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**Town of North Stonington, Connecticut**

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

**For the Year Ended June 30, 2008**

**Marien +  
Company LLC**

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**CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS**

**Town of North Stonington, Connecticut  
For the Year Ended June 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in footnote 1, the Town made prior period adjustments to the Net Assets and Fund Balance. This increased each of these balances by \$69,577.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis immediately following this report and budgetary comparison information included in Required Supplementary Information (RSI) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2008 on our consideration of the Town of North Stonington, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Marion + Company*

November 29, 2008

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Introduction**

This Annual Financial Report presents the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that the managers of the Town of North Stonington focus on our most important, or "major" funds, including the general fund.

Our hope is to provide you with an objective and readable analysis of our financial performance for the fiscal year ended June 30, 2008. Taken together, the following statements should enable you to assess whether North Stonington's financial position has improved or deteriorated as a result of the year's operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of your government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of North Stonington in its entirety, including the year's operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services you have requested of us;
- See how we finance the programs you have asked for – through user fees and other program revenues versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, schools, and other infrastructure assets;
- Make better comparisons between governments.

**Financial Highlights**

- The assets of the Town of North Stonington exceeded its liabilities at the close of the most recent year by \$10,000,085 (net assets). *Unrestricted net assets* amounted to \$4,792,747 and were available to meet the government's ongoing obligations to citizens and creditors.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

- Our total net assets decreased by \$180,847.
- As of the close of the current fiscal year, North Stonington's governmental funds reported combined ending fund balances of \$2,584,109, a decrease of \$156,406 in comparison with the prior year's \$2,740,515. Approximately 92.7% of these fund balances, \$2,396,112, are *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,243,477, or about 7.3% of total general fund expenditures of \$17,127,392.
- Our bonded debt decreased by \$615,000 (15.2%) during the current fiscal year.

### **Overview of the Financial Statements**

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

- **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Town of North Stonington's finances in a manner similar to private-sector business.
  - They include a *statement of net assets* which presents information on all of the Town's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

The governmental activities of North Stonington include general government, public safety, public works, education, and interest on long-term debt. The government-wide financial statements include only the Town of North Stonington (known as the *primary government*). There are no legally separate governmental units, or *component units*, for which the Town is financially accountable;

- Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements;
- ***Fund Financial Statements*** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of North Stonington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental fund* financial statements include financial data for the general fund, special revenue funds, capital projects, debt service, and permanent funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact of the government-wide financial statements. By doing so, you may better understand the long-term impact of our near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

North Stonington maintains eleven individual governmental funds of which two are considered major funds and nine are designated as nonmajor funds. There are eight nonmajor special revenue funds and one nonmajor capital project fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital and nonrecurring fund, both of which are considered to be major funds. Data from the eight nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The Town of North Stonington adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate our compliance with this budget.

- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in our government-wide financial statement because the resources of those funds are *not* available to support our own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.
- Notes to the Financial Statements provide information essential to your understanding of the data provided in the government-wide and fund financial statements.
- Required Supplementary Information (RSI) includes a budgetary comparison schedule for the general fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget.

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

As management of the Town of North Stonington, we offer readers of the Town's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2008. We encourage you to consider the information presented here in conjunction with additional information that we have furnished throughout the rest of this financial report.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of our financial position. In the case of North Stonington, assets exceeded liabilities by \$10,000,085 at the close of the most recent fiscal year.

Approximately 52.1% of the Town's net assets reflect its investment in capital assets (e.g., land, buildings, furniture, machinery and equipment, recreation, and infrastructure) less any related debt used to acquire those assets that is still outstanding. We use these capital assets to provide services to our citizens; consequently, these assets are *not* available for future spending. Although North Stonington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

	2008	Change During Year		2007
		Dollars	Percent	
Current and other assets	\$ 5,553,843	\$ (570,352)	-9.31%	\$ 6,124,195
Capital assets	8,660,485	(520,051)	-5.66%	9,180,536
Total assets	14,214,328	(1,090,403)	-7.12%	15,304,731
Long-term debt outstanding	3,715,098	(712,111)	-16.08%	4,427,209
Other liabilities	499,145	(197,445)	-28.34%	696,590
Total liabilities	4,214,243	(909,556)	-17.75%	5,123,799
Net assets:				
Invested in capital assets, net of related debt	5,207,338	122,691	2.41%	5,084,647
Unrestricted	4,792,747	(303,538)	-5.96%	5,096,285
Total net assets	<u>\$ 10,000,085</u>	<u>\$ (180,847)</u>	<u>-1.78%</u>	<u>\$ 10,180,932</u>

The portion of the Town's net assets invested in capital assets is limited as to how they may be used. The remaining balance of *unrestricted net assets*, \$4,792,747, is available to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of North Stonington is able to report positive balances in both categories of net assets.

**Governmental activities.** The Town's net assets decreased by \$180,847 during the current fiscal year. The Town brought in net general revenues of \$12,400,497 which was under its net operating expenditures of \$12,581,344 by the amount of the net asset decrease. Gross expenses of \$17,917,394 were offset by \$626,918 in charges for services, \$4,640,061 in operating grants and contributions, and \$69,071 in capital grants and contributions.

**Town of North Stonington, Connecticut  
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Of the net expenditures, \$8,770,268 was accounted for by the Board of Education, \$1,715,946 by public works, \$1,247,729 by general government, \$763,507 by public safety, and \$83,894 by interest on long-term debt. Our general revenue was comprised of \$11,424,481 in tax collections, payments in lieu of taxes, and interest and lien fees, \$969,405 of unrestricted grants and contributions, \$113,028 in interest and investment earnings, offset slightly by a net \$106,417 loss on the disposition of a JVC backhoe and a paving box.

Key components of the decrease in net assets are as follows:

**Table 2  
Change in Net Assets (on Exhibit 2)**

	2008	Change During Year		2007
		Dollars	Percent	
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 626,918	\$ (215,914)	-25.62%	\$ 842,832
Operating grants and contributions	4,640,061	378,065	8.87%	4,261,996
Capital grants and contributions	69,071	(7,082)	-9.30%	76,153
General revenues:				
Property taxes	11,424,481	141,806	1.26%	11,282,675
Grants and contributions	969,405	67,404	7.47%	902,001
Interest and investment earnings	113,028	(44,891)	-28.43%	157,919
Gain (loss) on disposal of equipment	(107,165)	(107,165)	-100.00%	-
Other general revenues	748	(194)	-20.59%	942
Total revenues	<u>17,736,547</u>	<u>212,029</u>	1.21%	<u>17,524,518</u>
<b>Program expenses</b>				
General government	1,867,964	79,679	4.46%	1,788,285
Public Works	2,015,071	387,058	23.77%	1,628,013
Public Safety	880,792	(67,926)	-7.16%	948,718
Education	13,069,673	(2,708)	-0.02%	13,072,381
Interest on long-term debt	83,894	(14,537)	-14.77%	98,431
Total expenses	<u>17,917,394</u>	<u>381,566</u>	2.18%	<u>17,535,828</u>
Increase (decrease) in net assets	<u>\$ (180,847)</u>	<u>\$ (169,537)</u>	1499.00%	<u>\$ (11,310)</u>

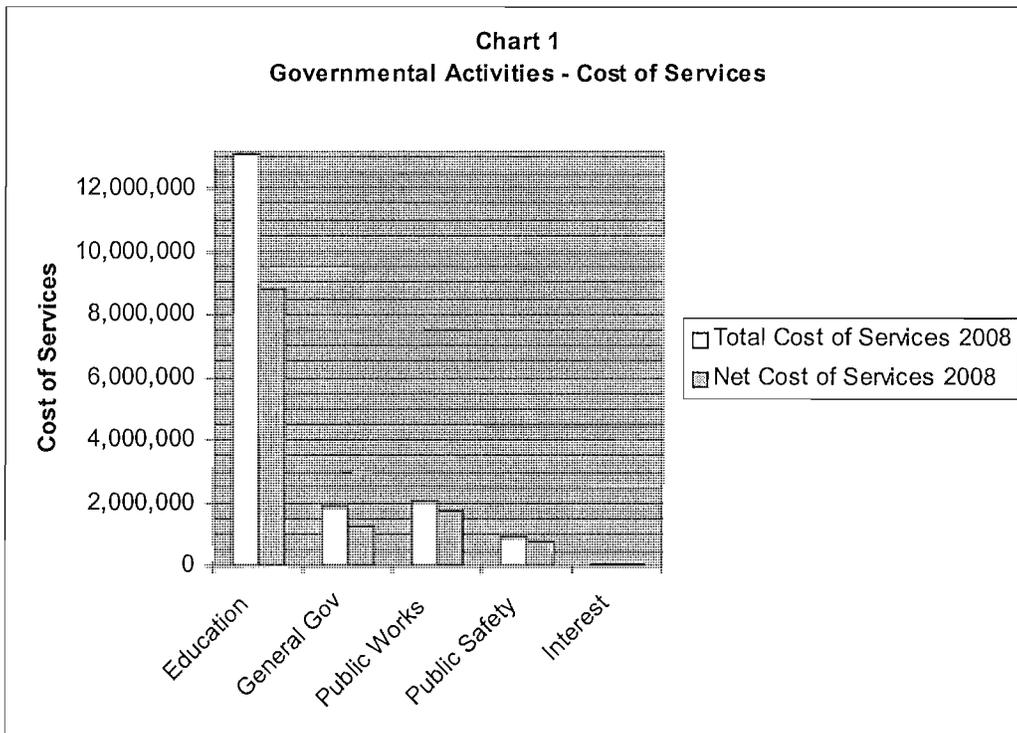
The total net assets were reduced due to a planned reduction in the general fund equity. The FY 2008 budget anticipated more expenditures than revenue, and the planned reduction in the general fund balance impacts our net assets as well. Capital assets decreased because the depreciation on the existing assets exceeded the increase in new assets. See Note 6, Capital Assets, in Notes to the Financial Statements, for further information. Long-term debt decreased because of the scheduled principal payment on our school construction bonds.

- Charges for services declined \$215,914 as the building official revenue went down by \$133,055 and the town clerk licenses and permits went down \$57,435, both reflecting the general economic slowdown and fall off of new construction along with a Planning and Zoning moratorium from March 2008 through December, 2008 which prevented certain building projects;

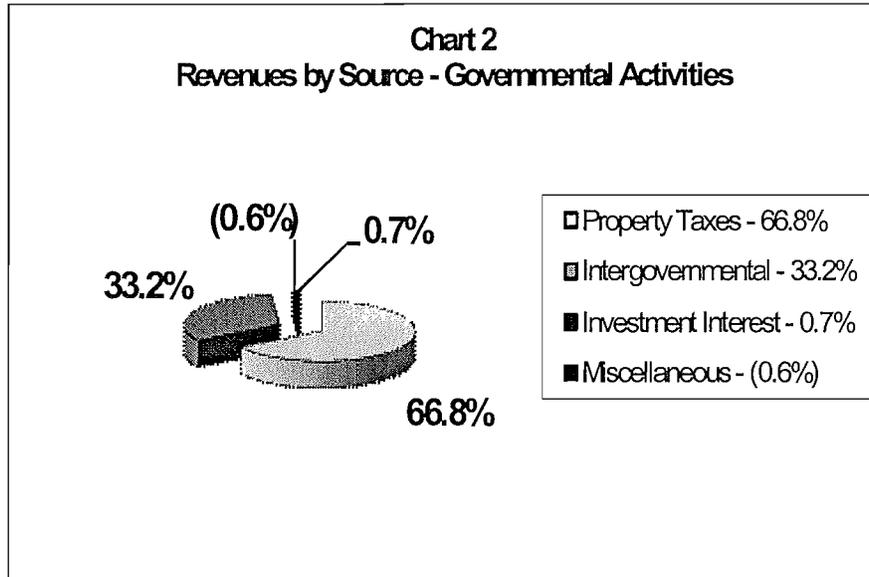
**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

- Operating grants and contributions increased by \$378,065 between fiscal year 2007 and 2008 as a result of a \$303,000 State grant for a new waterline and a grant for completion of the walkway bridge through Assekonk swamp connecting the school to the recreation area.
- Property taxes and PILOT payments rose \$141,806 from FY 2007 since we budgeted more for these revenues than in FY 2007. The budgeted increase in these revenues was \$135,429.
- Public works shows the largest expenditure increase over the prior fiscal year, \$387,058, primarily reflecting \$300,625 worth of work on the new waterline;
- The Board of Education normally shows the largest increase in expenditures and in the budget, yet this year the Board spent almost \$3 thousand less than last year and over \$48 thousand less than budgeted for this year much of this savings can be attributed to the "spend ahead" of funds of FY 2006-07 by the Board of Education for FY 2007-08 expenses and FY 2007-08 for FY 2008-09.

