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Town of North Stonington, Connecticut

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

For the Year Ended June 30, 2010

Marien + Company

CPAs

CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

**Town of North Stonington, Connecticut
For the Year Ended June 30, 2010**

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For the Year Ended June 30, 2010**

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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, 2010, which collectively comprise the Town of North Stonington, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in footnote 1, the Town made prior period adjustments to the Net Assets. This decreased Net Assets by \$192,961.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, of the Town of North Stonington, Connecticut as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

As described in Note 1, the Town has implemented authoritative accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB) *Statement 51, Accounting and Financial Reporting for Intangible Assets*; and, *Statement 53, Accounting and Financial Reporting for Derivative Instruments*, as of June 30, 2010.

Independent Auditors' Report (Continued)

In accordance with Government Auditing Standards, we have also issued our report dated December 01, 2010 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.

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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements and supplementary 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.

Maier + Company

December 01, 2010

Town of North Stonington, Connecticut
Management's Discussion and Analysis
June 30, 2010

Our discussion and analysis of Name of Government's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- Total net assets (Exhibit 2) increased by \$433,666 from \$9,842,989 to \$10,276,655
- Total fund balance for the Town increased \$274,673.
- The General Fund budget showed a \$803,952 positive variance.
- The world economy is stabilizing and the jobs and housing markets showed slight increases this year.
- Interest rates are at an all-time low so that the earnings for the Town are down significantly but borrowing rates are also at an all time low. The tax collection rate remained constant and spending by all departments was lower than anticipated.
- Based on current house sales North Stonington residential property has lost approximately 10% of its value since the last revaluation in 2005. The Town is scheduled for a full revaluation next year, Grand List 2011.

USING THIS ANNUAL REPORT

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

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most

Town of North Stonington, Connecticut
Management's Discussion and Analysis
June 30, 2010

private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Government's *net assets* and changes in them. You can think of the Government's net assets—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

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

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

Reporting the Government's Most Significant Funds

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

- *Governmental funds*—The Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The Government as Trustee

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

Town of North Stonington, Connecticut
Management's Discussion and Analysis
June 30, 2010

finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

The Government's *combined* net assets increased by \$433,666 from a year ago—*increasing* from \$9,842,989 to \$10,276,655. Last year net assets *increased* by \$57,986. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Government.

Table 1
Change in Net Assets (on Exhibit 1)

	2010	Change During Year		2009
		Dollars	Percent	
Current and other assets	\$ 5,689,148	\$ 196,501	3.58%	\$ 5,492,647
Capital assets	8,758,580	110,123	1.27%	8,648,457
Total assets	14,447,728	306,624	2.17%	14,141,104
Long-term debt outstanding	3,677,304	(144,686)	-3.79%	3,821,990
Other liabilities	493,769	17,642	3.71%	476,127
Total liabilities	4,171,073	(127,044)	-2.96%	4,298,117
Net assets:				
Invested in capital assets, net of related debt	5,788,580	460,123	8.64%	5,328,457
Restricted - Expendable	42,495	(288)	-0.67%	42,783
Unrestricted	4,445,580	(26,169)	-0.59%	4,471,749
Total net assets	\$ 10,276,655	\$ 433,666	4.41%	\$ 9,842,989

- Capital Assets increased by a net amount of \$460,123. Largely due to the addition of a new fire truck in the amount of \$491,699. The Town also sold the old Engine 1 Fire Truck for \$40,000 which went into the General Fund.
- The Highway Department acquired a new Walking Floor Trailer for the Transfer Station, it was determined that trading in the old trailer was more cost effective than rebuilding it.
- The Town also committed to a second solar panel project at the Old Town Hall, work began on the new roof and chimney repairs and anticipates completing the project on early FY 2011. ARRA Stimulus money has been awarded for \$40,092 toward the project's completion.
- Long Term debt decreased by \$144,686. \$1,090,000 was paid down in bonds and notes. An additional \$740,000 was taken out in the form of a Bond Anticipation Note for the Seaport property, Public Works trucks and the replacement of a Fire Truck.

Town of North Stonington, Connecticut
Management's Discussion and Analysis
June 30, 2010

	2010	Change During Year		2009
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 538,018	\$ (24,176)	-4.30%	\$ 562,194
Operating grants and contributions	4,704,378	145,019	3.18%	4,559,359
Capital grants and contributions	348,829	278,065	392.95%	70,764
General revenues:				
Property taxes	12,512,936	226,041	1.84%	12,286,895
Grants and contributions	857,502	(112,393)	-11.59%	969,895
Interest and investment earnings	30,131	(17,058)	-36.15%	47,189
Gain (loss) on disposal of equipment	31,114	112,102	-138.42%	(80,988)
Other general revenues	236	236		-
Total revenues	19,023,144	607,836	3.30%	18,415,308
Program expenses				
General government	1,983,575	21,205	1.08%	1,962,370
Public safety	824,839	(168,978)	-17.00%	993,817
Public works	1,649,552	(71,910)	-4.18%	1,721,462
Education	14,057,195	451,120	3.32%	13,606,075
Interest on long-term debt	74,317	719	0.98%	73,598
Total expenses	18,589,478	232,156	1.26%	18,357,322
Increase (decrease) in net assets	\$ 433,666	\$ 375,680	647.88%	\$ 57,986

- Capital Grants and contributions increased by \$278,065. Of that \$167,125 is from accounts receivable on the Kingswood Meadow Rd. \$34,500 is accounts receivable on a solar panel grant.
- Operating grants increased by \$145,019 or 3.18%, as there were a few new board of education grants. Some of these grants include an ARRA Title I grant for \$56,393 and an IDEA ARRA grant for \$102,000.
- Property tax collections increased in relation to the mill rate, which went up approx 2% (19.5 to 19.94 mills).
- General Grant and contributions decreased as the casino grant has decreased by \$112,393. The second payment for Local and Vocational Transportation was not sent by the State but funds were used to offset Special Education revenues.
- Public Safety expenses decreased due to the fact that in the prior year the Town purchased an ambulance for the Ambulance Association in the amount of \$152,668.
- Board of Education increased because there was more grant money to spend. There is a concern about the next several years of revenue from the State and Federal Governments especially the loss of ARRA Stimulus funding.

Governmental Activities

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

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
June 30, 2010**

**Table 3
Governmental Type Activities**

	Total Cost of Services			Incr. Decr.	Net Cost of Services			Incr. Decr.
	2010	2009			2010	2009		
Governmental Activities								
General Government	\$ 1,983,575	\$ 1,962,370	1.08%	\$	1,489,840	\$ 1,747,074	-14.72%	
Public Safety	824,839	993,817	-17.00%		772,072	929,954	-16.98%	
Public Works	1,649,552	1,721,462	-4.18%		1,328,544	1,408,371	-5.67%	
Education	14,057,195	13,606,075	3.32%		9,333,480	9,006,008	3.64%	
Interest on long-term debt	74,317	73,598	0.98%		74,317	73,598	0.98%	
Totals	\$ 18,589,478	\$ 18,357,322	1.26%	\$	12,998,253	\$ 13,165,005	-1.27%	

Total Public Works expenses decreased because of the activities focused on the repairs from the March 30th flood. Many of the Public work budget lines were underspent and the Town was forced to downsize the Highway crew by laying off one full time and two part time employees. General Government Net Cost was lower this year due to the reimbursement grants for the Kingswood Meadow and Solar Panel projects.

THE GOVERNMENT'S FUNDS

Fiscal Year 2010 showed a slight decrease in net assets and the fund balance as presented in Exhibits 3 and 4. As of the close of the fiscal year the government reported a combined ending fund balance of \$3,229,974 or an increase of \$274,673 (9.29%). Approximately \$2,862,593 or 88.7% are available for spending as unreserved funds at the Town's discretion.

The Town has committed to a major drainage project in the Kingswood neighborhood of town. The replacement of the Boombridge Road Bridge and the installation of Solar Panels at the Old Town Hall.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriates increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriations up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
June 30, 2010**

**Table 4
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 12,367,132	\$ 12,461,260	\$ 94,128
Use of Town Money	45,000	27,095	(17,905)
Intergovernmental	4,662,985	4,680,658	17,673
Licenses, Fees, Fines and Charges	145,250	168,459	23,209
Other Revenue	215,496	600,877	385,381
Total Revenues	<u>17,435,863</u>	<u>17,938,349</u>	<u>502,486</u>
Expenditures			
General Government	4,151,557	4,008,823	142,734
Redemption of Dept	1,009,375	958,327	51,048
Capital Outlay	719,556	716,922	2,634
Education	12,081,172	11,976,122	105,050
Total Expenditures	<u>17,961,660</u>	<u>17,660,194</u>	<u>301,466</u>
Increase (Decrease) in Fund Balance	<u>\$ (525,797)</u>	<u>\$ 278,155</u>	<u>\$ 803,952</u>

There was a substantial increase in the Fund Balance for Fiscal Year 2010. This increase was due, in part, to the return of almost \$250,000 from the Board of Education and General Government operating expenses. The variance was caused by fuel oil that was less expensive than anticipated and several projects in the Public Works Department were put on hold due to the March 30th storm and flood.

Significant variances are summarized as follows:

- Taxes collected were over budget by \$94,128 or .76% from budget estimates, as more prior year taxes were collected than anticipated.
- Uses of Town Money was lower as interest rates were down than anticipated by \$17,905 or 39.8%.
- There was also a loss in conveyance tax collections by the Town Clerk due, in part, to the slow real estate market. Only forty two single family homes were sold and only ten new single family building permits were issued.
- Intergovernmental Revenue was above budget because of increased excess education cost grant \$71,681, but this was offset by the State cutting the transportation grant by about half of the budget (\$57,190).
- Other revenue was over budget because of the bond revenue posted in the General Fund, \$365,000.

