permits.....	400,000	400,000	435,416	35,416
Senior center membership fees.....	10,000	10,000	5,268	(4,732)
Land use.....	100,000	100,000	50,654	(49,346)
TOTAL CHARGES FOR SERVICES.....	1,804,106	1,804,106	1,869,103	64,997
INVESTMENT INCOME.....	400,000	400,000	292,602	(107,398)
OTHER REVENUES:				
Miscellaneous revenue - police.....	49,000	49,000	3,385	(45,615)
Miscellaneous revenue - board of education.....	1,500	1,500	20,553	19,053
Miscellaneous revenue - selectmen.....	100,000	100,000	130,287	30,287
TOTAL OTHER REVENUES.....	150,500	150,500	154,225	3,725
TOTAL REVENUES.....	103,284,615	103,284,615	102,341,328	(943,287)

(Continued)

UNAUDITED

SCHEDULE 1
(2 of 2)

TOWN OF NEWTOWN, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL (CONCLUDED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
OTHER FINANCING SOURCES:				
Appropriation of fund balance.....	\$ 1,000,000	\$ 1,000,000	\$	\$ (1,000,000)
Transfers in.....			124,177	124,177
Cancellation of prior year encumbrances.....			23,157	23,157
TOTAL OTHER FINANCING SOURCES.....	1,000,000	1,000,000	147,334	(852,666)
TOTAL REVENUES AND OTHER FINANCING SOURCES.....	\$ 104,284,615	\$ 104,284,615	\$ 102,488,662	\$ (1,795,953)

(Concluded)

UNAUDITED

SCHEDULE 2
(1 of 2)

TOWN OF NEWTOWN, 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
GENERAL GOVERNMENT:				
Selectmen.....	\$ 339,533	\$ 478,509	\$ 475,907	\$ 2,602
Selectmen - other.....	291,525	291,525	254,608	36,917
Tax Collector.....	190,989	192,765	190,472	2,293
Probate Court.....	4,050	4,050	3,999	51
Town Clerk.....	218,411	219,889	213,064	6,825
Registrars.....	114,389	145,377	141,410	3,967
Assessor.....	218,662	229,750	225,321	4,429
Finance.....	327,883	331,908	331,814	94
Technology.....	301,525	301,525	282,846	18,679
Social security.....	837,030	839,156	830,605	8,551
Pension fund.....	806,104	807,279	807,279	-
Employee Benefits.....	3,214,436	3,224,377	3,215,941	8,436
Professional organizations.....	36,112	36,112	36,112	-
Insurance.....	994,000	980,400	936,044	44,356
Legislative Council.....	43,510	43,510	43,010	500
Hattertown Historic District.....	500	500	500	-
Economic Development Commission.....	116,315	116,315	116,059	256
TOTAL GENERAL GOVERNMENT.....	8,054,974	8,242,947	8,104,991	137,956
PUBLIC SAFETY:				
Communications.....	850,414	850,414	796,882	53,532
Police department.....	4,066,249	4,066,249	3,952,601	113,648
Fire department.....	1,183,142	1,183,682	1,123,540	60,142
Emergency Management/N.U.S.....	43,045	43,045	36,332	6,713
Canine control.....	118,034	118,451	98,404	20,047
Lake authorities.....	49,077	49,077	49,077	-
N.W. safety communication.....	9,783	9,783	9,783	-
Paramedic.....	260,000	260,000	260,000	-
Northwest CT Emergency Medical Service.....	250	250	250	-
TOTAL PUBLIC SAFETY.....	6,579,994	6,580,951	6,326,869	254,082
HEALTH AND WELFARE:				
Social services.....	85,129	85,574	84,828	746
Senior Services.....	279,951	280,808	269,528	11,280
V.N.A. of Newtown.....	500	500	500	-
Kevin's Community Center.....	45,000	45,000	45,000	-
Children's adventure center.....	25,000	25,000	25,000	-
Regional hospice.....	5,500	5,500	5,500	-
Veterans' guidance.....	250	250	100	150
N.W. Regional Mental Board.....	2,941	2,941	2,941	-
Youth & Family Services.....	265,600	265,600	265,600	-
Danbury Regional Commission on Children.....	2,750	2,750	2,750	-
Women's Center of Danbury.....	10,000	10,000	10,000	-
Ability Beyond Disability.....	4,500	4,500	4,050	450
Newtown Cultural Arts Commission.....	2,000	2,000	2,000	-
Amos House.....	3,300	3,300	3,300	-
Literacy Volunteers.....	1,000	1,000	900	100
Shelter of the Cross.....	2,500	2,500	2,250	250
WeCAHR.....	1,000	1,000	900	100
The Volunteer Center.....	1,000	1,000	1,000	-
Newtown Parade Committee.....	1,375	1,375	961	414
Parent Connection.....	20,000	20,000	20,000	-
NW Conservation District.....	500	500	500	-
Booth library.....	1,011,562	1,011,562	1,011,562	-
Tick Action Committee.....	2,750	2,750	2,281	469
Newtown Health District.....	264,618	264,618	264,618	-
TOTAL HEALTH AND WELFARE.....	2,035,976	2,040,028	2,026,069	13,959
LAND USE.....	457,952	472,115	465,629	6,486