Chart 1 presents the costs of our five programs (education, general government, public works, public safety, and interest on long-term debt) as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial contribution by our taxpayers to support each of these functions. Chart 2 shows how we paid for our services.



**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**



**General Fund Budgetary Highlights**

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. Below is a summarized view of the final budget and actual results for the General Fund.

**Table 3  
General Fund - Budget Summary**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Taxes, interest and lien fees	\$ 11,211,290	\$ 11,218,645	\$ 7,355
Use of town money	120,000	110,507	(9,493)
Intergovernmental revenues	4,776,405	4,697,100	(79,305)
Licenses, fees, fines and charges	270,300	184,239	(86,061)
Other revenue	561,539	625,838	64,299
	<u>16,939,534</u>	<u>16,836,329</u>	<u>(103,205)</u>
<b>Expenditures</b>			
General government	4,191,363	4,096,607	94,756
Redemption of debt	765,325	765,325	-
Board of education	11,641,578	11,592,861	48,717
Education	476,074	460,562	15,512
	<u>17,074,340</u>	<u>16,915,355</u>	<u>158,985</u>
<b>Increase (Decrease) in Fund Balance</b>	<u>\$ (134,806)</u>	<u>\$ (79,026)</u>	<u>\$ 55,780</u>

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

During the year, the revenue budget remained unchanged at \$16,939,544. The expenditure budget grew an additional \$89,356 to \$17,074,340. The most significant of the new expenditure appropriations (or reductions) may be briefly summarized as follows:

- \$53,850 additional appropriation in the state trooper account to expend a federal grant for stepped-up DUI enforcement;
- \$20,000 Additional Appropriation to the Planning and Zoning Consulting line item.
- \$2,364 Additional Appropriation, 100% funded by the State of Connecticut Homeland Security grant, to Civil Preparedness Capital line item for the purchase of a new computer.
- \$13,142 Additional Appropriation to the North Stonington Ambulance Association operating line item for budget overruns.
- A failure of the Public Work's Highway Department paving box required replacement, a used paving box was purchased for \$40,050, using transferred funds from savings in other areas of the Public Works budget. The old equipment was sold at auction for a revenue of \$6,300.

The original budget contemplated an excess of expenditures over revenues of \$45,440. The effect of additional appropriations for a net additional \$89,356 increased the amount to \$134,796 that was to have come from a reduction in general fund surplus. However, strong control of expenditures throughout the year generated a favorable expenditure budget variance of \$158,985. A shortfall of revenues under budget of \$103,215 generated a net positive budgetary variance for the year of \$55,770. On a GAAP basis, the total of governmental funds posted an operating deficit of \$156,406, the amount by which we drew down fund balance as opposed to the final budget forecast of \$134,796.

**Financial Analysis of the Government's Funds**

As noted earlier, we use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

**Town of North Stonington, Connecticut  
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For the Year Ended June 30, 2008**

As of the end of the current fiscal year, North Stonington's governmental funds reported combined ending fund balances of \$2,584,109, a decrease of \$156,406 from the prior year. Roughly 92.7% of this fund balance, \$2,396,112, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the governmental funds balance, \$187,997, is *reserved* to indicate that it is not available for new spending because it has already been committed to; 1) in the general fund, \$69,600 for encumbrances and \$17,556 for the town clerk; and 2) in the remaining other governmental funds, \$37,969 for open space and \$62,872 for inland wetland mitigation.

The general fund is the chief operating fund of the Town. General fund balance was reduced from the year's operations by \$17,178. As a result, the unreserved fund balance of the general fund was \$1,243,477 while total general fund balance closed out at \$1,330,633. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total general fund balance to total general fund expenditures. Unreserved fund balance represents 7.3% of total general fund expenditures of \$17,127,392 while total fund balance represents 7.8% of that same amount.

Key factors contributing to our fiscal year 2008 results were as follows:

Revenues:

- Intergovernmental revenues were \$79,315 (net) shy of what we expected with \$53,694 less in special education funds, \$29,721 less in Educational Cost Sharing (ECS) money, and \$21,081 less in local capital improvement (LoCIP) grants
- We experienced lower building official fees by \$41,530, lower town clerk license, permit, and conveyance fees by \$27,528, and lower recreation commission, sanitarian, and town clerk restoration fees;
- Other revenues from a variety of sources were \$64,299 more than expected.

Expenditures

- General government experienced \$158,985 lower than budgeted costs for FY 2008 with all major line departments spending under budget;
- The Board of Education spent \$48,717 less than budgeted.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Capital Asset and Debt Administration**

**Capital assets.** The Town of North Stonington's investment in capital assets for its governmental assets includes land, buildings and improvements, furniture, machinery and equipment, recreation, textbooks, library books, and infrastructure. The Town reduced its capital assets by a net \$496,835 (before depreciation), primarily furniture and equipment, during the fiscal year as depicted in Table 5 below.

**Table 5  
Capital Assets at Year-end**

	<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007</b>
Land (not depreciated) .....	\$ 778,540	\$ 778,540
Buildings and Improvements .....	12,181,382	12,181,382
Furniture and Equipment.....	5,735,209	6,232,044
Infrastructure.....	204,943	204,943
Totals.....	18,121,534	18,618,369
Less: Accumulated Depreciation .....	(10,239,589)	(10,216,373)
Governmental activities, capital assets, net.....	<u>\$8,660,485</u>	<u>\$9,180,536</u>

During the year, public works purchased a new paving box booked at \$39,790 but we disposed of an old paving box and a JVC backhoe totaling \$293,947.

The Board of Education purchased \$38,841 of textbooks, \$17,766 of library books, and added \$30,343 of office equipment, computers, and other machinery and equipment. On the other hand, they disposed of \$73,933 of outdated textbooks and \$19,023 of library books. They also eliminated \$130,016 worth of obsolete or unusable machinery and equipment and returned \$117,614 of copiers upon the expiration of their leases.

Additional information on the Town of North Stonington's capital assets can be found in Note 6, Capital Assets, and in Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual, of this report.

**Town of North Stonington, Connecticut  
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For the Year Ended June 30, 2008**

**Long-term debt.** At the end of the current fiscal year, the Town of North Stonington had \$3,420,000 of general obligation long-term bonded debt and no short-term bond anticipation notes (BANs) outstanding. All debt is backed by the full faith and credit of the Town.

**Table 6  
Long-Term-Term Debt**

<u>Bonds</u>					<u>Date of Fiscal Year Maturity</u>
<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Bonds Outstanding</u>	
8/15/02	School	2.00 – 5.00	\$ 7,025,000	\$3,420,000	2014

Our total debt decreased by \$615,000 (15.2%) during the current fiscal year. The key factor in this decrease was the scheduled amortization of bond principal.

The State of Connecticut will reimburse us a percentage of our school bond principal and interest costs over the life of the outstanding school bond issue. As of June 30, 2008, the total amount due the Town for outstanding school bond principal amounted to \$2,011,470.

Moody's Investors Service, Inc rates North Stonington's general obligation long-term debt "A3".

State statutes limit the amount of general obligation debt we may issue to 7 times our tax collections plus interest and lien fees. For June 30, 2008, the maximum amount of borrowing permitted under the formula would be \$78,418,592. With net borrowings of \$1,408,530, our outstanding general obligation debt is \$77,010,062 below the maximum debt limitation (see Note 8.E., Debt Limitations Under Connecticut State Statutes, of this report).

Additional information on our long-term debt can be found in Note 8. Long-Term Debt, of this document.

**Economic Factors and Next Year's Budget**

- The unemployment rate for North Stonington was 4.9% as June 30, 2008 which marks an increase from a rate of 3.5% a year ago. This compares favorably to the state and national average unemployment rate of 5.7% (not seasonally adjusted).

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

- Inflationary trends in the region compare favorably to the national indices.

Overall, North Stonington's FY 2009 budget increased \$855,899 (5.0%) from \$16,984,984 budgeted in FY 2008 to \$17,840,883. The budget was approved on the first referendum.

We expect our revenues to rise \$421,667 from \$16,883,599 to \$17,305,267. About \$805 thousand will come from increased taxes to help offset what we see as a drop in all other revenues of \$383 thousand. In addition, we will expect to draw \$14,384 from general fund surplus, realize \$485,000 from bond anticipation note proceeds, and reallocate \$65,000 in the reserve fund for capital and non-recurring expenditures.

The ordinary (operating) expenditure budget increased \$354,682 (2.1%) from \$16,551,324 to \$16,906,006. The Town portion of the budget rose \$112,150 to \$4,256,571. Of note, the Board of Finance for the first time allocated \$65,000 towards meeting our GASB Statement 45 Other Post Employment Benefit (OPEB) obligation to retired employees for whom we pay ongoing benefits. We will continue to amortize this future unfunded liability much as we do for pensions over the coming years.

Other areas of meaningful increase in the FY 2009 operating budget appear in employee medical insurance which rose almost \$18 thousand dollars and in public works highway labor costs which also rose almost \$18 thousand.

Our capital budget expanded by \$501 thousand to \$935 thousand to accommodate \$535 thousand for a new fire engine for the volunteer fire company, \$50 thousand for solar panels on town buildings, \$60 thousand for a new dump truck/sander/snow plow, \$40 thousand for revaluation, and \$75 for the Board of Education school building improvements.

The Board of Education accounted for \$260,982 of the total budget increase of \$354,682, or 73.6%. While \$170,943 of the new budget increase was due to teacher salaries bound by collective bargaining units, the Board did eliminate the position of Assistant Principal at the Middle School for a savings of almost \$95 thousand dollars. A new allocation for contract negotiations of \$43 thousand also helped drive the higher budget. Increased costs of transporting students, heating oil expenses, and utilities hikes all added another \$158 thousand to new costs for FY 2009.

All of these factors were considered in preparing the Town's budget for the 2009 fiscal year.

Total general fund balance as of June 30, 2008 closed at \$1,330,633. The Town Meeting appropriated \$14,384 of this amount for spending in the 2009 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2009 fiscal year.

**Town of North Stonington, Connecticut  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Requests for Information**

This financial report is designed to provide a general overview of the Town of North Stonington's finances for all those with an interest in our operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the First Selectman, 40 Main Street, North Stonington, CT 06359.