Town of North Stonington, Connecticut
Management's Discussion and Analysis
June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$8,758,580 invested government activity capital assets (From Footnotes). This amount represents a net increase (including additions and deductions) of \$110,125 from last year. This is primarily due to the purchase of the fire truck and walking floor trailer. More detailed information about the Government's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the Government had \$2,970,000 in bonds and notes outstanding. This is a decrease of \$35,000 from last year. The Government's general obligation bond rating continues to carry an A3 rating. More detailed information about the Government's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget and tax rates. The Officials and Department Heads consider cash flow, interest rates for savings as well as borrowing, state grants receipts, poor economic trends and the local, state and federal unemployment rates.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

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

Town of North Stonington, Connecticut
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,254,799
Investments	270,243
Receivables, net of allowance for collection losses	2,110,272
Due from fiduciary funds	29,319
Prepaid expenses	7,564
Inventory	3,660
Other long-term assets	13,291
Capital Assets:	
Not being depreciated	953,240
Being depreciated, net of accumulated depreciation	7,805,340
	<hr/>
Total assets	14,447,728
	<hr/>
Liabilities	
Accounts payable	272,536
Accrued wages and benefits	87,830
Accrued interest payable	40,989
Deferred revenue	92,414
Noncurrent liabilities:	
Due within one year	1,407,811
Due in more than one year	2,269,493
	<hr/>
Total liabilities	4,171,073
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	5,788,580
Restricted net assets:	
Expendable	42,495
Unrestricted net assets	4,445,580
	<hr/>
Total net assets	\$ 10,276,655
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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, 2010

Functions/Programs	Program Specific Revenues				Net (Expense) Revenue	
	Expenses	Charges for	Grants and Contributions			Total Government Activities
		Services	Operating	Capital		
General government	\$ (1,983,575)	\$ 184,491	\$ 4,317	\$ 304,927	\$ (1,489,840)	
Public safety	(824,839)	-	52,767	-	(772,072)	
Public works	(1,649,552)	144,171	132,935	43,902	(1,328,544)	
Education	(14,057,195)	209,356	4,514,359	-	(9,333,480)	
Interest on long-term debt	(74,317)	-	-	-	(74,317)	
Total governmental activities	\$ (18,589,478)	\$ 538,018	\$ 4,704,378	\$ 348,829	\$ (12,998,253)	
General revenues:						
Property taxes, payments in lieu of taxes, interest and liens					12,512,936	
Grants and contributions					857,502	
Interest and investment earnings					30,131	
Gain (loss) on disposal of equipment					31,114	
Miscellaneous					236	
Total general revenues					13,431,919	
Changes in net assets					433,666	
Net assets, beginning of the year					9,842,989	
Net assets, end of the year					\$ 10,276,655	

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

Town of North Stonington, Connecticut
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,367,390	\$ 853,626	\$ 33,783	\$ 3,254,799
Investments	250,819	-	19,424	270,243
Receivables	1,893,865	201,625	14,782	2,110,272
Inventory	-	-	3,660	3,660
Due from other governmental funds	-	480,057	90,414	570,471
Due from fiduciary funds	13,803	-	15,516	29,319
Prepaid expenditures	7,564	-	-	7,564
Total assets	\$ 4,533,441	\$ 1,535,308	\$ 177,579	\$ 6,246,328
Liabilities and fund balance				
Liabilities				
Accounts payable	227,255	28,745	16,536	272,536
Accrued expenses	87,830	-	-	87,830
Deferred revenue	1,791,478	201,625	92,414	2,085,517
Due to other governmental funds	570,471	-	-	570,471
Total liabilities	2,677,034	230,370	108,950	3,016,354
Fund balance				
Reserved	352,552	-	14,829	367,381
Unreserved, reported in:				
General Fund	1,503,855	-	-	1,503,855
Special Revenue Fund	-	-	53,800	53,800
Capital Projects Fund - Designated	-	1,256,108	-	1,256,108
Capital Projects Fund	-	48,830	-	48,830
Total fund balance	1,856,407	1,304,938	68,629	3,229,974
Total liabilities and fund balance	\$ 4,533,441	\$ 1,535,308	\$ 177,579	

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	(3,060,000)
Compensated absences and special termination benefits	(617,304)
Accrued interest payable	(40,989)
Plus:	
Deferred charges on bond costs (to be amortized over the life of the bond)	13,291
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,758,580
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	1,993,103

Net assets reported on the government-wide financial statements (Exhibit 1) **\$ 10,276,655**

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, 2010

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes, interest and lien fees	\$ 12,461,260	\$ -	\$ -	\$ 12,461,260
Intergovernmental revenues	5,581,009	-	504,407	6,085,416
Local revenues	431,431	2,982	197,916	632,329
	<u>18,473,700</u>	<u>2,982</u>	<u>702,323</u>	<u>19,179,005</u>
Expenditures				
Current expenditures:				
General government	2,610,366	-	-	2,610,366
Public safety	786,862	-	-	786,862
Public works	1,481,519	-	-	1,481,519
Education	11,909,344	-	688,518	12,597,862
Capital outlay	52,731	889,234	-	941,965
Debt service	838,327	387,431	-	1,225,758
	<u>17,679,149</u>	<u>1,276,665</u>	<u>688,518</u>	<u>19,644,332</u>
Excess (deficiency) of revenues over expenditures	<u>794,551</u>	<u>(1,273,683)</u>	<u>13,805</u>	<u>(465,327)</u>
Other financing sources (uses)				
Proceeds from and premium on long-term debt	365,000	375,000	-	740,000
Operating transfers in	-	784,191	-	784,191
Operating transfers out	(784,191)	-	-	(784,191)
	<u>(419,191)</u>	<u>1,159,191</u>	<u>-</u>	<u>740,000</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>375,360</u>	<u>(114,492)</u>	<u>13,805</u>	<u>274,673</u>
Fund balance, beginning of the year	<u>1,481,047</u>	<u>1,419,430</u>	<u>54,824</u>	<u>2,955,301</u>
Fund balance, end of the year	<u>\$ 1,856,407</u>	<u>\$ 1,304,938</u>	<u>\$ 68,629</u>	<u>\$ 3,229,974</u>
Reconciliation of the statement of revenues, expenditures and changes in fund balances (above) to the statement of activities (Exhibit 2)				
Net change in fund balances - total governmental funds (above)				\$ 274,673
Transactions involving the treatment of capital outlays:				
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2				609,221
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements				(489,910)
Net effects of various transactions involving fixed assets:				
Less: Book value of disposed capital assets not reported in this statement				(9,186)
Transactions involving the treatment of long-term debt:				
Less: Long-term debt issued or incurred:				
Issuance of and premium on bond anticipation notes				(740,000)
Plus: Principal repayments:				
General obligation bonds and related premiums				1,090,000
Post-closure landfill costs				6,000
Changes in other items not requiring the use of current financial resources:				
Compensated absences and other post employment benefits payable				(211,314)
Accrued interest payable				3,866
Amortization on issue premium/costs on bonds				(3,498)
Change in revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement				
State reimbursement of bond principal				(347,055)
State reimbursement of LOCIP expenses				201,625
Other state grants				86,752
Taxes, interest and lien fees				(37,508)
Changes in net assets of governmental activities (Exhibit 2)				<u>\$ 433,666</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, 2010

	Total Pension Trust Funds	Agency Funds
<hr/>		
Assets		
Cash and cash equivalents	\$ 547,260	\$ 295,044
Investments	-	151,817
Investments in insurance annuities	1,838,707	-
Accounts receivable	82,759	-
	<hr/>	
Total assets	2,468,726	446,861
	<hr/>	
Liabilities		
Due to students and developers	-	416,278
Due to others	-	1,264
Due to governmental funds	-	29,319
	<hr/>	
Total liabilities	-	446,861
	<hr/>	
Net assets		
Held in trust for pension benefits	\$ 2,468,726	\$ -
	<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, 2010

	<u>Pension Trust Funds</u>
Additions	
Employer contributions	\$ 183,270
Investment earnings:	
Dividend and interest income	21,589
Net increase / (decrease) in fair value of investments	<u>59,180</u>
Total additions in net assets	<u>264,039</u>
Deductions	
Benefits paid to plan members	77,462
Administrative expenses	<u>27,503</u>
Total deductions	<u>104,965</u>
Change in net assets	159,074
Net assets held in trust, beginning of year	<u>2,309,652</u>
Net assets held in trust, end of year	<u><u>\$ 2,468,726</u></u>

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

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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
For the Year Ended June 30, 2010

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
For the Year Ended June 30, 2010

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 generally reported at fair value. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

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

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

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

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

2) Receivables

Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing, July 1st, to June 30th 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 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

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

3) Activity between funds

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

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

4) Inventories and prepaid items

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

5) Capital assets

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

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

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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:

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

6) *Compensated absences*

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

7) *Long-term obligations*

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

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

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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 residual equity transfer to close the LOCIP Fund which was used to purchase transfer station scales. The General Fund's Fund Balance was reduced by the deficit Fund Balance in the LOCIP Fund of \$5,209.

The Town also made a prior period adjustment to beginning Net Assets to correct the beginning balance of capital assets and accumulated depreciation. This reduced Net Assets by \$192,961.