(Continued)

UNAUDITED

SCHEDULE 2
(2 of 2)

TOWN OF NEWTOWN, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL (CONCLUDED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
PUBLIC WORKS:				
Building inspector.....	\$ 253,447	\$ 256,139	\$ 235,318	\$ 20,821
Highway.....	4,923,839	4,857,640	4,839,801	17,839
Winter maintenance.....	615,000	805,249	804,750	499
Landfill.....	1,340,385	1,379,385	1,374,426	4,959
Public building maintenance.....	625,429	622,768	609,899	12,869
Car pool.....	5,000	5,000	5,000	-
TOTAL PUBLIC WORKS.....	7,763,100	7,926,181	7,869,194	56,987
PARKS AND RECREATION.....	1,839,860	1,842,696	1,746,859	95,837
FAIRFIELD HILLS.....	385,000	385,000	305,477	79,523
BOARD OF EDUCATION.....	67,194,734	67,194,734	66,521,228	673,506
CONTINGENCY.....	509,000	938	-	938
DEBT SERVICE.....	9,294,025	9,294,025	9,290,175	3,850
TOTAL EXPENDITURES.....	104,114,615	103,979,615	102,656,491	1,323,124
OTHER FINANCING USES:				
Transfers out:				
Edmond Town Hall	170,000	170,000	170,000	-
Capital and nonrecurring fund		135,000	135,000	
TOTAL OTHER FINANCING USES.....	170,000	305,000	305,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES.....	\$ 104,284,615	\$ 104,284,615	\$ 102,961,491	\$ 1,323,124

(Concluded)

TOWN OF NEWTOWN
 MEDICAL SELF INSURANCE FUND ANALYSIS
 FISCAL YEAR 2010 - 2011
 (UNAUDITED / UNADJUSTED)

FUND BALANCE @ JULY 1, 2010

REVENUES

EMPLOYER CONTRIBUTIONS:

MUNICIPAL	2,970,936	
EDUCATION	7,731,401	10,702,337

EMPLOYEE CONTRIBUTIONS:

MUNICIPAL	240,564	
EDUCATION	1,512,745	1,753,309

RETIREE/COBRA/AGENCY CONTRIBUTIONS:

MUNICIPAL	318,494	
EDUCATION	485,805	804,299

INTEREST EARNED ON INVESTMENTS		3,503
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TOTAL REVENUES		13,263,448
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EXPENSES

CLAIMS/NAF:

MUNICIPAL	3,046,602	
EDUCATION	7,671,972	10,718,574 **

ADMINISTRATIVE FEES:

MUNICIPAL	205,147	
EDUCATION	574,227	779,375

CONSULTANT FEES		50,000
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TOTAL EXPENSES		11,547,949
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ESTIMATED FUND BALANCE @ JUNE 30, 2011		1,715,499
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25% OF TOTAL CLAIMS =	2,679,644	
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** Includes claims payable @ June 30, 2011