**Town of North Stonington, Connecticut**  
**Statement of Net Assets**  
**June 30, 2008**

<b>ASSETS</b>	<u><b>Governmental Activities</b></u>
Cash and cash equivalents	\$ 2,924,888
Receivables, net of allowance for collection losses	2,591,412
Due from fiduciary funds	17,256
Other long-term assets	20,287
Capital assets, net of accumulated depreciation	<u>8,660,485</u>
Total assets	<u>14,214,328</u>
<b>LIABILITIES</b>	
Accounts payable	391,158
Accrued wages and benefits	66,698
Accrued interest payable	27,474
Deferred revenue	13,815
Noncurrent liabilities:	
Due within one year	763,458
Due in more than one year	<u>2,951,640</u>
Total liabilities	<u>4,214,243</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,207,338
Unrestricted net assets	<u>4,792,747</u>
Total net assets	<u><u>\$ 10,000,085</u></u>

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

**Town of North Stonington, Connecticut**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

	Program Specific Revenues				Net (Expense) Revenue	
	Expenses	Charges for		Total		
		Services	Operating	Grants and Contributions	Government	Activities
<b>Functions/Programs</b>						
General government	\$ (1,867,964)	\$ 247,193	\$ 351,210	\$ 21,832	\$ (1,247,729)	
Public safety	(880,792)	-	117,285	-	(763,507)	
Public works	(2,015,071)	120,575	131,311	47,239	(1,715,946)	
Education	(13,069,673)	259,150	4,040,255	-	(8,770,268)	
Interest on long-term debt	(83,894)	-	-	-	(83,894)	
<b>Total governmental activities</b>	<b>\$ (17,917,394)</b>	<b>\$ 626,918</b>	<b>\$ 4,640,061</b>	<b>\$ 69,071</b>	<b>\$ (12,581,344)</b>	
<b>General revenues:</b>						
Property taxes, payments in lieu of taxes, interest and liens					11,424,481	
Grants and contributions					969,405	
Interest and investment earnings					113,028	
Gain (loss) on disposal of equipment					(107,165)	
Miscellaneous					748	
<b>Total general revenues</b>					<b>12,400,497</b>	
<b>Changes in net assets</b>					<b>(180,847)</b>	
<b>Net assets, beginning of the year</b>					<b>10,180,932</b>	
<b>Net assets, end of the year</b>					<b>\$ 10,000,085</b>	

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

**Town of North Stonington, Connecticut**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	<b>General Fund</b>	<b>Capital Nonrecurring Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,186,602	\$ 588,419	\$ 149,867	\$ 2,924,888
Receivables	2,570,544	1,188	19,680	2,591,412
Due from other governmental funds	5,209	512,060	11,815	529,084
Due from fiduciary funds	-	-	17,256	17,256
<b>Total assets</b>	<b>\$ 4,762,355</b>	<b>\$ 1,101,667</b>	<b>\$ 198,618</b>	<b>\$ 6,062,640</b>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 369,770	\$ -	\$ 21,388	\$ 391,158
Accrued expenses	66,698	-	-	66,698
Deferred revenue	2,471,379	1,188	19,024	2,491,591
Due to other governmental funds	523,875	-	5,209	529,084
<b>Total liabilities</b>	<b>3,431,722</b>	<b>1,188</b>	<b>45,621</b>	<b>3,478,531</b>
<b>Fund balance</b>				
Reserved	87,156	-	100,841	187,997
Unreserved, reported in:				
General Fund	1,243,477	-	-	1,243,477
Special Revenue Fund	-	-	57,365	57,365
Capital Projects Fund - Designated	-	668,970	-	668,970
Capital Projects Fund	-	431,509	(5,209)	426,300
<b>Total fund balance</b>	<b>1,330,633</b>	<b>1,100,479</b>	<b>152,997</b>	<b>2,584,109</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,762,355</b>	<b>\$ 1,101,667</b>	<b>\$ 198,618</b>	

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

Less: Long-term liabilities not due and payable in current period:	
Bonds, notes, capital leases payable and unamortized premiums on bond costs	(3,555,147)
Compensated absences and special termination benefits	(159,951)
Accrued interest payable	(27,474)
Plus:	
Deferred charges on bond costs (to be amortized over the life of the bond)	20,287
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,660,485
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	2,477,776
<b>Net assets reported on the government-wide financial statements (Exhibit 1)</b>	<b>\$ 10,000,085</b>

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

**Town of North Stonington, Connecticut**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes, interest and lien fees	\$ 11,218,645	\$ -	\$ -	\$ 11,218,645
Intergovernmental revenues	5,604,145	-	576,937	6,181,082
Local revenues	487,691	19,605	229,042	736,338
	<u>17,310,481</u>	<u>19,605</u>	<u>805,979</u>	<u>18,136,065</u>
<b>Expenditures</b>				
Current expenditures:				
General government	2,439,430	33,195	428	2,473,053
Public safety	838,743	6,557	-	845,300
Public works	1,388,431	300,625	120,396	1,809,452
Education	11,524,609	35,690	668,188	12,228,487
Capital outlay	170,854	-	-	170,854
Debt service	765,325	-	-	765,325
	<u>17,127,392</u>	<u>376,067</u>	<u>789,012</u>	<u>18,292,471</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>183,089</u>	<u>(356,462)</u>	<u>16,967</u>	<u>(156,406)</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	89,441	289,708	-	379,149
Operating transfers out	(289,708)	(7,727)	(81,714)	(379,149)
	<u>(200,267)</u>	<u>281,981</u>	<u>(81,714)</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>(17,178)</u>	<u>(74,481)</u>	<u>(64,747)</u>	<u>(156,406)</u>
<b>Fund balance, beginning of the year</b>	<u>1,347,811</u>	<u>1,174,960</u>	<u>217,744</u>	<u>2,740,515</u>
<b>Fund balance, end of the year</b>	<u>\$ 1,330,633</u>	<u>\$ 1,100,479</u>	<u>\$ 152,997</u>	<u>\$ 2,584,109</u>

**Reconciliation of the statement of revenues, expenditures and changes in fund balances (above) to the statement of activities (Exhibit 2)**

<b>Net change in fund balances - total governmental funds (above)</b>	\$ (156,406)
Transactions involving the treatment of capital outlays:	
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2	137,698
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements	(521,291)
Net effects of various transactions involving fixed assets:	
Less: Book value of disposed capital assets not reported in this statement	(136,465)
Transactions involving the treatment of long-term debt:	
Plus: Principal repayments:	
General obligation bonds and related premiums	615,000
Capital lease financing	27,749
Post-closure landfill costs	6,000
Changes in other items not requiring the use of current financial resources:	
Compensated absences and settlement benefits payable	63,362
Accrued interest payable	3,844
Amortization on issue premium/costs on bonds	(3,498)
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement	
State reimbursement of bond principal	(381,978)
Other state grants	65,934
Taxes, interest and lien fees	99,204
<b>Changes in net assets of governmental activities (Exhibit 2)</b>	<u>\$ (180,847)</u>

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

**Town of North Stonington, Connecticut**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

	<b>Total Pension Trust Funds</b>	<b>Agency Funds</b>
	<hr/>	<hr/>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,524	\$ 675,234
Investments in insurance annuities	1,087,910	-
Accounts receivable	81,778	-
	<hr/>	<hr/>
<b>Total assets</b>	<b>1,172,212</b>	<b>675,234</b>
	<hr/>	<hr/>
<b>Liabilities</b>		
Due to students and developers	-	657,978
Due to governmental funds	-	17,256
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>675,234</b>
	<hr/>	<hr/>
<b>Net assets</b>		
Held in trust for pension benefits	\$ 1,172,212	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

**Town of North Stonington, Connecticut**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2008**

	<b>Pension Trust Funds</b>
	<u>                    </u>
<b>Additions</b>	
Employer contributions	\$ 109,812
Investment income	<u>33,898</u>
<b>Total additions in net assets</b>	<u>143,710</u>
<b>Deductions</b>	
Benefits paid to plan members	22,921
Administrative expenses	<u>10,415</u>
<b>Total deductions</b>	<u>33,336</u>
<b>Change in net assets</b>	110,374
<b>Net assets held in trust, beginning of year</b>	<u>1,061,838</u>
<b>Net assets held in trust, end of year</b>	<u><u>\$ 1,172,212</u></u>

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

**A. Reporting entity**

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

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town’s policy is to use its restricted resources first. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Additionally, the town reports the following fiduciary fund types:

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

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

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

***1) Deposits and investments***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value.

*Custodial Credit Risk* - The Town's policy is to invest in obligations allowable under the Connecticut General Statutes. In general, this includes deposits in allowable banks, obligations of the United States of America and obligations of any State or political subdivision, which is tax exempt.

*Interest Rate Risk* - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the Town does not invest in any long-term investment obligations.

*Concentration of Credit Risk* - The Town places no limit on the amount they may invest in any one issuer.

***2) Receivables***

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

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

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

***3) Activity between funds***

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

**4) Inventories and prepaid items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**5) Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

**6) *Compensated absences***

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8) *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Town made a prior period adjustment in the net amount of \$69,577 to increase the beginning balance in Net Assets and Fund Balance. These were made to correct the beginning cash balances and to remove certain governmental activity from the fiduciary funds.

**Note 2 - Budgeting**

**A. Budget Basis**

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

**B. Budget Calendar**

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

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

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

**C. Budget Control**

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

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$89,356 of additional appropriations were made.

**Note 3 – Cash And Cash Equivalents**

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

Deposits	\$ 3,421,680
Pooled Investment Funds	180,966
Total Cash and Cash Equivalents	<u>\$ 3,602,646</u>
Governmental Funds	\$ 2,924,888
Pension Trust Funds	2,524
Agency Funds	675,234
Total Cash and Cash Equivalents	<u>\$ 3,602,646</u>

The carrying amount of the Town's deposits with financial institutions was \$3,421,680 and the bank balance was \$3,765,647. Of the bank balance, \$3,434,653 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name. In total \$330,994 was uninsured and uncollateralized.

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

**Note 4 - Investments**

Investments in the Pension Trust Funds are recorded at their fair value and consist entirely of uncollateralized and unsecured annuities held in annuity trust funds of various insurance companies. Fair value is determined by the fair value of the underlying marketable securities held by the trust.

**Note 5 - Receivables**

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

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Fiduciary Funds
Taxes	\$ 405,259	\$ -	\$ -	\$ -
Interest and fees on back receivables	164,728	-	-	-
Long-term school construction grant	2,011,740	-	-	-
Intergovernmental	103,159	1,188	19,680	81,778
Gross receivables	2,684,886	1,188	19,680	81,778
Less: allowance for uncollectibles	(114,342)	-	-	-
Net total receivables	<u>\$ 2,570,544</u>	<u>\$ 1,188</u>	<u>\$ 19,680</u>	<u>\$ 81,778</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 393,705	\$ -
Reimbursements on school bond payments	2,011,740	-
Grants that were not received in 60 days	72,331	-
Grants that are not earned yet	-	13,815
Total deferred/unearned revenue for governmental funds	<u>\$ 2,477,776</u>	<u>\$ 13,815</u>

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

**Note 6 - Capital Assets**

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 778,540	\$ -	\$ -	\$ 778,540
Capital assets being depreciated:				
Buildings and Improvements	12,181,382	-	-	12,181,382
Furniture and Equipment	6,232,044	137,698	(634,533)	5,735,209
Infrastructure	204,943	-	-	204,943
	18,618,369	137,698	(634,533)	18,121,534
Accumulated depreciation:	(10,216,373)	(521,291)	498,075	(10,239,589)
Capital assets, net	\$ 9,180,536	\$ (383,593)	\$ (136,458)	\$ 8,660,485

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

General government	\$ 31,687
Public works	182,228
Public safety	17,617
Education	289,759
Total depreciation expense	<u>\$ 521,291</u>

**Note 7 - Interfund Activities**

**A. Interfund transfers:**

Interfund transfers are generally used to transfer monies raised in taxes to other funds:

	Transfers in to:			Total
	General Fund	Capital Non- Recurring Fund	Other Funds	
Transfers out of:				
General Fund	\$ -	\$ 289,708	\$ -	\$ 289,708
Capital Nonrecurring Fund	7,727	-	-	7,727
Other Funds - Town Aid Road	81,714	-	-	81,714
Total transfers out	<u>\$ 89,441</u>	<u>\$ 289,708</u>	<u>\$ -</u>	<u>\$ 379,149</u>

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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

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

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

Receivable Fund	Payable Fund	Amount
Special Revenue - Special Education Grants	General Fund	\$ 11,815
Capital Projects - Capital Nonrecurring	General Fund	512,060
General Fund	Capital Projects - LOCIP Fund	5,209
Special Revenue - Scholarships	Agency Fund - Student Activity	17,256
		<u>\$ 546,340</u>

**Note 8 – Long-Term Debt**

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

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
School Construction	\$ 4,035,000	\$ -	\$ (615,000)	\$ 3,420,000	\$ 600,000
Compensated Absences	141,166	18,785	-	159,951	124,311
Post Closure Landfill Costs	108,000	-	(6,000)	102,000	6,000
Special Termination Benefits	82,147	-	(82,147)	-	-
Capital Lease	60,896	-	(27,749)	33,147	33,147
	<u>\$ 4,427,209</u>	<u>\$ 18,785</u>	<u>\$ (730,896)</u>	<u>\$ 3,715,098</u>	<u>\$ 763,458</u>
Bond Issue Costs (Asset)	\$ (23,785)	\$ -	\$ 3,498	\$ (20,287)	\$ (3,498)

**B. General Obligation Bonds**

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

Purpose	Original Amount	Matures in Year Ending	Interest Rates	Amount
School Construction	\$ 7,025,000	2014	2.00%-5.00%	\$ 3,420,000