In addition to the prior period adjustment noted above the Town made an additional prior period adjustment to the Pension Trust Funds to correct the beginning Net Assets. This increased the Net Assets \$1,074,517.

E. Subsequent Events

Subsequent events have been evaluated through the date of this report, December 01, 2010.

F. Changes in Financial Statements

The Town implemented Governmental Accounting Standards Board (GASB) Statement 51, *Accounting and Financial Reporting for Intangible Assets*, as of June 30, 2010. This statement establishes 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.

The Town implemented Governmental Accounting Standards Board (GASB) Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, of June 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments, if applicable.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 2 - Budgeting

A. Budget Basis

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

- **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 revenue for new long-term debt or capital leases. The modified accrual basis shows expenditure for the payment of the debt paid off with the new debt or for the piece of equipment purchased in a capital lease. The town nets these revenues and expenditures in the budget.

B. Budget Calendar

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

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

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

C. Budget Control

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

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 \$535,822 of additional appropriations were made.

Note 3 – Deposits and Investments

A. Cash and Cash Equivalents

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

Governmental Funds	\$ 3,254,799
Pension Trust Funds	547,260
Agency Funds	295,044
Total Cash and Cash Equivalents	<u><u>\$ 4,097,103</u></u>

B. Custodial Credit Risk on Deposits

As of June 30, 2010, the carrying amount of the Town's deposits with financial institutions was:

Deposits	\$ 4,485,188
Plus: Pooled Investment Funds	33,975
Less: Certificates of Deposits treated as investments	<u>(422,060)</u>
Total Cash and Cash Equivalents	<u><u>\$ 4,097,103</u></u>

The bank balance of the deposits of \$4,343,482 was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 3,352,125
Uninsured and uncollateralized	991,357
Total Deposits	<u><u>\$ 4,343,482</u></u>

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

C. External Investment Pools Treated as Cash and Cash Equivalents

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

D. Investments

At June 30, 2010, the Town's investments consisted of the following:

	General Fund	Other Governmental Funds	Pension Trust Funds	Agency Funds
Annuity Contracts	-	-	\$ 146,962	\$ -
Equity Mutual Funds	-	-	1,673,791	-
Fixed Income	-	-	17,954	-
Certificates of Deposit	250,819	19,424	-	151,817
	<u>\$ 250,819</u>	<u>\$ 19,424</u>	<u>\$ 1,838,707</u>	<u>\$ 151,817</u>

E. Credit Risk and Interest Rate Risk of Investments

As of June 30, 2010 the range of maturities of the investments was as follows:

Type of Investment	Avg. Credit Rating	Fair Value	Investment Maturity		
			N/A	Less than 1 Year	1 to 5 Years
Annuity Contracts	**	\$ 146,962	\$ 146,962	\$ -	\$ -
Equity Mutual Funds	NA	1,673,791	1,673,791	-	-
Fixed Income	NA	17,954	-	17,954	-
Certificates of Deposit	*	422,060	-	402,636	19,424
		<u>\$ 2,260,767</u>	<u>\$ 1,820,753</u>	<u>\$ 420,590</u>	<u>\$ 19,424</u>

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

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

Note 4 - Receivables

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

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Fiduciary Funds
Taxes *	\$ 437,683	\$ -	\$ -	\$ -
Interest and fees on back receivables *	120,839	-	-	-
Long-term school construction grant *	1,311,747	-	-	-
Intergovernmental	91,961	201,625	14,782	82,759
Other	15,701	-	-	-
Gross receivables	1,977,931	201,625	14,782	82,759
Less: allowance for uncollectibles	(84,066)	-	-	-
Net total receivables	\$ 1,893,865	\$ 201,625	\$ 14,782	\$ 82,759

* Not expected to be collected within one year

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

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 387,770	\$ -
Reimbursements on school bond payments	1,311,747	-
Grants that were not received in 60 days	293,586	-
Grants that are not earned yet	-	92,414
Total deferred/unearned revenue for governmental funds	\$ 1,993,103	\$ 92,414

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 5 - Capital Assets

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

General government	\$ 28,485
Public works	164,222
Public safety	35,632
Education	261,571
Total depreciation expense	<u>\$ 489,910</u>

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 953,240	\$ -	\$ -	\$ 953,240
Capital assets being depreciated:				
Buildings and Improvements	12,510,992	4,500	-	12,515,492
Furniture and Equipment	5,531,647	604,721	(203,056)	5,933,312
Infrastructure	204,943	-	-	204,943
	18,247,582	609,221	(203,056)	18,653,747
Accumulated depreciation:	(10,552,367)	(489,910)	193,870	(10,848,407)
Capital assets, net	<u>\$ 8,648,455</u>	<u>\$ 119,311</u>	<u>\$ (9,186)</u>	<u>\$ 8,758,580</u>

Note 6 - Interfund Activities

A. Interfund transfers:

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

	Transfers in to:		
	General Fund	Capital Non- recurring Fund	Total
Transfers out of:			
General Fund	\$ -	\$ 784,191	\$ 784,191

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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	\$ 90,414
Capital Projects - Capital Nonrecurring	General Fund	480,057
General Fund	Agency Fund - Student Activity	13,803
Special Revenue - Scholarships	Agency Fund - Student Activity	15,516
		<u>\$ 599,790</u>

Note 7 – Long-Term

A. Changes in long-term liabilities

Long-term debt activity for the year ended June 30, 2010, was as follows:

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
School Construction	\$ 2,820,000	\$ -	\$ (590,000)	\$ 2,230,000	\$ 575,000
Bond Anticipation Note	-	740,000	-	740,000	740,000
Bond Anticipation Note	500,000	-	(500,000)	-	-
Compensated Absences	133,990	15,314	-	149,304	86,811
Post Closure Landfill Costs	96,000	-	(6,000)	90,000	6,000
Net OPEB Obligation (Note 12)	272,000	385,000	(189,000)	468,000	-
	<u>\$ 3,821,990</u>	<u>\$ 1,140,314</u>	<u>\$ (1,285,000)</u>	<u>\$ 3,677,304</u>	<u>\$ 1,407,811</u>
Bond Issue Costs (Asset)	\$ (16,789)	\$ -	\$ 3,498	\$ (13,291)	\$ (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.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

The Town issued a bond anticipation note in the amount of \$740,000 with an interest rate of 2.43%. The full amount of the bond will be due September 10, 2010 together with interest in the amount of \$17,982. Of the total amount, \$375,000 was used to refinance the Hewitt Property bond anticipation note from the previous year. The remaining \$365,000 was used to purchase a fire truck. Of the total amount, \$490,000 will be refinanced at that time with a new bond anticipation note (See Note 13 – Subsequent Events). Therefore, this has been treated as long-term debt in these financial statements.

General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Matures in Year Ending	Interest Rates	Amount
School Construction	\$ 7,025,000	2014	2.00%-5.00%	\$ 2,230,000
Hewitt Property / Truck Purchase	\$ 740,000	2011	2.43%	\$ 740,000

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
2011	\$ 1,315,000	\$ 109,707
2012	565,000	71,600
2013	550,000	49,000
2014	540,000	27,000
Total	<u>\$ 2,970,000</u>	<u>\$ 257,307</u>

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 \$3,000 in actual costs incurred.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

D. Debt Limitations Under Connecticut State Statutes

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

Total tax collections (including interest and lien fees) for the year	\$ 12,543,773
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	33,918
Debt limitation base	<u>\$ 12,577,691</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 28,299,805	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	56,599,610	-	-	-
3 3/4 times base	-	-	47,166,341	-	-
3 1/4 times base	-	-	-	40,877,496	-
3 times base	-	-	-	-	37,733,073
Total debt limitation	<u>28,299,805</u>	<u>56,599,610</u>	<u>47,166,341</u>	<u>40,877,496</u>	<u>37,733,073</u>

Indebtedness:					
Bonds and notes payable	740,000	2,230,000	-	-	-
Amount to be provided by CT	-	(1,311,747)	-	-	-
Total indebtedness	<u>740,000</u>	<u>918,253</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 27,559,805</u>	<u>\$ 55,681,357</u>	<u>\$ 47,166,341</u>	<u>\$ 40,877,496</u>	<u>\$ 37,733,073</u>
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In no case shall total indebtedness exceed seven times annual receipts from taxation	<u>\$ 88,043,837</u>
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E. 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 long-term debt. The balance of the in-substance defeased debt which remains outstanding at June 30th is \$2,140,000.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 8 – Equity

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, 2010 this consisted of:

	General Fund	Other Funds
Encumbrances	\$ 324,886	\$ -
Town clerk	27,666	-
Inventory	-	3,660
Open space	-	11,169
	<u>\$ 352,552</u>	<u>\$ 14,829</u>

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 \$1,256,108 designated for specific projects.

C. Restricted Net Assets

Restricted Net Assets are reported when constraints placed on net assets are either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation of the Town. At year end there was \$42,495 of fees restricted for specific purposes included in expendable Net Assets.