**TOWN OF NEWTOWN
MEDICAL SELF INSURANCE EXPENDITURES
FOR THE TWELVE MONTHS ENDING JUNE 30, 2011**

	<u>EDUCATION SUMMARY</u>	<u>TOWN SUMMARY</u>	<u>TOTAL SUMMARY</u>
JULY 2010			
CLAIMS/NAF	122,595	133,272	255,867
ADMIN	46,601	17,387	63,988
	<u>169,196</u>	<u>150,660</u>	<u>319,855</u>
AUGUST 2010			
CLAIMS/NAF	801,249	336,479	1,137,728
ADMIN	46,291	17,133	63,425
	<u>847,540</u>	<u>353,612</u>	<u>1,201,152</u>
SEPTEMBER 2010			
CLAIMS/NAF	655,306	198,468	853,774
ADMIN	48,149	17,303	65,452
	<u>703,455</u>	<u>215,770</u>	<u>919,225</u>
OCTOBER 2010			
CLAIMS/NAF	643,778	193,055	836,833
ADMIN	48,536	17,218	65,754
	<u>692,314</u>	<u>210,273</u>	<u>902,586</u>
NOVEMBER 2010			
CLAIMS/NAF	606,973	249,209	856,182
ADMIN	48,149	17,218	65,367
	<u>655,122</u>	<u>266,427</u>	<u>921,549</u>
DECEMBER 2010			
CLAIMS/NAF	586,840	245,316	832,156
ADMIN	48,149	17,049	65,198
	<u>634,989</u>	<u>262,365</u>	<u>897,354</u>
JANUARY 2011			
CLAIMS/NAF	628,365	215,386	843,751
ADMIN	47,994	17,133	65,128
	<u>676,359</u>	<u>232,519</u>	<u>908,878</u>
FEBRUARY 2011			
CLAIMS/NAF	447,667	203,833	651,500
ADMIN	47,607	17,049	64,656
	<u>495,274</u>	<u>220,882</u>	<u>716,156</u>
MARCH 2011			
CLAIMS/NAF	568,246	276,559	844,805
ADMIN	48,304	16,872	65,176
	<u>616,550</u>	<u>293,431</u>	<u>909,981</u>
APRIL 2011			
CLAIMS/NAF	677,682	249,334	927,017
ADMIN	48,381	17,041	65,423
	<u>726,063</u>	<u>266,376</u>	<u>992,439</u>
MAY 2011			
CLAIMS/NAF	778,406	271,046	1,049,452
ADMIN	47,994	16,872	64,866
	<u>826,401</u>	<u>287,918</u>	<u>1,114,318</u>
JUNE 2011			
CLAIMS/NAF	624,341	275,926	900,267
ADMIN	48,072	16,872	64,944
	<u>672,413</u>	<u>292,797</u>	<u>965,210</u>
HSA PAYMENTS	<u>44,000</u>		
AVG CLAIMS/NAF SEP THRU JUNE (2010 - 2011)	621,761	237,813	859,574
AVG CLAIMS DEC'08 THRU NOV'09	634,157	221,588	855,745
TOTAL CLAIMS/NAF JULY'10 THRU JUNE'11	7,185,449	2,847,882	9,989,331
CLAIMS PAYABLE @ 06 / 30 / 2011	486,523	198,720	685,243
TOTAL CLAIMS/NAF 2010/2011	<u>7,671,972</u>	<u>3,046,602</u>	<u>10,674,574</u>
TOTAL ADMIN	574,227	205,147	779,375
TOTAL EXPENSES	<u>8,246,199</u>	<u>3,251,750</u>	<u>11,453,949</u>

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TOWN OF NEWTOWN
LEGISLATIVE COUNCIL

June 23, 2011

John Kortze
Chairman, Newtown Board of Finance
3 Primrose Street
Newtown, CT 06470

SUBJECT: Policy for Depositing Unexpended Appropriated Education Funds

Dear John,

At the June 15 regular meeting of the Newtown Legislative Council, members deliberated and passed the following motion taken from our unapproved minutes:

Mr. Spragg moved to refer review of the policy, on moving year end monies to the Capital/ Non-Recurring Fund, to the Board of Finance. Ms. Fetchick seconded.

In his remarks on the motion, Mr. Spragg mentioned discussing the concept of the Board of Finance doing the detail work on the policy which would ultimately come to the council for endorsement. I speak on behalf of the council in saying we look forward to working with the Board of Finance in developing a set of regulations governing this practice that town agencies adhere to while continuing to promote the financial stability of our town.

Best Regards,

A handwritten signature in black ink, appearing to read 'JK', is written below the text 'Best Regards,'.