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 600,000	\$ 131,875
2010	590,000	112,375
2011	575,000	91,725
2012	565,000	71,600
2013	550,000	49,000
2014	540,000	27,000
Total	\$ 3,420,000	\$ 483,575

**C. Post Closure Landfill Costs**

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

**D. Capital Leases**

The Town has entered into a lease agreement for a truck. This lease qualifies as a capital lease for accounting purposes. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments under this lease:

<u>Year Ending June 30</u>	
2009	\$ 34,552
Total Minimum Lease Payments	34,552
Less: Amount Representing Interest	(1,405)
Present Value of Future Minimum Lease Payments	<u>\$ 33,147</u>

The debt service payment on the capital lease is being paid through the General Fund. Leased fixed assets make up \$157,420 of the fixed assets and \$26,893 of the accumulated depreciation. These are included in the total capital assets reported above.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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

Total tax collections (including interest and lien fees) for the year	\$ 11,202,656
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	-
Debt limitation base	<u>\$ 11,202,656</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 25,205,976	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	50,411,952	-	-	-
3 3/4 times base	-	-	42,009,960	-	-
3 1/4 times base	-	-	-	36,408,632	-
3 times base	-	-	-	-	33,607,968
Total debt limitation	<u>25,205,976</u>	<u>50,411,952</u>	<u>42,009,960</u>	<u>36,408,632</u>	<u>33,607,968</u>

Indebtedness:					
Bonds and notes payable	-	3,420,000	-	-	-
Amount to be provided by CT	-	(2,011,470)	-	-	-
Total indebtedness	<u>-</u>	<u>1,408,530</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 25,205,976</u>	<u>\$ 49,003,422</u>	<u>\$ 42,009,960</u>	<u>\$ 36,408,632</u>	<u>\$ 33,607,968</u>
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In no case shall total indebtedness exceed seven times annual receipts from taxation	<u>\$ 78,418,592</u>
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**F. Refinancing of Bonds**

On August 15, 2002 the Town issued \$7,025,000 in General Obligation Bonds with variable interest rates from 2.0% to 5.0% to advance refund \$6,420,000 of outstanding bonds with average interest rates from 5.3% to 6.5% percent. The net proceeds were used to establish an irrevocable escrow agreement with the escrow agent whereby the Town has deposited monies with the escrow agent to purchase a portfolio of non-callable direct obligations of, or guaranteed by, the United States of America. The principal and interest of this portfolio will provide amounts sufficient to meet principal and interest payments on the old debt when due. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the General Long-Term Debt Account Group. The balance of the in-substance defeased debt which remains outstanding at June 30<sup>th</sup> is \$3,210,000.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

**Note 9 – Fund Balances**

**A. Reserved Fund Balances**

Fund Balances are reported in the Fund Financial Statements. Reserved Fund Balances represent those portions of the fund equity not available for appropriation for expenditures or legally segregated for a specific future use. At June 30, 2008 this consisted of:

	General Fund	Other Funds
Encumbrances	\$ 69,600	\$ -
Town clerk	17,556	-
Open space	-	37,969
Inland wetland mitigation	-	62,872
	\$ 87,156	\$ 100,841

**B. Designated Fund Balances**

Designated Fund Balances represent those portions of fund balance in the fund financial statements for which the Town has tentative plans for future uses of these financial resources. The Capital Nonrecurring Fund has \$668,970 designated for specific projects.

**C. Deficit Fund Balances**

The Capital Project Fund, LOCIP Fund, had a deficit fund balance of \$5,209. This is expected to turn around in the next fiscal year as the revenue becomes available.

**Note 10 - Employee Retirement Systems And Pension Plans**

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

**A. North Stonington Volunteer Fire Department**

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

Under the plan agreement, there is no funding obligation for either the Town or the plan participants. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. For the year ended June 30, 2008 the Town contributed \$21,853 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

**B. North Stonington Volunteer Ambulance Association**

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

Under the plan agreement, there is no funding obligation for either the Town or the plan participants. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. For the year ended June 30, 2008 the Town contributed \$4,760 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

**C. Board of Education Pension Plans**

- 1. Plan #2119** - Eligibility in the plan is limited to secretaries, custodians, and the cafeteria administrator all of whom must have completed one-half year of service and have attained the age of twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes an amount equal to 10% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2008 the Town contributed \$28,421 to the plan. The plan is administered by National Retirement Services, Inc.
  
- 2. Plan #30027** - Eligibility in the Board of Education CNBU Money Purchase plan is limited, with the exception of 2 named employees, to those employees of the board of education who are not participants in the Board of Education Pension Plan (Note 9C above). All participants must have completed six months of service and must have attained age twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes 14% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2008 the Town contributed \$52,009 to the plan. The plan is administered by National Retirement Services, Inc.

**D. General Government Pension Plan**

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

Municipal Employee Union Independent	7.5% of annual compensation
United Steelworkers of America	8.75% of annual compensation

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

All Other Participants employed before 12/01/96	10% of annual compensation
All Other Participants employed on or after 12/01/96	4% of annual compensation

For the year ended June 30, 2008 the Town contributed \$72,801 to the plan all of which is allocated to the participants' individual retirement accounts not included in the Town's basic financial statements. The Town had a residual balance from a prior plan of \$2,524. The plan is administered by the Town.

**E. Teachers' Retirement System**

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

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

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2008, the State contributed \$684,912 into the pension plan on behalf of the Town of North Stonington, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2008 was \$8,131,542 of which \$5,453,610 was covered under this pension plan.

**Note 11 - Risk Management**

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

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

**Note 12 - Contingent Liabilities**

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

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

**Note 13 – Subsequent Events**

After the end of the year, the Town approved the purchase of the Hewitt Property. The deed restricts the use of the property for recreation and park purposes into perpetuity. In addition, the Town must use their best efforts to preserve the principal dwelling on the property until the year 2066. The estimated cost of the property, including repairs and financing costs, is \$814,390. This will be financed with \$500,000 of bond anticipation notes and the balance with various fund equities.

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

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

- GASB #45 – *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* – This will be effective for the year ending June 30, 2009. These statements require actuarial calculations for other post employment benefits (OPEB), such as health insurance.