Note 9 - Employee Retirement Systems and Pension Plans

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

A. North Stonington Volunteer Fire Department

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

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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, 2010 the Town contributed \$20,380 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

B. North Stonington Volunteer Ambulance Association

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

Under the plan agreement, there is no funding obligation for either the Town or the plan participants. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. For the year ended June 30, 2010 the Town contributed \$2,879 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

C. Board of Education Pension Plans

- A. Plan #2119** - Eligibility in the plan is limited to secretaries, custodians, and the cafeteria administrator all of whom must have completed one-half year of service and have attained the age of twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes an amount equal to 10% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2010 the Town contributed \$25,842 to the plan. The plan is administered by National Retirement Services, Inc. The plans provisions have been negotiated with the respective collective bargaining units.
- B. Plan #30027** - Eligibility in the Board of Education CNBU Money Purchase plan is limited, with the exception of 2 named employees, to those employees of the board of education who are not participants in the Board of Education Pension Plan (Note 9C above). All participants must have completed six months of service and must have attained age twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes 14% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2010 the Town contributed \$56,917 to the plan. The plan is administered by National Retirement Services, Inc. The plans provisions have been negotiated with the respective collective bargaining units.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

D. General Government Pension Plan

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

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

For the year ended June 30, 2010 the Town contributed \$84,277 to the plan all of which is allocated to the participants' individual retirement. The plan is administered by the Town.

E. Teachers' Retirement System

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit 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, 2010, the State contributed \$900,351 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, 2010 was \$8,238,141 of which \$5,821,267 was covered under this pension plan.

Note 10 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

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

Note 11 - Contingent Liabilities and Commitments

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 following grants may be contingent liabilities:

1. **FEMA Grant** - The Town has committed to fix storm drainage issues caused by flooding during the fiscal year. As of the end of the year the Town is anticipating the project to cost approximately \$2,200,000. Of this the Town is expecting grants to cover approximately 75% of the projects cost. As of June 30, 2010 the Town had spent \$86,932 on repairs. This resulted in accounts receivable and deferred revenue in the general fund in the amount of \$65,199.
2. **Solar Panel Grant** – The Town was approved for a \$50,000 grant for new solar panels. The grant has been contested by an outside organization. There is a possibility that the grant will not be paid due to this questioning. As of June 30, 2010 the Town had spent \$34,500 on the project. At year end there are accounts receivable and deferred revenue of \$34,500 for this grant in the capital nonrecurring fund. The Town is currently working with the grantor to determine its eligibility.

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 12 – Other Post Employment Benefits (OPEB)

A. Plan Description

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

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Eligibility	<p>Teachers and Administrators - A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.</p> <p>Normal Retirement for Teachers and Administrators is the earlier of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earlier of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.</p> <p>Secretaries and Non Union - A member retiring with age 55 years or older shall be eligible to continue health insurance coverage for self and spouse. Coverage is pre-65 only.</p>
Cost Sharing	All retirees pay 100% of the premiums
Life Insurance	Administrators - \$50,000 from retirement until age 65 at Board's expense provided member worked at least 7 years for the Board of Education as an administrator.

B. Actuarial Assumptions and Methods

Latest Actuarial Date	July 1, 2009
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.00%
Payroll Growth Rate	4.50%
Medical Inflation	Initial rate of 6.6% grading down to an ultimate inflation rate of 4.4% over a 51 year period.
Amortization Method	Level percentage of projected payroll
Remaining amortization	28 years, closed
Healthy Mortality	<p>Teachers and Administrators – RP-2000 projected forward 19 years using scale AA, with a two year set back</p> <p>All others – RP-2000 projected to the valuation year plus 10 years for males and females and separate tables for active employees and annuitants</p>
Disabled Mortality	<p>Teachers and Administrators – RP-2000 projected forward 19 years using scale AA, with an eight year age set forward for males and females</p> <p>All others – RP-2000 projected to the valuation year plus 10 years for males and females and separate tables for active employees and annuitants</p>
Turnover	<p>Teachers and Administrators – rates based on gender and length of service for the first ten years and gender and age thereafter.</p> <p>All others – rates based on age.</p>

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Retirement	Teachers and Administrators – rates based on age, eligibility for pension benefits, and gender All others – 5% at age 55 with 10 years of service as a base and increasing from there.
Disability	Teachers and Administrators – rates based on age and gender All Others – rates are in accordance with the 1985 Pension Disability Table (DP-85 Table), Class 1.
Future Retiree Coverage	Teachers and Administrators – 95% are assumed to elect coverage at retirement All Others – 10% are assumed to elect coverage at retirement
Future Dependent Coverage	Male 50%; Female 30% with female spouses assumed to be 3 years younger than males.
Future Post-65 Coverage	Teachers and Administrators – All Medicare eligible actives and pre-65 retirees are assumed to enroll in retiree health coverage through the Connecticut State Teachers Retirement System at age 65. 75% of Non-Medicare eligible members are assumed to continue health coverage through the Board. All Others – N/A

C. Schedule of Funding Progress

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

Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 5,812,000	\$ 5,812,000	0.00%	N/A	N/A
7/1/2007	\$ -	\$ 3,078,000	\$ 3,078,000	0.00%	N/A	N/A

D. Schedule of Employer Contributions

The schedule of employer contributions is as follows. (Data in the table below is only presented since the year of transition):

Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2010	\$385,000	\$ 189,000	49.09%
2009	\$273,000	\$ 137,000	50.18%
2008	\$273,000	\$ 137,000	50.18%

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

E. Annual Required Contribution (ARC)

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

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

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

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The annual calculation of Annual Pension Cost (APC) and Net Pension Obligation (NPO) is as follows. (Data in the table below is only presented since the year of transition):

Past Service Cost	\$ 194,000
Normal Cost	177,000
Interest	14,000
Annual Required Contribution (ARC)	385,000
Expected Benefit Payouts	(189,000)
Increase in Net OPEB Obligation	<u><u>\$ 196,000</u></u>

F. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 385,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>385,000</u>
Contributions made	<u>(189,000)</u>
Increase (decrease) in net OPEB obligation	196,000
Net OPEB obligation (asset), beginning of year	<u>272,000</u>
Net OPEB obligation (asset), end of year	<u><u>\$ 468,000</u></u>

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

The Net OPEB Obligation history is as follows. (Data in the table below is only presented since the year of transition):

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2010	\$ 385,000	\$ 189,000	0.0%	\$ 468,000
6/30/2009	\$ 273,000	\$ 137,000	0.0%	\$ 272,000
6/30/2008	\$ 273,000	\$ 137,000	0.0%	\$ 136,000

G. Other Disclosures

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

Note 13 – Subsequent Events

The Town refinanced the \$740,000 bond anticipation note outstanding at the end of the year. They paid \$250,000 in principal and funded the rest with a \$815,000 bond anticipation note. In addition to paying off the remainder of the note the Town used the rest of the funds to purchase two dump trucks for the highway department. The note will have a one year maturity and an interest rate of 4.40 percent. It will be due by September 8, 2011.

Note 14 – GASB Pronouncements Issued, But Not Effective Yet

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

- GASB #54 – *Fund Balance Reporting and Governmental Fund Type Definitions* – This statement provides clearer fund balance classifications that can be more consistently applied. This is effective for the year ending June 30, 2011.
- GASB #59 – *Financial Instruments Omnibus* – This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This is effective for the year ending June 30, 2011.

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Revenues:					
Taxes, Interest, and Lien Fees					
General Property Taxes - Current	\$ 12,067,132	\$ -	\$ 12,067,132	\$ 12,074,056	\$ 6,924
General Property Taxes - Past	125,000	-	125,000	199,200	74,200
Supplemental Motor Vehicles	100,000	-	100,000	69,728	(30,272)
Interest and Lien Fees	75,000	-	75,000	118,276	43,276
Total Taxes, Interest and Lien Fees	12,367,132	-	12,367,132	12,461,260	94,128
Use of Town Money					
Short Term Investment Interest	45,000	-	45,000	27,095	(17,905)
Total Revenue - Use of Town Money	45,000	-	45,000	27,095	(17,905)
Intergovernmental Revenues					
Education Cost Sharing	2,892,440	(412,650)	2,479,790	2,472,457	(7,333)
Casino Revenue	857,285	-	857,285	857,502	217
School Bond - Principal Reimbursement	347,055	-	347,055	347,055	-
ARRA Stabilizaton Education	-	265,993	265,993	265,993	-
ARRA Stabilizaton Government	-	146,657	146,657	146,657	-
Local and Vocational Transportation	128,333	-	128,333	71,143	(57,190)
State Aid for Town Road	109,187	-	109,187	121,094	11,907
Local Capital Improvement Program Current	50,322	-	50,322	49,111	(1,211)
School Bond - Interest Reimbursement	49,659	-	49,659	50,489	830
Police Reimbursement	49,659	-	49,659	26,005	(23,654)
Telecommunications Revenue Share	33,441	-	33,441	20,768	(12,673)
Elderly Exemption Reimbursement	27,700	-	27,700	33,918	6,218
Tuition Reimbursement	27,242	-	27,242	13,790	(13,452)
Reimbursement for Untaxed State Property (PILOT)	25,390	-	25,390	25,433	43
Excess Special Education/State Agency Placement	23,035	-	23,035	129,560	106,525
JAG Grant	-	9,025	9,025	9,806	781
Regional Adult Education	7,871	-	7,871	8,495	624
Magnet School Transportation	7,800	-	7,800	13,000	5,200
Non-Public Nurse Reimbursement	5,689	-	5,689	-	(5,689)
Record Preservation	5,000	-	5,000	5,000	-
Boating Safety Reimbursement	3,460	-	3,460	1,866	(1,594)
Veterans Exemption Reimbursement	3,000	-	3,000	6,700	3,700
Disabled Exemption Reimbursement	390	-	390	499	109
Local Capital Improvement Program Reserve	1	-	1	-	(1)
Registrar of Voters	1	-	1	-	(1)
Health District Grant	-	-	-	4,317	4,317
Total Intergovernmental Revenues	4,653,960	9,025	4,662,985	4,680,658	17,673
Licenses, Fees, Fines and Charges					
Licenses, Permits, Conveyance Taxes	63,500	-	63,500	79,620	16,120
Recreation Commission	45,000	-	45,000	47,617	2,617
Building Official	35,000	-	35,000	37,520	2,520
Town Clerk Restoration Fees	1,000	-	1,000	2,662	1,662
Sanitarian	750	-	750	1,040	290
Total Licenses, Fees, Fines and Charges	145,250	-	145,250	168,459	23,209