**Town of North Stonington, Connecticut**  
**Notes to the Financial Statements**  
**June 30, 2008**

- GASB #49 – *Accounting and Financial Reporting for Pollution Remediation Obligations* – This will be effective for the year ending June 30, 2009. This Statement will enhance comparability of financial statements among governments by requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. This Statement also will enhance users' ability to assess governments' obligations by requiring more timely and complete reporting of obligations as their components become reasonably estimable.
- GASB #51 – *Accounting and Financial Reporting for Intangible Assets* – This will be effective for the year ending June 30, 2010. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets (including easements, water rights, timber rights, patents, trademarks, and computer software) to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.
- GASB #52 – *Land and Other Real Estate Held as Investments by Endowments* - This Statement establishes consistent standards for the reporting of land and other real estate held as investments. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This is effective for year ending June 30, 2009.
- GASB #53 – *Accounting and Financial Reporting for Derivative Instruments* - This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This is effective for year ending June 30, 2010.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>REVENUES:</b>					
<b>TAXES, INTEREST, AND LIEN FEES</b>					
General Property Taxes - Current	\$ 10,856,290	\$ -	\$ 10,856,290	\$ 10,901,169	\$ 44,879
General Property Taxes - Past	180,000	-	180,000	146,191	(33,809)
Supplemental Motor Vehicles	100,000	-	100,000	88,408	(11,592)
Interest and Lien Fees	75,000	-	75,000	82,877	7,877
<b>TOTAL TAXES, INTEREST AND LIEN FEES</b>	<b>11,211,290</b>	<b>-</b>	<b>11,211,290</b>	<b>11,218,645</b>	<b>7,355</b>
<b>USE OF TOWN MONEY</b>					
Short Term Investment Interest	120,000	-	120,000	110,507	(9,493)
<b>TOTAL REVENUE - USE OF TOWN MONEY</b>	<b>120,000</b>	<b>-</b>	<b>120,000</b>	<b>110,507</b>	<b>(9,493)</b>
<b>INTERGOVERNMENTAL REVENUES</b>					
State Aid for Town Road	121,234	-	121,234	121,319	85
Local Capital Improvement Program Current	49,334	-	49,334	28,253	(21,081)
Education Cost Sharing	2,770,536	-	2,770,536	2,740,815	(29,721)
Local and Vocational Transportation	111,684	-	111,684	113,642	1,958
Excess Special Education/State Agency Placement	75,880	-	75,880	22,186	(53,694)
Tuition Reimbursement	39,107	-	39,107	49,295	10,188
Regional Adult Education	6,336	-	6,336	6,738	402
Magnet School Transportation	6,500	-	6,500	7,800	1,300
Reimbursement for Untaxed State Property (PILOT)	28,592	-	28,592	28,643	51
School Bond - Interest Reimbursement	66,430	-	66,430	66,431	1
School Bond - Principal Reimbursement	361,760	-	361,760	361,760	-
Police Reimbursement	80,000	-	80,000	91,422	11,422
Casino Revenue	965,992	-	965,992	969,405	3,413
Telecommunications Revenue Share	34,751	-	34,751	39,552	4,801
Veterans Exemption Reimbursement	16,835	-	16,835	3,030	(13,805)
Boating Safety Reimbursement	3,460	-	3,460	3,642	182
Manufacturer PILOT Grant	3,161	-	3,161	-	(3,161)
Elderly Exemption Reimbursement	14,675	-	14,675	31,449	16,774
Disabled Exemption Reimbursement	279	-	279	316	37
Record Preservation	7,000	-	7,000	7,000	-
Health District Grant	1	-	1	-	(1)
Federal Impact Aid for Education	10,000	-	10,000	-	(10,000)
Other Intergovernmental Revenues	-	-	-	1,505	1,505
Non-Public Nurse Reimbursement	2,867	-	2,867	2,897	30
Casino Assistance Revenue	1	-	1	-	(1)
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>4,776,415</b>	<b>-</b>	<b>4,776,415</b>	<b>4,697,100</b>	<b>(79,315)</b>
<b>LICENSES, FEES, FINES, AND CHARGES</b>					
Licenses, Permits, Conveyance Taxes	140,000	-	140,000	112,472	(27,528)
Recreation Commission	45,000	-	45,000	39,638	(5,362)
Building Official	75,000	-	75,000	33,470	(41,530)
Sanitarian	7,500	-	7,500	1,731	(5,769)
Town Clerk Restoration Fees	2,800	-	2,800	(3,072)	(5,872)
<b>TOTAL LICENSES, FEES, FINES AND CHARGES</b>	<b>270,300</b>	<b>-</b>	<b>270,300</b>	<b>184,239</b>	<b>(86,061)</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>OTHER REVENUE</b>					
Sanitary Landfill - Sale of Recyclables	25,000	-	25,000	33,091	8,091
Zoning Enforcement Officer	5,000	-	5,000	4,951	(49)
Canine Account	100	-	100	390	290
Town Engineering - Road Inspection	5,000	-	5,000	-	(5,000)
Sale of Town Vehicles	20,000	-	20,000	29,300	9,300
Planning and Zoning	4,500	-	4,500	1,385	(3,115)
Assessor's Office	900	-	900	1,514	614
GIS Services	100	-	100	936	836
Insurance Reimbursement	-	-	-	748	748
Inland Wetlands	1,800	-	1,800	-	(1,800)
Conservation Commission	100	-	100	-	(100)
SCRRRA Subsidy	10,000	-	10,000	9,992	(8)
Water Management	1	-	1	-	(1)
Special Revenue/Grants	1	-	1	-	(1)
CIRMA Insurance Credits	1	-	1	95	94
Fire Marshall	100	-	100	-	(100)
Miscellaneous	5,000	-	5,000	38,117	33,117
Sale of Fixed Assets	1	-	1	-	(1)
Transfer in of Deobligated Capital Projects	353,000	-	353,000	337,852	(15,148)
Contractor's Tipping Fees	75,000	-	75,000	85,753	10,753
Transfers in From Other Funds	55,935	-	55,935	81,714	25,779
<b>TOTAL OTHER REVENUE</b>	<b>561,539</b>	<b>-</b>	<b>561,539</b>	<b>625,838</b>	<b>64,299</b>
<b>TOTAL REVENUES</b>	<b>16,939,544</b>	<b>-</b>	<b>16,939,544</b>	<b>16,836,329</b>	<b>(103,215)</b>
<b>EXPENDITURES:</b>					
<b>GENERAL GOVERNMENT</b>					
<b>BOARD OF SELECTMEN</b>					
Salary - First Selectman	48,500	-	48,500	48,500	-
Salary - Second Selectman	2,400	-	2,400	2,400	-
Salary - Third Selectman	2,400	-	2,400	2,400	-
Salary - Secretary	45,005	-	45,005	45,005	-
Salary - Bookkeeper	40,611	-	40,611	40,611	-
Boards of Commissions Clerical	3,500	-	3,500	867	2,633
Selectmen's Expenditures	2,500	-	2,500	2,500	-
Office Expenditures	2,250	-	2,250	2,136	114
Council of Small Towns	825	-	825	825	-
Certifications/Seminars	1,250	-	1,250	1,171	79
SE CT Council of Governments	2,496	-	2,496	2,496	-
Travel Expenditures	50	-	50	-	50
Auditing and Accounting Consulting	8,000	-	8,000	8,000	-
Web Maintenance	800	-	800	601	199
Bank Wire Transfer Fees	-	-	-	40	(40)
<b>TOTAL BOARD OF SELECTMEN</b>	<b>160,587</b>	<b>-</b>	<b>160,587</b>	<b>157,552</b>	<b>3,035</b>
<b>PROBATE COURT EXPENDITURES</b>	<b>3,600</b>	<b>-</b>	<b>3,600</b>	<b>3,362</b>	<b>238</b>
<b>BOARD OF FINANCE</b>					
Operating Expenditures	3,600	-	3,600	1,824	1,776
Auditing	22,500	-	22,500	21,865	635
Town Report	250	-	250	-	250
<b>TOTAL BOARD OF FINANCE</b>	<b>26,350</b>	<b>-</b>	<b>26,350</b>	<b>23,689</b>	<b>2,661</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>ASSESSOR'S OFFICE</b>					
Salary - Assessor	58,527	-	58,527	58,526	1
Wages - Assessor's Assistant	39,331	-	39,331	39,313	18
Office Expenses	3,250	-	3,250	2,065	1,185
Cartographics On-line GIS Maps	1,500	-	1,500	1,500	-
Seminars	1,000	-	1,000	335	665
Computer Expenses	7,500	-	7,500	7,500	-
Travel Expenditures	400	-	400	230	170
Consulting	2,000	-	2,000	900	1,100
<b>TOTAL ASSESSOR'S OFFICE</b>	<b>113,508</b>	<b>-</b>	<b>113,508</b>	<b>110,369</b>	<b>3,139</b>
<b>BD OF TAX REVIEW/ASSESSMENT APPEALS</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>	<b>887</b>	<b>613</b>
<b>TAX COLLECTOR</b>					
Salary - Tax Collector	30,138	-	30,138	30,138	-
Salary - Clerical	5,250	-	5,250	2,049	3,201
Office Expenditures	6,500	-	6,500	4,874	1,626
Computer	6,500	-	6,500	5,775	725
Travel Expenditures	250	-	250	114	136
<b>TOTAL TAX COLLECTOR</b>	<b>48,638</b>	<b>-</b>	<b>48,638</b>	<b>42,950</b>	<b>5,688</b>
<b>TOWN TREASURER</b>					
Salary	6,000	-	6,000	6,000	-
Office Expenditures	1	-	1	-	1
Travel Expenditures	1	-	1	-	1
<b>TOTAL TREASURER</b>	<b>6,002</b>	<b>-</b>	<b>6,002</b>	<b>6,000</b>	<b>2</b>
<b>TOWN ATTORNEY</b>					
	30,000	7,242	37,242	35,230	2,012
<b>ANNEXATION RELATED EXPENDITURES</b>					
Annexation Related Expenditures	5,000	(2,487)	2,513	2,513	-
Tribal Recognition	10,000	(4,755)	5,245	4,806	439
<b>TOTAL ANNEXATION RELATED EXPENDITURES</b>	<b>15,000</b>	<b>(7,242)</b>	<b>7,758</b>	<b>7,319</b>	<b>439</b>
<b>TOWN CLERK</b>					
Salary - Town Clerk	40,011	-	40,011	40,011	-
Wages - Assistant	15,750	-	15,750	15,750	-
Office Expenditures	7,500	(500)	7,000	6,955	45
Travel Expenditures	50	-	50	-	50
Land Records	10,300	-	10,300	7,694	2,606
<b>TOTAL TOWN CLERK</b>	<b>73,611</b>	<b>(500)</b>	<b>73,111</b>	<b>70,410</b>	<b>2,701</b>
<b>PLANNING AND ZONING COMMISSION</b>					
Salary - Zoning Officer	50,011	(12,645)	37,366	36,280	1,086
Wages - Secretary	31,228	-	31,228	31,228	-
Operating Expenditures	9,500	-	9,500	9,500	-
Travel	1,000	-	1,000	442	558
Attorney	30,000	6,000	36,000	35,682	318
Contracted Consulting Services	8,000	38,970	46,970	40,977	5,993
Contracted Planner	21,000	-	21,000	21,000	-
<b>TOTAL PLANNING AND ZONING COMMISSION</b>	<b>150,739</b>	<b>32,325</b>	<b>183,064</b>	<b>175,109</b>	<b>7,955</b>
<b>BUILDING DEPARTMENT</b>					
Salary - Building Official	26,000	-	26,000	24,838	1,162
Consultant	1	-	1	-	1
Operating Expenditures	1,800	-	1,800	744	1,056
Travel Expenditures	2,400	-	2,400	1,512	888
<b>TOTAL BUILDING DEPARTMENT</b>	<b>30,201</b>	<b>-</b>	<b>30,201</b>	<b>27,094</b>	<b>3,107</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>ZONING BOARD OF APPEALS</b>	2,500	-	2,500	1,275	1,225
<b>SCH. BUILDING AND PLANNING COMMITTEE</b>	100	-	100	-	100
<b>ECONOMIC DEVELOPMENT COMMISSION</b>					
Operating Expenditures	2,950	-	2,950	1,046	1,904
CT Regional Economic Development	1,800	-	1,800	1,800	-
Consulting	4,000	-	4,000	-	4,000
<b>TOTAL ECONOMIC DEVELOPMENT COMM.</b>	8,750	-	8,750	2,846	5,904
<b>RECREATION COMMISSION</b>					
Administrative Salaries	20,188	-	20,188	20,188	-
Program Expenditures	45,487	-	45,487	45,297	190
Maintenance	2,300	-	2,300	2,297	3
Salary: Camp Directors, Directors, Etc.	13,815	-	13,815	11,779	2,036
Other Expenditures	10,030	-	10,030	9,649	381
<b>TOTAL RECREATION COMMISSION</b>	91,820	-	91,820	89,210	2,610
<b>INLAND WETLANDS COMMISSION</b>					
Operating Expenditures	2,000	-	2,000	1,706	294
Wages - Secretary	4,000	-	4,000	2,643	1,357
Wages - Enforcement Officer	6,180	-	6,180	6,180	-
<b>TOTAL INLAND WETLANDS COMMISSION</b>	12,180	-	12,180	10,529	1,651
<b>CONSERVATION COMMISSION</b>	800	-	800	763	37
<b>WATER POLLUTION CONTROL AUTHORITY</b>					
WPCA Expenditures	500	-	500	-	500
WPCA Engineering Expense	500	-	500	-	500
<b>TOTAL WATER POLLUTION CONTROL</b>	1,000	-	1,000	-	1,000
<b>FIXED CHARGES</b>					
Town Insurance	74,850	-	74,850	73,907	943
Volunteer Fire Company Insurance	29,000	-	29,000	26,951	2,049
Ambulance Association Insurance	14,400	-	14,400	14,113	287
Workers Compensation Insurance	60,500	-	60,500	57,339	3,161
Social Security	102,825	-	102,825	99,838	2,987
Medical Insurance	238,592	-	238,592	233,852	4,740
Employee Benefits-Pension	89,983	(16,860)	73,123	72,801	322
Volunteer Incentive Award - Fire Company	18,975	-	18,975	17,788	1,187
Volunteer Activity Stipend - Fire Company	32,000	-	32,000	32,000	-
Volunteer Incentive Award - Ambulance Association	3,500	-	3,500	2,226	1,274
<b>TOTAL FIXED CHARGES</b>	664,625	(16,860)	647,765	630,815	16,950
<b>ELECTIONS AND TOWN MEETINGS</b>					
Salary: Registrar of Voters	4,500	-	4,500	4,500	-
Salary: Registrar of Voters	4,500	-	4,500	4,500	-
Expenses	15,745	-	15,745	14,270	1,475
<b>TOTAL ELECTIONS AND TOWN MEETINGS</b>	24,745	-	24,745	23,270	1,475
<b>TOWN HALL</b>					
Expenditures	61,700	500	62,200	62,118	82
Leasing Equipment	15,500	-	15,500	11,813	3,687
Holly Green Rental - Court/Nursing	4,500	-	4,500	4,505	(5)
Holly Green Rental - Senior Center	1,500	-	1,500	1,500	-
Network/Computer Maintenance-Salary	15,450	-	15,450	15,450	-
Network/Computer Maintenance	7,445	-	7,445	7,445	-
<b>TOTAL TOWN HALL</b>	106,095	500	106,595	102,831	3,764

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>SOCIAL SERVICES/WELFARE</b>					
Wages - Social Services Coordinator	7,200	-	7,200	7,190	10
Welfare Benefits	8,000	-	8,000	5,928	2,072
Welfare Office Expenditures	1	-	1	-	1
Pawcatuck Neighborhood Center	16,500	-	16,500	16,500	-
Family Services	2,500	-	2,500	2,500	-
American Red Cross	1,000	-	1,000	1,000	-
Women's Center	2,250	-	2,250	2,250	-
Frank Olean Regional Center	1,400	-	1,400	1,400	-
NL County Assn. / Retarded Citizens	1,575	-	1,575	1,575	-
Easter Seals Rehabilitation Center	1,500	-	1,500	1,500	-
TVCCA	1,465	-	1,465	1,465	-
Big Brothers/Sisters	-	-	-	-	-
Literacy Volunteers	500	-	500	500	-
Salvation Army	500	-	500	500	-
Mystic Shelter	2,000	-	2,000	2,000	-
United Way of SE CT	500	-	500	500	-
<b>TOTAL SOCIAL SERVICES/WELFARE</b>	<b>46,891</b>	<b>-</b>	<b>46,891</b>	<b>44,808</b>	<b>2,083</b>
<b>SELECTMEN'S ENGINEERING SERVICE</b>					
Engineering for Selectmen	5,000	-	5,000	5,003	(3)
Surveying of Town Boundaries	5,000	-	5,000	5,078	(78)
Inspection of New Roads	5,000	-	5,000	-	5,000
Water Management	5,000	-	5,000	1,551	3,449
Inspection of Existing Roads	4,500	-	4,500	8,885	(4,385)
<b>TOTAL SELECTMEN'S ENGINEERING SERVICE</b>	<b>24,500</b>	<b>-</b>	<b>24,500</b>	<b>20,517</b>	<b>3,983</b>
<b>INFORMATION TECHNOLOGY</b>					
Coordinator Salary	18,025	-	18,025	18,025	-
Office Expense	2,100	-	2,100	2,100	-
Digitized Mapping Maintenance	10,300	-	10,300	10,300	-
Seminars/Courses	1,200	-	1,200	1,200	-
On-line GIS Maps	1,500	-	1,500	1,500	-
GIS Updates	3,000	-	3,000	3,000	-
<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>36,125</b>	<b>-</b>	<b>36,125</b>	<b>36,125</b>	<b>-</b>
<b>PUBLIC SAFETY</b>					
911 Dispatching	42,670	-	42,670	42,670	-
Volunteer Fire Company	87,307	-	87,307	86,686	621
Fire Marshal Salary	10,455	-	10,455	10,455	-
Fire Marshal Operating Expenditures	2,500	-	2,500	2,491	9
State Troopers	387,754	53,850	441,604	441,042	562
Civil Preparedness Agency Stipend	6,000	-	6,000	4,000	2,000
Civil Preparedness Operating Expenditures	2,000	-	2,000	1,879	121
Maintenance Emergency Gen. Svc. Contract	1,000	-	1,000	495	505
Animal Control Salary	18,550	-	18,550	18,550	-
Animal Control Operating Expenditures	7,000	-	7,000	6,991	9
Dog Damages	1	-	1	-	1
Ambulance Association	210,342	13,142	223,484	223,484	-
<b>TOTAL PUBLIC SAFETY</b>	<b>775,579</b>	<b>66,992</b>	<b>842,571</b>	<b>838,743</b>	<b>3,828</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>PUBLIC WORKS:</b>					
<b>HIGHWAY</b>					
Local Capital Improvements	49,682	-	49,682	47,567	2,115
State Aided - Town Roads	121,234	-	121,234	120,396	838
Town Road Maintenance	167,016	-	167,016	165,962	1,054
Town Garage Expenditures	25,000	-	25,000	22,570	2,430
Machinery and Maintenance Repair	54,250	-	54,250	58,159	(3,909)
Street Lights	9,500	-	9,500	10,432	(932)
Highway Foreman	72,780	-	72,780	72,780	-
Labor	536,578	(20,000)	516,578	502,934	13,644
Supplies	34,250	-	34,250	35,245	(995)
Diesel and Gas (General Government)	73,850	-	73,850	84,971	(11,121)
Town Property - Maintenance and Improvements	7,500	-	7,500	5,576	1,924
Town Property - Labor	30,128	-	30,128	25,083	5,045
Contracted Services	18,500	-	18,500	21,830	(3,330)
<b>SUBTOTAL HIGHWAY</b>	<b>1,200,268</b>	<b>(20,000)</b>	<b>1,180,268</b>	<b>1,173,505</b>	<b>6,763</b>
<b>SANITARY LANDFILL</b>					
Labor	123,574	-	123,574	120,826	2,748
Cover Material	2,800	-	2,800	2,800	-
State Mandated Surveys	3,000	-	3,000	1,940	1,060
State License Fees	1,650	-	1,650	1,650	-
SCRRA-Tipping Fee	192,000	(20,050)	171,950	167,685	4,265
Hazardous Waste Collection	2,650	-	2,650	-	2,650
Water Sampling/Lab Testing	14,000	-	14,000	12,020	1,980
Transfer Station Expenditures	8,725	-	8,725	12,474	(3,749)
Contractual Services	16,500	-	16,500	15,927	573
<b>SUBTOTAL SANITARY LANDFILL</b>	<b>364,899</b>	<b>(20,050)</b>	<b>344,849</b>	<b>335,322</b>	<b>9,527</b>
<b>TOTAL PUBLIC WORKS</b>	<b>1,565,167</b>	<b>(40,050)</b>	<b>1,525,117</b>	<b>1,508,827</b>	<b>16,290</b>
<b>CONSERVATION OF HEALTH</b>					
Public Health Nursing/Shoreline Visiting Nurse Assoc.	8,617	-	8,617	8,617	-
Hepatitis B Vaccinations	1,000	-	1,000	1,000	-
Director of Health Salary	11,100	-	11,100	11,100	-
Director of Health Operating Expense	750	-	750	397	353
Sanitarian Food Service Wages	6,000	-	6,000	4,646	1,354
Sanitarian Well and Septic Salary	14,000	-	14,000	13,964	36
Sanitarian Operating Expenditures	800	-	800	355	445
<b>TOTAL CONSERVATION OF HEALTH</b>	<b>42,267</b>	<b>-</b>	<b>42,267</b>	<b>40,079</b>	<b>2,188</b>
<b>SENIOR CITIZENS</b>					
Agent for the Elderly Wages	6,000	-	6,000	6,000	-
Agent for the Elderly Operating Expenditures	2,000	-	2,000	1,982	18
Senior Citizen's Center Coordinator - Salary	18,540	-	18,540	18,540	-
Senior Citizen's Center - Operating Expenditures	25,000	-	25,000	24,987	13
<b>TOTAL SENIOR CITIZENS</b>	<b>51,540</b>	<b>-</b>	<b>51,540</b>	<b>51,509</b>	<b>31</b>
<b>MISCELLANEOUS</b>					
Cemeteries	1,500	-	1,500	1,499	1
Tax Refunds	1	4,535	4,536	4,535	1
Annual Memberships and Dues	3,500	-	3,500	3,482	18
Groton Library	500	-	500	500	-
Wheeler Library	22,250	-	22,250	22,250	-
Westerly Library	500	-	500	500	-
YMCA	1,000	-	1,000	1,000	-
Miscellaneous	750	-	750	723	27
<b>TOTAL MISCELLANEOUS</b>	<b>30,001</b>	<b>4,535</b>	<b>34,536</b>	<b>34,489</b>	<b>47</b>
<b>TOTAL GENERAL GOVERNMENT EXPENDITURES</b>	<b>4,144,421</b>	<b>46,942</b>	<b>4,191,363</b>	<b>4,096,607</b>	<b>94,756</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>REDEMPTION OF DEBT</b>					
School Building Project Principal	615,000	-	615,000	615,000	-
School Building Project Interest	150,325	-	150,325	150,325	-
<b>TOTAL REDEMPTION OF DEBT</b>	<u>765,325</u>	<u>-</u>	<u>765,325</u>	<u>765,325</u>	<u>-</u>
<b>BOARD OF EDUCATION</b>	<u>11,641,578</u>	<u>-</u>	<u>11,641,578</u>	<u>11,592,861</u>	<u>48,717</u>
<b>CAPITAL OUTLAY</b>					
<b>HIGHWAY DEPARTMENT</b>					
New or Used Equipment	15,750	40,050	55,800	55,485	315
Miscellaneous Equipment	5,000	-	5,000	4,737	263
Equipment Lease/Buy (2 Dump Trucks)	34,552	-	34,552	34,552	-
<b>TOTAL HIGHWAY DEPARTMENT</b>	<u>55,302</u>	<u>40,050</u>	<u>95,352</u>	<u>94,774</u>	<u>578</u>
<b>TOTAL TRANSFER STATION/BULKY WASTE AREA</b>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<b>SELECTMEN</b>					
Ambulance Association Equipment	8,720	-	8,720	8,720	-
Computer - Town Hall	16,000	-	16,000	16,000	-
EDC Welcome Signs	2,000	-	2,000	2,000	-
Recreation Basketball/Tennis Court Maintenance	3,250	-	3,250	2,131	1,119
Recreation Pavillion and Reconditioning Playing Field	3,000	-	3,000	-	3,000
Selectmens Office Equipment and Furniture	5,000	-	5,000	-	5,000
Senior Citizens Center	-	-	-	4,998	(4,998)
Town Buildings Maintenance	18,176	-	18,176	12,540	5,636
Town Clerk - Records Preservation	7,000	-	7,000	7,000	-
Town Lands Acquisition Fund *	10,000	-	10,000	10,000	-
Town Mapping/GIS	1,512	-	1,512	1,511	1
Fire Company - Equipment/Hose	3,200	-	3,200	3,175	25
Fire Company - Turnout Gear	12,500	-	12,500	12,349	151
Ambulance *	165,000	-	165,000	165,000	-
Senior Center Computers	3,000	-	3,000	3,000	-
Civil Prep	-	2,364	2,364	2,364	-
<b>TOTAL SELECTMEN</b>	<u>258,358</u>	<u>2,364</u>	<u>260,722</u>	<u>250,788</u>	<u>9,934</u>
<b>ASSESSOR REVALUATION EXPENSE*</b>	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
<b>NON-RECURRING SCHOOL EXPENDITURES*</b>	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>433,660</u>	<u>42,414</u>	<u>476,074</u>	<u>460,562</u>	<u>15,512</u>
<b>TOTAL EXPENDITURES</b>	<u>16,984,984</u>	<u>89,356</u>	<u>17,074,340</u>	<u>16,915,355</u>	<u>158,985</u>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures - Budgetary Basis</b>	<u>(45,440)</u>	<u>(89,356)</u>	<u>(134,796)</u>	<u>(79,026)</u>	<u>55,770</u>

\* Indicates that these funds are transfers to the Capital Nonrecurring Fund

**Town of North Stonington, Connecticut**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**General Fund and Town Aid Road Fund**  
**For the Year Ended June 30, 2008**

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
<b>Adjustments to Generally Accepted Accounting Principles (GAAP):</b>					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				684,912	
Expenditures for Teachers' Retirement				(684,912)	
Change in Accrued Payroll Not Recorded on a Budgetary Basis				(5,481)	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis				69,600	
Change in Board of Education Pension Payable				(1,348)	
To remove the effects of Other Funds Included in the Budget:					
Town Aid Road Special Revenue Fund Revenues				(121,319)	
Town Aid Road Special Revenue Fund Expenditures				120,396	
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)</b>				<b>\$ (17,178)</b>	

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

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

### **Special Revenue Funds:**

**Town Aid Road** – The Town Aid Road Fund is used to account for a grant from the State of Connecticut to assist in the construction, reconstruction, improvement and maintenance of improved and unimproved roads.

**D.A.R.E.** – This fund is used to account for the funding and expenditures of the school's drug and alcohol resistance education.

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

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

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

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

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

### **Capital Project Funds:**

**LOCIP Fund** – This fund is used to account for payments that are eligible for reimbursement from the State's Local Capital improvement Program (LOCIP).

### **Pension Trust Funds:**

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

### **Agency Funds:**

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

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

Town of North Stonington, Connecticut  
 Combining Balance Sheet  
 Other Governmental Funds  
 June 30, 2008

	Special Revenue Funds										Capital Project Fund	Total Other Governmental Funds	
	Town Aid Road Fund	D.A.R.E. Fund	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation	Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School	LOCF	Fund			
<b>Assets</b>													
Cash and cash equivalents	\$ -	\$ -	\$ 23,366	\$ -	\$ 62,872	\$ 37,969	\$ 19,936	\$ 5,724	\$ -	\$ -	\$ -	\$ 149,867	
Receivables	-	-	12,471	2,000	-	-	-	-	-	5,209	-	19,680	
Due from other governmental funds	-	-	-	11,815	-	-	-	-	-	-	-	11,815	
Due from fiduciary funds	-	-	-	-	-	-	-	17,256	-	-	-	17,256	
<b>Total Assets</b>	\$ -	\$ -	\$ 35,837	\$ 13,815	\$ 62,872	\$ 37,969	\$ 19,936	\$ 22,980	\$ 5,209	\$ -	\$ 198,618		
<b>Liabilities and Fund Balance</b>													
<b>Liabilities</b>													
Accounts payable	\$ -	\$ -	\$ 21,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,388	
Deferred revenue	-	-	-	13,815	-	-	-	-	-	5,209	-	19,024	
Due to other governmental funds	-	-	-	-	-	-	-	-	-	5,209	-	5,209	
<b>Total Liabilities</b>	-	-	21,388	13,815	-	-	-	-	-	10,418	-	45,621	
<b>Fund Balance</b>													
Reserved	-	-	-	-	62,872	37,969	-	-	-	-	-	100,841	
Unreserved	-	-	14,449	-	-	-	19,936	22,980	(5,209)	-	-	52,156	
<b>Total Fund Balance</b>	-	-	14,449	-	62,872	37,969	19,936	22,980	(5,209)	-	-	152,997	
<b>Total Liabilities and Fund Balance</b>	\$ -	\$ -	\$ 35,837	\$ 13,815	\$ 62,872	\$ 37,969	\$ 19,936	\$ 22,980	\$ 5,209	\$ -	\$ 198,618		

See accountants' report.