Continued

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Other Revenue					
Contractor's Tipping Fees	119,820	-	119,820	128,284	8,464
Sale of Town Vehicles	57,500	-	57,500	40,000	(17,500)
Sanitary Landfill - Sale of Recyclables	10,000	-	10,000	14,847	4,847
SCRRRA Subsidy	10,000	-	10,000	11,841	1,841
Town Engineering - Road Inspection	5,000	-	5,000	-	(5,000)
Miscellaneous	5,000	-	5,000	5,108	108
Planning and Zoning	3,500	-	3,500	2,314	(1,186)
Zoning Enforcement Officer	3,000	-	3,000	4,440	1,440
Assessor's Office	600	-	600	780	180
Inland Wetlands	500	-	500	754	254
Canine Account	325	-	325	415	90
GIS Services	100	-	100	640	540
Conservation Commission	100	-	100	-	(100)
Fire Marshall	50	-	50	-	(50)
Sale of Fixed Assets	1	-	1	300	299
LoCIP Town Clerk	-	-	-	2,857	2,857
Truck Note	-	-	-	365,000	365,000
Rent Hewitt Property	-	-	-	23,297	23,297
Total Other Revenue	215,496	-	215,496	600,877	385,381
Total Revenues	17,426,838	9,025	17,435,863	17,938,349	502,486

Expenditures:
General Government

Board of Selectmen

Salary - First Selectman	52,380	-	52,380	52,380	-
Salary - Second Selectman	2,400	-	2,400	2,400	-
Salary - Third Selectman	2,400	-	2,400	2,300	100
Salary - Secretary	46,355	-	46,355	46,363	(8)
Salary - Bookkeeper	41,829	-	41,829	41,829	-
Boards of Commissions Clerical	250	-	250	-	250
Selectmen's Expenditures	2,500	(2,200)	300	250	50
Office Expenditures	2,000	-	2,000	1,874	126
Council of Small Towns	825	-	825	825	-
Certifications/Seminars	250	-	250	140	110
SE CT Council of Governments	2,496	-	2,496	2,496	-
Auditing and Accounting Consulting	6,000	-	6,000	5,833	167
Total Board of Selectmen	159,685	(2,200)	157,485	156,690	795

Probate Court Expenditures

	3,100	-	3,100	3,083	17
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Board of Finance

Operating Expenditures	2,400	-	2,400	-	2,400
Auditing	23,700	-	23,700	19,950	3,750
Town Report	250	-	250	-	250
GASB 45 OPEB Designation	-	-	-	-	-
Total Board of Finance	26,350	-	26,350	19,950	6,400

Continued

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Assessor's Office					
Salary - Assessor	60,283	-	60,283	60,283	-
Wages - Assessor's Assistant	40,511	-	40,511	40,518	(7)
Office Expenses	2,500	-	2,500	1,947	553
Seminars	300	-	300	300	-
Computer Expenses	9,050	-	9,050	8,318	732
Travel Expenditures	1	-	1	-	1
Consulting	1	-	1	-	1
Total Assessor's Office	112,646	-	112,646	111,366	1,280
Board of Tax Review/Assessment Appeals	1,000	-	1,000	936	64
Tax Collector					
Salary - Tax Collector	31,042	-	31,042	31,146	(104)
Salary - Clerical	5,408	-	5,408	329	5,079
Office Expenditures	5,000	-	5,000	4,800	200
Computer	6,250	-	6,250	5,925	325
Travel Expenditures	150	-	150	-	150
Total Tax Collector	47,850	-	47,850	42,200	5,650
Town Treasurer					
Salary	6,180	-	6,180	6,180	-
Office Expenditures	1	-	1	-	1
Travel Expenditures	1	-	1	-	1
Total Treasurer	6,182	-	6,182	6,180	2
Town Attorney	35,000	4,380	39,380	33,416	5,964
Annexation Related Expenditures					
Annexation Related Expenditures	2,500	1,100	3,600	3,580	20
Tribal Recognition	3,500	1,100	4,600	4,492	108
Total Annexation Related Expenditures	6,000	2,200	8,200	8,072	128
Town Clerk					
Salary - Town Clerk	41,211	-	41,211	41,211	-
Wages - Assistant	16,223	-	16,223	16,078	145
Office Expenditures	6,500	-	6,500	6,486	14
Travel Expenditures	50	-	50	-	50
Land Records	7,200	-	7,200	9,946	(2,746)
Total Town Clerk	71,184	-	71,184	73,721	(2,537) *
Planning and Zoning Commission					
Salary - Zoning Officer	51,500	-	51,500	51,500	-
Wages - Secretary	34,882	-	34,882	34,229	653
Operating Expenditures	5,500	-	5,500	5,480	20
Travel	1,000	-	1,000	963	37
Attorney	25,000	-	25,000	25,000	-
Contracted Consulting Services	8,000	-	8,000	4,100	3,900
Contracted Planner	1	-	1	-	1
Total Planning and Zoning Commission	125,883	-	125,883	121,272	4,611
Building Department					
Salary - Building Official	27,000	-	27,000	26,996	4
Consultant	1	-	1	-	1
Operating Expenditures	1,250	-	1,250	591	659
Travel Expenditures	2,525	-	2,525	1,044	1,481
Total Building Department	30,776	-	30,776	28,631	2,145

Continued

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Zoning Board of Appeals	1,500	-	1,500	1,500	-
Sch. Building and Planning Committee					
Permanent School Building Committee	100	-	100	-	100
Ad Hoc School Building Committee	100	-	100	-	100
Total Sch. Building and Planning Committee	200	-	200	-	200
Economic Development Commission					
Operating Expenditures	4,000	-	4,000	785	3,215
CT Regional Economic Development	2,247	-	2,247	2,247	-
Consulting	1,000	-	1,000	-	1,000
Total Economic Development Commission	7,247	-	7,247	3,032	4,215
Recreation Commission					
Administrative Salaries	20,794	-	20,794	20,794	-
Program Expenditures	50,000	-	50,000	50,000	-
Maintenance	2,000	-	2,000	2,000	-
Salary: Camp Directors, Directors, Etc.	13,220	-	13,220	13,220	-
Administrative Expenses	11,000	-	11,000	10,930	70
Total Recreation Commission	97,014	-	97,014	96,944	70
Inland Wetlands Commission					
Operating Expenditures	1,200	-	1,200	1,097	103
Wages - Enforcement Officer	6,365	-	6,365	6,365	-
Travel Expense	250	-	250	103	147
Total Inland Wetlands Commission	7,815	-	7,815	7,565	250
Conservation Commission	800	-	800	479	321
Water Pollution Control Authority					
WPCA Expenditures	1	-	1	-	1
WPCA Engineering Expense	1	-	1	-	1
WPCA Auditing	1	-	1	-	1
Total Water Pollution Control Authority	3	-	3	-	3
Fixed Charges					
Town Insurance	75,850	546	76,396	76,396	-
Volunteer Fire Company Insurance	29,000	(1,405)	27,595	27,595	-
Ambulance Association Insurance	11,160	-	11,160	10,783	377
Workers Compensation Insurance	58,000	(8,980)	49,020	61,775	(12,755)
Social Security	101,675	(546)	101,129	99,730	1,399
Medical Insurance	255,102	-	255,102	253,182	1,920
Employee Benefits-Pension	84,434	-	84,434	84,277	157
Volunteer Incentive Award - Fire Company	18,975	1,405	20,380	20,380	-
Volunteer Activity Stipend - Fire Company	36,000	-	36,000	35,862	138
Volunteer Incentive Award - Ambulance Association	3,500	-	3,500	2,879	621
Total Fixed Charges	673,696	(8,980)	664,716	672,859	(8,143) *
Elections and Town Meetings					
Salary: Registrar of Voters	4,650	-	4,650	4,650	-
Salary: Registrar of Voters	4,650	-	4,650	4,635	15
Expenses	19,500	-	19,500	10,699	8,801
Total Elections and Town Meetings	28,800	-	28,800	19,984	8,816

Continued

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Town Hall					
Expenditures	66,600	-	66,600	66,397	203
Leasing Equipment	9,750	-	9,750	9,668	82
Holly Green Rental - Court/Nursing	4,500	-	4,500	4,152	348
Holly Green Rental - Senior Center	1,500	-	1,500	1,434	66
Total Town Hall	82,350	-	82,350	81,651	699
Social Services/Welfare					
Wages - Social Services Coordinator	7,200	-	7,200	7,200	-
Welfare Benefits	7,800	-	7,800	7,750	50
Welfare Office Expenditures	1	-	1	-	1
Pawcatuck Neighborhood Center	17,500	-	17,500	17,500	-
Family Services	2,500	-	2,500	2,500	-
American Red Cross	1,000	-	1,000	1,000	-
Women's Center	2,250	-	2,250	2,250	-
Frank Olean Regional Center	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	-
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	-
Total Social Services/Welfare	47,691	-	47,691	47,640	51
Selectmen's Engineering Service					
Engineering for Selectmen	5,000	-	5,000	4,626	374
Inspection of New Roads	5,000	-	5,000	-	5,000
Water Management	2,500	-	2,500	-	2,500
Inspection of Existing Roads	4,500	-	4,500	-	4,500
Total Selectmen's Engineering Service	17,000	-	17,000	4,626	12,374
Information Technology					
Coordinator Salary	34,480	-	34,480	31,741	2,739
Office Expense	900	-	900	896	4
On-line GIS Maps	10,470	-	10,470	10,426	44
Computer Maintenance	14,000	-	14,000	13,901	99
Total Information Technology	59,850	-	59,850	56,964	2,886
Public Safety					
911 Dispatching	48,573	-	48,573	48,573	-
Volunteer Fire Company	87,799	(1,765)	86,034	79,773	6,261
Fire Marshal Salary	10,769	-	10,769	10,769	-
Fire Marshal Operating Expenditures	2,400	-	2,400	2,287	113
State Troopers	359,332	63,121	422,453	393,180	29,273
Civil Preparedness Agency Stipend	6,000	-	6,000	4,719	1,281
Civil Preparedness Operating Expenditures	3,000	3,750	6,750	5,596	1,154
Maintenance Emergency Gen. Srv. Contract	1,000	-	1,000	525	475
Animal Control Salary	19,107	-	19,107	19,107	-
Animal Control Operating Expenditures	7,500	-	7,500	7,223	277
Dog Damages	1	-	1	-	1
Ambulance Association	213,500	1,610	215,110	215,110	-
Total Public Safety	758,981	66,716	825,697	786,862	38,835

Continued

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Public Works:					
Highway					
Local Capital Improvements	49,682	-	49,682	-	49,682
State Aided - Town Roads	89,080	-	89,080	89,457	(377)
Town Road Maintenance	167,000	-	167,000	174,123	(7,123)
Town Garage Expenditures	21,750	-	21,750	20,979	771
Machinery and Maintenance Repair	55,000	-	55,000	57,958	(2,958)
Street Lights	10,000	-	10,000	8,595	1,405
Highway Foreman	74,964	-	74,964	74,964	-
Labor	552,859	-	552,859	552,119	740
Supplies	36,000	-	36,000	37,762	(1,762)
Diesel and Gas (General Government)	75,000	-	75,000	68,771	6,229
Town Property - Maintenance and Improvements	12,750	-	12,750	12,573	177
Town Property - Labor	9,600	-	9,600	9,980	(380)
Contracted Services	18,500	-	18,500	15,183	3,317
Subtotal Highway	1,172,185	-	1,172,185	1,122,464	49,721
Sanitary Landfill					
Labor	116,486	-	116,486	116,377	109
Cover Material	3,000	-	3,000	3,000	-
State Mandated Surveys	3,000	-	3,000	1,950	1,050
State License Fees	1,650	-	1,650	450	1,200
SCRRRA-Tipping Fee	199,700	-	199,700	199,699	1
SCRRRA-Membership Fee	12,000	-	12,000	12,000	-
Hazardous Waste Collection	2,000	-	2,000	-	2,000
Water Sampling/Lab Testing	13,500	-	13,500	12,331	1,169
Transfer Station Expenditures	9,000	-	9,000	10,940	(1,940)
Contractual Services	16,500	-	16,500	18,842	(2,342)
Subtotal Sanitary Landfill	376,836	-	376,836	375,589	1,247
Total Public Works	1,549,021	-	1,549,021	1,498,053	50,968
Conservation of Health					
Public Health Nursing/Shoreline Visiting Nurse Assoc.	7,570	-	7,570	7,147	423
Hepatitis B Vaccinations	1,000	-	1,000	-	1,000
Director of Health Salary	12,000	-	12,000	12,000	-
Director of Health Operating Expense	750	-	750	382	368
Sanitarian Food Service Wages	6,000	-	6,000	4,810	1,190
Sanitarian Well and Septic Salary	14,000	-	14,000	14,003	(3)
Sanitarian Operating Expenditures	800	-	800	-	800
Total Conservation of Health	42,120	-	42,120	38,342	3,778
Senior Citizens					
Agent for the Elderly Wages	6,000	-	6,000	5,884	116
Agent for the Elderly Operating Expenditures	1,500	-	1,500	220	1,280
Senior Citizen's Center Coordinator - Salary	19,096	-	19,096	18,362	734
Senior Citizen's Center - Operating Expenditures	29,000	-	29,000	28,345	655
Total Senior Citizens	55,596	-	55,596	52,811	2,785
Miscellaneous					
Cemeteries	2,000	-	2,000	1,998	2
Tax Refunds	1	4,600	4,601	4,601	-
Annual Memberships and Dues	3,750	-	3,750	3,287	463
Groton Library	500	-	500	500	-
Wheeler Library	22,250	-	22,250	22,250	-
YMCA	500	-	500	-	500
Miscellaneous	500	-	500	1,358	(858)
Total Miscellaneous	29,501	4,600	34,101	33,994	107
Total General Government Expenditures	4,084,841	66,716	4,151,557	4,008,823	142,734

Continued

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Redemption of Debt					
School Building Project Principal	590,000	-	590,000	590,000	-
School Building Project Interest	112,375	-	112,375	112,375	-
Fire Truck Principal	120,000	-	120,000	120,000	-
Seaport/ Hewitt Property Principal	125,000	-	125,000	125,000	-
Seaport/ Hewitt Property Interest	20,000	-	20,000	9,695	10,305
Truck Principal	42,000	-	42,000	1,257	40,743
Borrowing Finance Charges - Seaport Property	-	-	-	-	-
Total Redemption of Debt	1,009,375	-	1,009,375	958,327	51,048
Board of Education	12,081,172	-	12,081,172	11,976,122	105,050
Capital Outlay					
Highway Department					
New or Used Equipment	2,500	-	2,500	2,500	-
Miscellaneous Equipment	5,000	-	5,000	4,677	323
Total Highway Department	7,500	-	7,500	7,177	323
Total Transfer Station/Bulky Waste Area	5,000	-	5,000	5,000	-
Selectmen					
Ambulance Association Equipment	4,600	-	4,600	2,990	1,610
Computer - Town Hall	15,000	-	15,000	14,982	18
Dog Pound Maintenance	500	-	500	-	500
Recreation Basketball/Tennis Court Maintenance	-	-	-	1,910	(1,910)
Recreation Pavillion and Reconditioning Playing Field	2,000	-	2,000	-	2,000
Selectmen's Office Equipment and Furniture	1,500	-	1,500	1,399	101
Town Buildings Maintenance	26,850	-	26,850	26,850	-
Town Clerk - Records Preservation	5,000	-	5,000	5,000	-
Town Lands Acquisition Fund	5,000	-	5,000	5,000	-
Fire Company - Turnout Gear	12,500	1,765	14,265	14,273	(8)
Kingswood Meadow Wood Drainage	-	242,341	242,341	242,341	-
Boombridge Bridge Project	-	225,000	225,000	225,000	-
Town Building Solar Power	50,000	-	50,000	50,000	-
Total Selectmen	122,950	469,106	592,056	589,745	2,311
Assessor Revaluation Expense	40,000	-	40,000	40,000	-
Non-Recurring School Expenditures	75,000	-	75,000	75,000	-
Total Capital Outlay	250,450	469,106	719,556	716,922	2,634
Total Expenditures	17,425,838	535,822	17,961,660	17,660,194	301,466
Excess (Deficiency) of Revenues					
Over Expenditures - Budgetary Basis	1,000	(526,797)	(525,797)	278,155	803,952

Continued

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, 2010

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				900,351	
Expenditures for Teachers' Retirement				(900,351)	
Change in Accrued Payroll Not Recorded on a Budgetary Basis				2,828	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis				324,886	
Previous Year Encumbrance recorded on Modified Accrual Basis, but not the Budget Basis				(227,111)	
Change in Board of Education Pension Payable				(3,398)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 375,360</u>	

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

* Indicates these funds were over expended

Town of North Stonington, Connecticut Fund Descriptions

Special Revenue Funds:

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

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

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

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

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

Pension Trust Funds:

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

Agency Funds:

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

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

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

Town of North Stonington, Connecticut
Combining Balance Sheet
Other Governmental Funds
June 30, 2010

	Special Revenue Funds							Total Other Governmental Funds
	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation	Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School		
Assets								
Cash and cash equivalents	\$ 18,923	\$ -	\$ 13,210	\$ 384	\$ 1,266	\$ -	\$ 33,783	
Investments	-	-	-	-	18,436	988	19,424	
Receivables	12,782	2,000	-	-	-	-	14,782	
Inventory	3,660	-	-	-	-	-	3,660	
Due from other governmental funds	-	90,414	-	-	-	-	90,414	
Due from fiduciary funds	-	-	-	-	-	15,516	15,516	
Total Assets	\$ 35,365	\$ 92,414	\$ 13,210	\$ 384	\$ 19,702	\$ 16,504	\$ 177,579	
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ 16,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,536	
Deferred revenue	-	92,414	-	-	-	-	92,414	
Total Liabilities	16,536	92,414	-	-	-	-	108,950	
Fund Balance								
Reserved	3,660	-	11,169	-	-	-	14,829	
Unreserved	15,169	-	2,041	384	19,702	16,504	53,800	
Total Fund Balance	18,829	-	13,210	384	19,702	16,504	68,629	
Total Liabilities and Fund Balance	\$ 35,365	\$ 92,414	\$ 13,210	\$ 384	\$ 19,702	\$ 16,504	\$ 177,579	

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, 2010

	Special Revenue Funds						Total Other Governmental Funds
	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation	Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School	
Revenues							
Intergovernmental revenues	\$ 84,477	\$ 419,930	\$ -	\$ -	\$ -	\$ -	\$ 504,407
Local revenues	195,566	-	53	1	765	1,531	197,916
Total revenues	280,043	419,930	53	1	765	1,531	702,323
Expenditures							
Current expenditures:							
Education	266,205	419,930	-	-	-	2,383	688,518
Total expenditures	266,205	419,930	-	-	-	2,383	688,518
Excess (deficiency) of revenues over expenditures	13,838	-	53	1	765	(852)	13,805
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	13,838	-	53	1	765	(852)	13,805
Fund balance, beginning of the year	4,991	-	13,157	383	18,937	17,356	54,824
Fund balance, end of the year	\$ 18,829	\$ -	\$ 13,210	\$ 384	\$ 19,702	\$ 16,504	\$ 68,629

See accountants' report.