**Town of North Stonington, Connecticut**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended June 30, 2008**

	Special Revenue Funds										Total Other Governmental Funds	
	Town Aid Road Fund	D.A.R.E. Fund	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation	Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School	Capital Project			
									LOCIP Fund	Fund		
<b>Revenues</b>												
Intergovernmental revenues	\$ 121,319	\$ -	\$ 75,970	\$ 379,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 576,937
Local revenues	-	-	209,855	-	1,703	11,837	341	5,306	-	-	-	229,042
<b>Total revenues</b>	<b>121,319</b>	<b>-</b>	<b>285,825</b>	<b>379,648</b>	<b>1,703</b>	<b>11,837</b>	<b>341</b>	<b>5,306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>805,979</b>
<b>Expenditures</b>												
Current expenditures:												
General government	-	428	-	-	-	-	-	-	-	-	-	428
Public works	120,396	-	-	-	-	-	-	-	-	-	-	120,396
Education	-	-	278,491	379,648	-	-	1,006	9,043	-	-	-	668,188
<b>Total expenditures</b>	<b>120,396</b>	<b>428</b>	<b>278,491</b>	<b>379,648</b>	<b>-</b>	<b>-</b>	<b>1,006</b>	<b>9,043</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>789,012</b>
Excess (deficiency) of revenues over expenditures	923	(428)	7,334	-	1,703	11,837	(665)	(3,737)	-	-	-	16,967
<b>Other financing sources and (uses)</b>												
Operating transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers out	(81,714)	-	-	-	-	-	-	-	-	-	-	(81,714)
<b>Total other financing sources and (uses)</b>	<b>(81,714)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81,714)</b>
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	(80,791)	(428)	7,334	-	1,703	11,837	(665)	(3,737)	-	-	-	(64,747)
<b>Fund balance, beginning of the year</b>	<b>80,791</b>	<b>428</b>	<b>7,115</b>	<b>-</b>	<b>61,169</b>	<b>26,132</b>	<b>20,601</b>	<b>26,717</b>	<b>(5,209)</b>	<b>-</b>	<b>-</b>	<b>217,744</b>
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,449</b>	<b>\$ -</b>	<b>\$ 62,872</b>	<b>\$ 37,969</b>	<b>\$ 19,936</b>	<b>\$ 22,980</b>	<b>\$ (5,209)</b>	<b>\$ -</b>	<b>\$ (5,209)</b>	<b>\$ 152,997</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**June 30, 2008**

	<b>Volunteer Fire Incentive</b>	<b>Volunteer Ambulance Incentive</b>	<b>General Government Retirement</b>	<b>Board of Education Retirement</b>	<b>Total Pension Trust Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 2,524	\$ -	\$ 2,524
Investments	101,148	51,507	-	935,255	1,087,910
Accounts receivable	-	-	-	81,778	81,778
<b>Total assets</b>	<b>101,148</b>	<b>51,507</b>	<b>2,524</b>	<b>1,017,033</b>	<b>1,172,212</b>
<b>Net assets</b>					
Held in trust for pension benefits and other purposes	\$ 101,148	\$ 51,507	\$ 2,524	\$ 1,017,033	\$ 1,172,212

See accountants' report.

**Town of North Stonington, Connecticut**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2008**

	<b>Volunteer Fire Incentive</b>	<b>Volunteer Ambulance Incentive</b>	<b>General Government Retirement</b>	<b>Board of Education Retirement</b>	<b>Total Pension Trust Funds</b>
<b>Additions</b>					
Contributions	\$ 21,853	\$ 4,760	\$ 1,421	\$ 81,778	\$ 109,812
Interest	-	-	65	33,833	33,898
<b>Total additions in net assets</b>	<b>21,853</b>	<b>4,760</b>	<b>1,486</b>	<b>115,611</b>	<b>143,710</b>
<b>Deductions</b>					
Distributions	11,091	4,814	-	7,016	22,921
Administrative expenses	875	742	150	8,648	10,415
<b>Total deductions</b>	<b>11,966</b>	<b>5,556</b>	<b>150</b>	<b>15,664</b>	<b>33,336</b>
<b>Change in net assets</b>	<b>9,887</b>	<b>(796)</b>	<b>1,336</b>	<b>99,947</b>	<b>110,374</b>
<b>Net assets held in trust, beginning of year</b>	<b>91,261</b>	<b>52,303</b>	<b>1,188</b>	<b>917,086</b>	<b>1,061,838</b>
<b>Net assets held in trust, end of year</b>	<b>\$ 101,148</b>	<b>\$ 51,507</b>	<b>\$ 2,524</b>	<b>\$ 1,017,033</b>	<b>\$ 1,172,212</b>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Agency Funds**  
**For the Year Ended June 30, 2008**

	<b>Balance Beginning</b>		<b>Additions</b>		<b>Deductions</b>		<b>Balance Ending</b>
<b>Student Activity Fund</b>							
<b>Assets</b>							
Cash	\$ 166,406	\$	273,308	\$	273,587	\$	166,127
<b>Liabilities</b>							
Due to students	149,150		273,308		273,587		148,871
Due to other funds	17,256		-		-		17,256
<b>Total liabilities</b>	<b>\$ 166,406</b>	<b>\$</b>	<b>273,308</b>	<b>\$</b>	<b>273,587</b>	<b>\$</b>	<b>166,127</b>
<b>Performance Bonds</b>							
<b>Assets</b>							
Cash	\$ 523,758	\$	86,365	\$	101,016	\$	509,107
<b>Liabilities</b>							
Due to developers	\$ 523,758	\$	86,365	\$	101,016	\$	509,107
<b>Combined Total</b>							
<b>Assets</b>							
Cash	\$ 690,164	\$	359,673	\$	374,603	\$	675,234
<b>Liabilities</b>							
Due to students and developers	\$ 672,908	\$	359,673	\$	374,603	\$	657,978
Due to other funds	17,256		-		-		17,256
	<b>\$ 690,164</b>	<b>\$</b>	<b>359,673</b>	<b>\$</b>	<b>374,603</b>	<b>\$</b>	<b>675,234</b>

See accountants' report.

**Town of North Stonington, Connecticut  
Report of the Property Tax Collector  
For the Year Ended June 30, 2008**

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Transfer to Suspense	Taxes Over Paid	Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens			
2006		\$ 11,173,279	\$ 85,894	\$ 21,087	\$ 11,238,086	\$ 10,973,588	\$ 48,040	\$ 398	\$ 11,022,026	\$ -	\$ 264,498
2005	187,432	-	-	1,869	185,563	119,712	21,675	1,597	142,984	-	65,851
2004	51,243	-	-	195	51,048	21,078	7,722	546	29,346	-	29,970
2003	23,433	-	-	445	22,988	5,031	2,427	150	7,608	-	17,957
2002	17,343	-	-	222	17,121	593	322	-	915	-	16,528
2001	(5,901)	-	-	-	(5,901)	(65)	-	-	(65)	-	(5,836)
2000	(1,262)	-	-	-	(1,262)	(158)	-	-	(158)	-	(1,104)
1999	130	-	-	-	130	-	-	-	-	-	130
1998	2,065	-	-	-	2,065	-	-	-	-	-	2,065
1997	1,500	-	-	-	1,500	-	-	-	-	-	1,500
1996	2,149	-	-	-	2,149	-	-	-	-	-	2,149
1995	3,461	-	-	-	3,461	-	-	-	-	-	3,461
1994	2,813	-	-	-	2,813	-	-	-	-	-	2,813
1993	2,442	-	-	-	2,442	-	-	-	-	-	2,442
1992	2,835	-	-	-	2,835	-	-	-	-	-	2,835
	\$ 289,683	\$ 11,173,279	\$ 85,894	\$ 23,818	\$ 11,525,038	\$ 11,119,779	\$ 80,186	\$ 2,691	\$ 11,202,656	\$ -	\$ 405,259

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of LOCIP Funds**  
**For the Year Ended June 30, 2008**

		<b>Summary of Project Budgets</b>						
Department	Beginning Balance	Additional Awards	Funds Budgeted	Total Available	Monies Received	Internal Transfers	Ending Balance	
Projects approved by the State:								
Scales	\$ 14,873	\$ -	\$ -	\$ 14,873	\$ -	\$ -	\$ 14,873	
Wintechog Hill Road Drainage/Improvements	-	-	49,682	49,682	(28,253)	-	21,429	
	14,873	-	49,682	64,555	(28,253)	-	36,302	
Projects not yet approved by the State:								
Town Hall Renovations	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -	\$ (50,000)	\$ -	
Storm Water Drainage **	5,209	-	-	5,209	-	-	5,209	
Painting of Salt and Sand Shed	14,000	-	-	14,000	-	(14,000)	-	
Chipseal Denison Hill Road	24,666	-	-	24,666	-	-	24,666	
Uncommitted	108,259	49,739	(49,682)	108,316	-	64,000	172,316	
	202,134	49,739	(49,682)	202,191	-	-	202,191	
	\$ 217,007	\$ 49,739	\$ -	\$ 266,746	\$ (28,253)	\$ -	\$ 238,493	

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

\*\* Reimbursement needs to be requested

See accountants' report.

**Town of North Stonington, Connecticut**  
**Schedule of Changes in Fund Balance of the Capital Nonrecurring Fund**  
**For the Year Ended June 30, 2008**

Department	Summary of Capital and Nonrecurring Fund									
	Beginning Fund Bal.	Current Year General Fund Budget	Transfer Out	Internal Transfers	Revenues Reported	Total Available	Expenditures	Undesignated	Reserved or Designated	Ending Fund Balance
Projects:										
Uncommitted/reserved for next year	\$ 411,904	\$ -	\$ -	\$ -	\$ 19,605	\$ 431,509	\$ -	\$ 431,509	\$ -	\$ -
Ambulance	-	164,708	-	-	-	164,708	(6,557)	-	158,151	
Wash station	118,150	-	-	-	-	118,150	-	-	118,150	
Revaluation	89,709	40,000	-	-	-	129,709	(23,000)	-	106,709	
Land acquisition	90,000	10,000	-	-	-	100,000	-	-	100,000	
Transfer station/ bulky waste closure	76,645	-	-	-	-	76,645	-	-	76,645	
Nonrecurring school funds	27,413	75,000	-	-	-	102,413	(35,690)	-	66,723	
LoCIP - scales	38,812	-	-	-	-	38,812	-	-	38,812	
Assekonk walkway	12,980	-	-	-	-	12,980	(9,420)	-	3,560	
Town building repair and maintenance	9,995	-	(7,573)	(1,427)	-	995	(775)	-	220	
Village Water System	300,625	-	-	-	-	300,625	(300,625)	-	-	
Senior center	154	-	(154)	-	-	-	-	-	-	
Elementary school generator	(58)	-	-	58	-	-	-	-	-	
Town mapping	(1,369)	-	-	1,369	-	-	-	-	-	
	\$ 1,174,960	\$ 289,708	\$ (7,727)	\$ -	\$ 19,605	\$ 1,476,546	\$ (376,067)	\$ 431,509	\$ 668,970	

See accountants' report.

**Town of North Stonington, Connecticut  
Schedule of Town Aid Road Fund  
For the Year Ended June 30, 2008**

<b>Summary of Town Aid Road Fund</b>						
Department	Beginning Fund Balance	Revenues Reported	Total Available	Expenditures	Transfers Out	Ending Fund Balance
Reserved	\$ 55,935	\$ -	\$ 55,935	\$ -	\$ (55,935)	\$ -
Unreserved, undesignated	24,856	121,319	146,175	(120,396)	(25,779)	-
	<u>\$ 80,791</u>	<u>\$ 121,319</u>	<u>\$ 202,110</u>	<u>\$ (120,396)</u>	<u>\$ (81,714)</u>	<u>\$ -</u>

See accountants' report.

**Town of North Stonington, Connecticut  
Reconciliation of Fund Balance  
For the Year Ended June 30, 2008**

	Fund Balance			Total General Fund Balance
	Undesignated	Designated	Reserved	
<b>Beginning Fund Balance Per Prior Year Audit</b>				
Undesignated	\$ 1,302,361	\$ -	\$ -	\$ 1,302,361
Reserved for Subsequent Year's Budget	-	-	45,450	45,450
	<u>1,302,361</u>	<u>-</u>	<u>45,450</u>	<u>1,347,811</u>
<b>Current Year Effects</b>				
Revenues (Budgetary Basis - RSI)	16,836,329	-	-	16,836,329
Genl Fund Expenditures Only (Budgetary Basis - RSI):				
General Government	(4,096,607)	-	-	(4,096,607)
Education	(11,592,861)	-	-	(11,592,861)
Capital Outlay	(460,562)	-	-	(460,562)
Debt Service	(765,325)	-	-	(765,325)
Adjustment from GAAP to budgetary basis	61,848	-	-	61,848
	<u>(17,178)</u>	<u>-</u>	<u>-</u>	<u>(17,178)</u>
<b>Set Aside to Balance This Year's Budget</b>	45,450	-	(45,450)	-
<b>Set Aside for Other Reservations</b>	<u>(87,156)</u>	<u>-</u>	<u>87,156</u>	<u>-</u>
<b>Ending Fund Balance</b>	<u>\$ 1,243,477</u>	<u>\$ -</u>	<u>\$ 87,156</u>	<u>\$ 1,330,633</u>

**Reconciliation of Fund Balance Transactions with Budgeted Transactions**

<b>Beginning Fund Balance as Adjusted</b>		\$ 1,347,811
Originally Budgeted Revenues	16,939,544	
Originally Budgeted Expenditures	(16,984,984)	
<b>Use of Fund Balance as Originally Budgeted</b>		(45,440)
Net Additional Appropriations During the Year	<u>(89,356)</u>	(89,356)
<b>Additional Use of Fund Balance as Approved</b>		
Revenue Budget in Excess of Actual	(103,215)	
Expenditure Budget in Excess of Actual	<u>158,985</u>	
<b>Total Budget Variance</b>		55,770
<b>Adjustments to GAAP Basis From Budgetary Basis</b>		<u>61,848</u>
		<u>\$ 1,330,633</u>

See accountants' report.

**Town of North Stonington, Connecticut**  
**Detailed Schedule of Board of Education Expenditures**  
**Budget vs. Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2008**

Account #	Account Name	Original Budget	Expenditures	Variance
110	Salaries, Central Office	\$ 418,502	\$ 419,461	\$ (959)
130	Expenses, Central Office	129,708	182,736	(53,028)
211	Salaries, Administrators	413,693	457,290	(43,597)
213	Salaries, Teachers	5,340,937	5,353,152	(12,215)
214	Salaries, Guidance	142,337	142,260	77
215	Salaries, Secretarial	134,100	133,596	504
216	Salaries, Aides & Assistants	399,850	356,116	43,734
217	Salaries, Library	80,365	79,010	1,355
218	Contracted Services	82,000	84,219	(2,219)
219	Salaries, Computer Repair Technici	70,000	57,823	12,177
220	Textbooks	7,500	38,821	(31,321)
231	Library Books	17,860	17,766	94
240	Instructional Supplies	156,561	130,319	26,242
250	Other Expenses, Schools	138,526	123,783	14,743
400	Supplies, Health	7,000	6,458	542
500	Transportation	836,541	842,095	(5,554)
610	Salaries, Custodial/Grounds	373,580	379,489	(5,909)
630	Heat	170,253	146,391	23,862
640	Utilities	221,332	218,594	2,738
650	Custodial Supplies	60,078	58,829	1,249
661	Postage	8,948	10,881	(1,933)
700	Maintenance, Bldgs & Grounds	178,391	206,145	(27,754)
725	Lease of Equipment (multiyear)	33,519	31,107	2,412
730	Replacement of Equipment	33,449	82,654	(49,205)
812	Social Security	184,847	177,601	7,246
830	Employee Benefits	1,582,467	1,531,230	51,237
832	Employee Retirement	95,830	88,008	7,822
1000	Student Activities	88,728	65,960	22,768
1230	New Equipment	17,601	37,247	(19,646)
1400	Tuition	217,075	133,820	83,255
		<u>\$ 11,641,578</u>	<u>\$ 11,592,861</u>	<u>\$ 48,717</u>

See accountants' report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

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

We have audited the basic financial statements of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2008 and have issued our report thereon dated November 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of North Stonington, Connecticut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with Generally Accepted Accounting Principles such that there is more than a remote likelihood that a misstatement of the Town of North Stonington, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the Town of North Stonington, Connecticut's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of North Stonington, Connecticut's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items MW-07-1, MW-07-2, MW-07-3, MW-07-4, MW-07-5, MW-08-1, MW-08-2 and MW-08-3 to be material weaknesses.

**Compliance and Other Matters**

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

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

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

*Maier + Company*

November 29, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

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

### **Compliance**

We have audited the compliance of the Town of North Stonington, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2008. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express an opinion on compliance based on our audit.

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

In our opinion, the Town of North Stonington, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

**Internal Control over Compliance**

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town of North Stonington, Connecticut's internal control.

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

**Schedule of Expenditures of State Financial Assistance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2008, and have issued our report thereon dated November 29, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

*Maier + Company*

November 29, 2008

**Town of North Stonington, Connecticut**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2008**

State Program Pass-through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b>Department of Education</b>		
Child Nutrition Program	11000-SDE64370-16072	\$ 8,597
Adult Education	11000-SDE64370-17030	6,738
Magnet School Transportation	11000-SDE64370-17057	7,800
Health & Welfare Private School Pupil	11000-SDE64370-17034	2,897
Technology Wiring of Schools	12052-SDE64370-42860	31,995
Financial Literacy	12060-SDE64370-35358	20,720
<b>Department of Education and Services for the Blind</b>		
Services to Persons with Impaired Vision	11000-ESB65020-12060	2,878
<b>Department of Environmental Protection</b>		
Small Town Economic Assistance Program	12052-DEP43720-40531	301,673
Small Town Economic Assistance Program	12052-DEP44420-40531	49,538
<b>Office of Policy and Management</b>		
Property Tax Relief for the Disabled	11000-OPM20600-17011	316
Property Tax Relief Elderly Circuit Breaker	11000-OPM20600-17018	31,449
Property Tax Relief for Veterans	11000-OPM20600-17024	3,030
Local Capital Improvement Program (LOCIP)	11000-OPM20600-40254	47,239
<b>State Library</b>		
Historic Document Preservation	12060-CSL66094-35150	7,000
<b>Department of Transportation</b>		
Town Aid Road Grant - Transportation Fund	12001-DOT57000-17036	121,319
<b>Office of the State Comptroller</b>		
Payment in Lieu of Taxes - State Property	11000-OSC15910-17004	28,643
Mashantucket Pequot Grant	12009-OSC15910-17005	969,405
Boat Grant	12027-OSC15910-40211	3,642
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>1,644,879</u>
<b>EXEMPT PROGRAMS</b>		
<b>Department of Education</b>		
Education Cost Sharing	11000-SDE64370-17041	2,740,815
School Construction - Interest	13009-SDE64370-40896	66,431
School Construction - Principal	13010-SDE64370-40901	361,904
Transportation of School Children - public	11000-SDE64370-17027	113,642
Excess Cost - Student Based	11000-SDE64000-17047	19,308
Total Exempt programs		<u>3,302,100</u>
<b>Total State Financial Assistance</b>		<u>\$ 4,946,979</u>

See accountants' report

**Town of North Stonington, Connecticut**  
**Notes to the Schedule of Expenditures of State Financial Assistance**  
**June 30, 2008**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of North Stonington, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

**1. Summary of Significant Accounting Policies**

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

**A. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, when applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Certain revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**I. Summary of Audit Results**

**Financial Statements:**

Type of auditors' report issued: Unqualified  
 Internal control over financial reporting:  
 • Material weakness(es) identified?  Yes  No  
 • Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported  
 Noncompliance material to the financial statements noted?  Yes  No

**State Financial Assistance:**

Internal control over major programs:  
 • Material weakness(es) identified?  Yes  No  
 • Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported  
 Type of auditors' report issued on compliance for major programs: Unqualified  
 Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?  Yes  No

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

<u>State Grantor And Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Environmental Protection: Small Town Economic Assistance Program	12052-DEP43720-40531	\$301,673
Department of Transportation: Town Aid Road Grant – Transportation Fund	12001-DOT57000-17036	\$121,319
Office of the State Comptroller: Mashantucket Pequot Grant	12009-OSC15910-17005	\$969,405

**II. Summary of Findings Related To Financial Statements Required Under Generally Accepted Government Auditing Standards**

- We issued reports, dated November 29, 2008, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Our report on compliance indicated no instances of noncompliance.
- Our report on internal control over financial reporting indicated nine significant deficiencies. We believe eight of these are material weaknesses.

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Significant Deficiencies**

**SD-07-1 – Internal Control over Financial Reporting**

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

**Recommendation:** The Town of North Stonington, Connecticut should consider increasing the continuing education for financial personnel or to review the qualifications of others in management (i.e. Board Members, etc.) to see if there is someone who can prepare or take responsibility for the financial statements.

**Management's Response:** The Town of North Stonington, Connecticut will look into possible training opportunities for their staff to prepare the financial report.

**Material Weaknesses:**

**MW-07-1 – Documentation of the Components of Internal Control**

**Condition:** The Town of North Stonington, Connecticut has numerous internal controls in place over significant processes and accounts. Not all of these controls are formally documented. It is possible for controls to change over time or not be completely understood by the individuals involved in the processes.

**Recommendation:** We recommend that the Town of North Stonington, Connecticut make a listing of its significant processes and accounts. Controls in each area should be documented in a procedures manual. Each of the procedures should be reviewed to determine if controls are adequate.

**Management's Response:** The Town of North Stonington, Connecticut has a number of accounting policies in place already. These will be reviewed and incorporated into a manual. Town of North Stonington, Connecticut will determine the significant processes for all income and expense transactions and make sure each is addressed in the manual. The manual will be reviewed and distributed to all individuals involved.

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

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

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Recommendation:** We recommend that the management of the Town of North Stonington, Connecticut review the adjustments that have been proposed by the auditor. This should be a good indication of where controls need to be improved. Additionally, the Town of North Stonington, Connecticut should consider developing specific preparation and review procedures, required documentation and checklists to review their internally prepared financial reports prior to their release.

**Management's Response:** The Town of North Stonington, Connecticut will include internal controls and checklists over financial reporting to their accounting manual. In addition, the Town of North Stonington, Connecticut will review additional training opportunities for the accounting personnel to help them understand why the material adjustments were made to the internally prepared financial statements.

**MW-07-3 – Controls over Tax Collector**

**Condition:** The Town had set up internal control policies over the tax collections. These have changed and eroded over time.

**Recommendation:** We recommend that the controls be more specific and detailed. These controls should be monitored on a regular basis by an outside party to make sure that they are done and not altered.

**Management's Response:** The Town will consider this in preparing the accounting manual discussed in MW-07-1.

**MW-07-4 – Controls over Town Clerk**

**Condition:** The Town has acquired a cash register for the Town Clerk, but has not developed controls over its use. Currently the Town Clerk uses the cash register and balances the cash to the cash register. The register receipt is not reviewed or compared to cash by anyone else.

**Recommendation:** The Town should establish policies for the new cash register(s). These controls should be monitored on a regular basis.

**Management's Response:** The Town will consider this in preparing the accounting manual discussed in MW-07-1.

**MW-07-5 – Balancing Cash Accounts**

**Condition:** The Board of Education prepares a cash disbursements register and balances the disbursements to the cash account. The Town posts the transactions by batch into their double entry accounting system. The Town does not balance their own postings to the cash account. As a result postings were hundreds of thousands of dollars misstated and not noted by the Town.

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Recommendation:** The Town should be balancing all the bank accounts. The Town should obtain the outstanding check lists from the Board of Education to make sure that the Town has posted the items appropriately. Since this is a sweep account, the ending reconciled balance will equal the total of the outstanding checks.

**Management's Response:** The Town will balance all bank accounts each month.

**MW-08-1 – Entity Level Controls**

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

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

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

**Recommendation:** We recommend that as part of developing an accounting manual, the Town of North Stonington, Connecticut consider the entity wide controls as discussed above.

**Town of North Stonington, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Management's Response:** The Town of North Stonington, Connecticut will assign a committee to work on developing the necessary entity wide controls.

**MW-08-2 – Controls over Payroll**

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

**Recommendation:** Someone, other than the bookkeeper, should review and approve the payroll register prior to the checks being distributed. The policy should then be formalized and included in the accounting manual.

**Management's Response:** The Town will consider this in preparing the accounting manual discussed in MW-07-1.

**MW-08-3 – Fixed Asset Reporting**

**Condition:** The Town does not keep an updated and balanced fixed asset report to calculate the depreciation by program.

**Recommendation:** We recommend that the Town assign someone to take responsibility for the fixed asset reporting, assure that it agrees to the prior year, allocate the fixed assets based on program and make sure that all additions, including infrastructure additions, are made.

**Management's Response:** The Town will consider this in preparing the accounting manual discussed in MW-07-1.

**III. Findings and Questioned Costs For State Financial Assistance**

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