Town of North Stonington, Connecticut
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2010

Statement 3

	Volunteer Fire Incentive	Volunteer Ambulance Incentive	General Government Retirement	Board of Education Retirement	Total Pension Trust Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 547,260	\$ -	\$ 547,260
Investments	124,994	41,968	614,834	1,056,911	1,838,707
Accounts receivable	-	-	-	82,759	82,759
Total assets	124,994	41,968	1,162,094	1,139,670	2,468,726
Net assets					
Held in trust for pension benefits and other purposes	\$ 124,994	\$ 41,968	\$ 1,162,094	\$ 1,139,670	\$ 2,468,726

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, 2010

	Volunteer Fire Incentive	Volunteer Ambulance Incentive	General Government Retirement	Board of Education Retirement	Total Pension Trust Funds
Additions					
Contributions	\$ 21,006	\$ 2,753	\$ 79,168	\$ 80,343	\$ 183,270
Investment earnings:					
Dividend and interest income	8,083	1,800	11,706	-	21,589
Net increase/(decrease) in FMV	-	-	60,715	(1,535)	59,180
Total additions in net assets	29,089	4,553	151,589	78,808	264,039
Deductions					
Distributions	11,575	923	64,964	-	77,462
Administrative expenses	917	742	-	25,844	27,503
Total deductions	12,492	1,665	64,964	25,844	104,965
Change in net assets	16,597	2,888	86,625	52,964	159,074
Net assets held in trust, beginning of year	108,397	39,080	1,075,469	1,086,706	2,309,652
Net assets held in trust, end of year	\$ 124,994	\$ 41,968	\$ 1,162,094	\$ 1,139,670	\$ 2,468,726

See accountants' report.

Town of North Stonington, Connecticut
Combining Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Year Ended June 30, 2010

	Balance Beginning	Additions	Deductions	Balance Ending
Student Activity Fund				
Assets				
Cash	\$ 34,417	\$ 215,241	\$ 192,216	\$ 57,442
Investments	100,648	538	648	100,538
Total assets	\$ 135,065	\$ 215,779	\$ 192,864	\$ 157,980
Liabilities				
Due to students	121,655	199,870	192,864	128,661
Due to other funds	13,410	15,909	-	29,319
Total liabilities	\$ 135,065	\$ 215,779	\$ 192,864	\$ 157,980
Performance Bonds				
Assets				
Cash	\$ 243,057	\$ 232,006	\$ 238,725	\$ 236,338
Investments	105,952	-	54,673	51,279
Total assets	349,009	232,006	293,398	287,617
Liabilities				
Due to developers	\$ 349,009	\$ 232,006	\$ 293,398	\$ 287,617
Bicentennial Committee				
Assets				
Cash	\$ -	\$ 1,264	\$ -	\$ 1,264
Liabilities				
Due to others	\$ -	\$ 1,264	\$ -	\$ 1,264
Combined Total				
Assets				
Cash	\$ 277,474	\$ 448,511	\$ 430,941	\$ 295,044
Investments	206,600	538	55,321	151,817
Total assets	\$ 484,074	\$ 449,049	\$ 486,262	\$ 446,861
Liabilities				
Due to students and developers	\$ 470,664	\$ 431,876	\$ 486,262	\$ 416,278
Due to others	-	1,264	-	1,264
Due to other funds	13,410	15,909	-	29,319
	\$ 484,074	\$ 449,049	\$ 486,262	\$ 446,861

See accountants' report.

Town of North Stonington, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2010

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Total	Transfer to Suspense	Net Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens			
2008		\$ 12,445,719	\$ 5,865	\$ 20,642	\$ 12,430,942	\$ 12,160,098	\$ 47,818	\$ 389	\$ 12,208,305	\$ -	\$ 270,844
2007	260,656	-	242	3,314	257,584	193,478	38,971	1,694	234,143	-	64,106
2006	92,812	-	125	1,045	91,892	57,772	20,576	855	79,203	-	34,120
2005	40,105	-	31	-	40,136	11,521	6,451	216	18,188	23,901	4,714
2004	26,757	-	-	211	26,546	2,955	1,150	72	4,177	28,671	(5,080)
2003	(3,837)	-	80	-	(3,757)	6	84	-	90	-	(3,763)
2002	(978)	-	-	-	(978)	(24)	-	-	(24)	-	(954)
2001	(6,369)	-	-	-	(6,369)	(200)	-	-	(200)	-	(6,169)
2000	(1,637)	-	312	-	(1,325)	-	-	-	-	-	(1,325)
1999	130	-	645	323	452	(89)	-	-	(89)	-	541
1998	2,065	-	-	-	2,065	-	-	-	-	-	2,065
1997	1,500	-	-	-	1,500	(20)	-	-	(20)	-	1,520
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
<hr/>											
	\$ 422,069	\$ 12,445,719	\$ 7,300	\$ 25,535	\$ 12,849,553	\$ 12,425,497	\$ 115,050	\$ 3,226	\$ 12,543,773	\$ 52,572	\$ 371,484

See accountants' report.

Town of North Stonington, Connecticut
Schedule of LOCIP Funds
For the Year Ended June 30, 2010

Department	Summary of Project Budgets (Cash Basis)						
	Beginning Balance	Additional Awards	Funds Budgeted	Total Available	Monies Received	Internal Transfers	Ending Balance
Projects approved by the State:							
Scales							
102-05-010	\$ 14,873	\$ -	\$ -	\$ 14,873	\$ -	\$ -	\$ 14,873
Wintechog Hill Road Drainage/Improvements	2,444	-	-	2,444	-	-	2,444
102-08-010							
Wintechog Hill Road Drainage/Paving	49,111	-	-	49,111	(49,111)	-	-
102-09-010							
	66,428	-	-	66,428	(49,111)	-	17,317
Projects not yet approved by the State:							
Storm Water Drainage **	\$ 5,209	\$ -	\$ -	\$ 5,209	\$ -	\$ (5,209)	\$ -
Scales	-	-	30,000	30,000	-	-	30,000
Kingswood Meadow Wood Drainage	30,000	-	137,125	167,125	-	-	167,125
Chipseal Denison Hill Road	24,666	-	-	24,666	-	(24,666)	-
Wintechog Hill Road Drainage/Paving	889	-	20,000	20,889	-	-	20,889
Boombridge Road Bridge	30,000	-	-	30,000	-	-	30,000
Uncommitted	112,998	48,861	(187,125)	(25,266)	-	29,875	4,609
	203,762	48,861	-	252,623	-	-	252,623
	\$ 270,190	\$ 48,861	\$ -	\$ 319,051	\$ (49,111)	\$ -	\$ 269,940

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

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Changes in Fund Balance of the Capital Nonrecurring Fund
For the Year Ended June 30, 2010

Department	Summary of Capital and Nonrecurring Fund										Ending Fund Balance	
	Beginning Fund Bal.	Current Year General Fund Budget	Transfer Out	Internal Transfers	Bond Proceeds	Revenues Reported	Total Available	Expenditures	Undesignated	Reserved or Designated		
Projects:												
Uncommitted/reserved for next year	\$ 346,622	\$ -	\$ -	\$ (300,776)	\$ -	\$ 2,984	\$ 48,830	\$ -	\$ 48,830	\$ -		
Boombridge	-	225,000	-	86,100	-	-	311,100	-	-	-		311,100
Revaluation	146,709	40,000	-	-	-	-	186,709	-	-	-		186,709
Other post employment benefits	65,000	-	-	65,000	-	-	130,000	-	-	-		130,000
Engine 1 fire truck	498,644	120,000	-	-	-	-	618,644	(497,034)	-	-		121,610
Wash station	118,150	-	-	-	-	-	118,150	-	-	-		118,150
Storm damage	-	-	-	90,000	-	-	90,000	-	-	-		90,000
Transfer station/ bulky waste closure	76,645	-	-	-	-	-	76,645	-	-	-		76,645
Hewitt property	83,507	-	-	-	375,000	-	458,507	(408,083)	-	-		50,424
Nonrecurring school funds	34,935	75,000	-	-	-	-	109,935	(62,558)	-	-		47,377
Kingswood Meadow Wood	-	242,341	-	-	-	-	242,341	(199,656)	-	-		42,685
LoCIP - scales	38,812	-	-	-	-	-	38,812	-	-	-		38,812
Walking floor trailer	-	-	-	70,000	-	-	70,000	(49,092)	-	-		20,908
Solar energy	-	50,000	-	-	-	-	50,000	(34,500)	-	-		15,500
Land acquisition	-	5,000	-	-	-	-	5,000	-	-	-		5,000
Town building repair and maintenance	81	26,850	-	-	-	-	26,931	(25,743)	-	-		1,188
Ambulance	5,483	-	-	(5,483)	-	-	-	-	-	-		-
Assekonn walkway	3,196	-	-	(3,196)	-	-	-	-	-	-		-
Town building solar	1,645	-	-	(1,645)	-	-	-	-	-	-		-
	\$ 1,419,429	\$ 784,191	\$ -	\$ -	\$ 375,000	\$ 2,984	\$ 2,581,604	\$ (1,276,666)	\$ 48,830	\$ 1,256,108		

See accountants' report.

Town of North Stonington, Connecticut
Reconciliation of Fund Balance
For the Year Ended June 30, 2010

	Fund Balance			Total General Fund Balance
	Undesignated	Designated	Reserved	
Beginning Fund Balance Per Prior Year Audit				
Undesignated	\$ 1,222,322	\$ -	\$ -	\$ 1,222,322
Reserved Other Purposes	-	-	258,725	258,725
	1,222,322	-	258,725	1,481,047
Current Year Effects				
Revenues (Budgetary Basis - RSI)	17,938,349	-	-	17,938,349
Genl Fund Expenditures Only (Budgetary Basis - RSI):				
General Government	(4,008,823)	-	-	(4,008,823)
Education	(11,976,122)	-	-	(11,976,122)
Capital Outlay	(716,922)	-	-	(716,922)
Debt Service	(958,327)	-	-	(958,327)
Adjustment from GAAP to budgetary basis	97,205	-	-	97,205
	375,360	-	-	375,360
Set Aside to Balance This Year's Budget	-	-	-	-
Set Aside for Other Reservations	(93,827)	-	93,827	-
Ending Fund Balance	<u>\$ 1,503,855</u>	<u>\$ -</u>	<u>\$ 352,552</u>	<u>\$ 1,856,407</u>

Reconciliation of Fund Balance Transactions with Budgeted Transactions

Beginning Fund Balance as Adjusted		\$ 1,481,047
Originally Budgeted Revenues	17,426,838	
Originally Budgeted Expenditures	(17,425,838)	
Use of Fund Balance as Originally Budgeted		1,000
Net Additional Appropriations During the Year	(526,797)	(526,797)
Additional Use of Fund Balance as Approved		
Revenue Budget in Excess of Actual	502,486	
Expenditure Budget in Excess of Actual	301,466	
Total Budget Variance		803,952
Adjustments to GAAP Basis From Budgetary Basis		97,205
		<u>\$ 1,856,407</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, 2010

Account #	Account Name	Original Budget	Appropriations and Adjustments	Final Budget	Expenditures	Variance
110	Salaries, Central Office	\$ 438,747	\$ 13,044	\$ 451,791	\$ 451,791	\$ -
130	Expenses, Central Office	123,054	22,415	145,469	145,469	-
140	Negotiations Funds	56,843	(48,263)	8,580	-	8,580
211	Salaries, Administrators	315,125	4	315,129	315,129	-
213	Salaries, Teachers	5,629,706	6,801	5,636,507	5,634,890	1,617
214	Salaries, Guidance	133,506	-	133,506	133,109	397
215	Salaries, Secretarial	142,002	1,744	143,746	143,746	-
216	Salaries, Teacher Assistants	345,568	(53,858)	291,710	291,710	-
217	Salaries, Library/Media	77,132	17,800	94,932	94,921	11
218	Contracted Services	88,000	(47,551)	40,449	40,449	-
219	Salaries, Computer Repair Tech.	74,970	(6,301)	68,669	68,669	-
220	Textbooks	5,310	11,067	16,377	16,377	-
231	Library Books	15,147	-	15,147	14,863	284
240	Instructional Supplies	121,500	(272)	121,228	121,228	-
250	Other Expenses, Schools	115,965	120	116,085	95,655	20,430
400	Supplies, Health	3,500	1,315	4,815	4,716	99
500	Transportation	906,264	(101,388)	804,876	804,675	201
610	Salaries, Custodial/Grounds	380,826	24,402	405,228	395,470	9,758
630	Heat	146,726	(52,505)	94,221	94,221	-
640	Utilities	267,195	(26,302)	240,893	219,861	21,032
650	Custodial Supplies	60,993	24,296	85,289	85,289	-
661	Postage	9,208	-	9,208	9,208	-
700	Maintenance, Bldgs & Grounds	197,721	85,102	282,823	282,823	-
725	Lease of Equipment (multiyear)	33,519	-	33,519	28,955	4,564
730	Replacement of Equipment	31,875	11,450	43,325	43,325	-
812	Social Security	185,406	2,837	188,243	188,243	-
830	Employee Benefits	1,764,215	(70,622)	1,693,593	1,693,593	-
832	Employee Retirement	92,659	(5,000)	87,659	82,112	5,547
1000	Student Activities	78,000	(1,400)	76,600	44,070	32,530
1230	New Equipment	4,690	53,268	57,958	57,958	-
1400	Tuition	235,800	137,797	373,597	373,597	-
		<u>\$ 12,081,172</u>	<u>\$ -</u>	<u>\$ 12,081,172</u>	<u>\$ 11,976,122</u>	<u>\$ 105,050</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 financial statements of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2010 and have issued our report thereon dated December 01, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

Government Auditing Standards Report (Continued)

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW-07-2 and MW-08-1 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 Town of North Stonington, Connecticut, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marien + Company

December 01, 2010

Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With The State Single Audit Act, And On The Schedule Of Expenditures Of State Financial Assistance

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

Compliance

We have audited the Town of North Stonington, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of North Stonington, Connecticut's major state programs for the year ended June 30, 2010. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express an opinion on the Town of North Stonington, Connecticut's compliance based on our audit.

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

In our opinion, the Town of North Stonington, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.

State Single Audit Report (Continued)

Internal Control over Compliance

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

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

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2010, and have issued our report thereon dated December 01, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State Single Audit Report (Continued)

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

Marien + Company

December 01, 2010

Town of North Stonington, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2010

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ 5,000
Judicial Department		
Distributions to Towns	34001-JUD95162-40001	15,214
Department of Environmental Protection		
Boat Grant	12060-DEP44434-35403	1,866
Department of Transportation		
Town Aid Roads	12052-DOT57131-43455	32,292
Town Aid Roads	13033-DOT57131-43459	88,802
Office of Policy and Management		
Reimbursement for Property Tax Disability Exemption	11000-OPM20600-17011	499
Property Tax Relief for Elderly and Totally Disabled	11000-OPM20600-17018	33,918
Property Tax Relief for Veterans	11000-OPM20600-17024	6,700
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	167,125
Office of the State Comptroller		
PILOT on State Owned Property	11000-OSC15910-17004	25,433
Department of Education		
Child Nutrition Program (School Lunch State Match)	11000-SDE64370-16072	9,144
Adult Education	11000-SDE64370-17030	8,495
Health Services	11000-SDE64370-17034	4,317
Magnet Schools	11000-SDE64370-17057	13,000
Total State Financial Assistance before Exempt Programs		<u>411,805</u>
EXEMPT PROGRAMS		
Department of Education:		
Education Cost Sharing	11000-SDE64000-17041	2,472,457
Public School Transportation	11000-SDE64000-17027	71,143
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	129,560
School Construction Grants	13009-SDE64000-40896	49,660
School Construction Grants	13009-SDE64000-40901	347,054
Office of the State Comptroller		
Mashantucket Pequot and Mohegan Fund Grant	12009-OSC15910-17005	857,502
Total exempt programs		<u>1,383,776</u>
Total State Financial Assistance		<u><u>\$ 1,795,581</u></u>

See Accountants' Report

Town of North Stonington, Connecticut
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2010

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

1. Summary of Significant Accounting Policies

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

A. Basis of Accounting

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

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

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

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

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

**Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

I. Summary of Audit Results

A. Financial Statements:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

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

Noncompliance material to the financial statements noted?

B. State Financial Assistance:

Internal control over major programs:

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

☐ Yes ☒ No
☐ Yes ☒ None reported

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

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

☐ Yes ☒ No

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Road	13033-DOT57131-43459	\$88,802
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$167,125
Dollar threshold used to distinguish between type A and type B programs:		<u>\$100,000</u>

II. State Financial Assistance Findings And Questioned Costs

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

III. Summary Schedule of Prior Audit Findings

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.

Current Status: The finding has been corrected.

Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

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

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

Current Status: The Town has hired an outside accountant to come in quarterly to review the bookkeeping and management reports.

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.

Current Status: The finding has been corrected.

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.

Current Status: The finding has been corrected.

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.

Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

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

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

MW-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.

Current Status: The finding has been corrected.

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.

Current Status: The finding has been corrected.

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.

Current Status: The finding has been corrected.

**Report On Compliance With Requirements That Could Have A Direct And Material
Effect On Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133, And On The Schedule Of
Expenditures Of Federal Financial Assistance**

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

Compliance

We have audited the Town of North Stonington, Connecticut's compliance of the with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town of North Stonington, Connecticut's major federal programs for the year ended June 30, 2010. The Town of North Stonington, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express an opinion on the Town of North Stonington, Connecticut's compliance based on our audit.

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

In our opinion, the Town of North Stonington, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Federal Single Audit Report (Continued)

Internal Control over Compliance

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

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

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

Schedule of Expenditures of Federal Financial Awards

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, 2010, and have issued our report thereon dated December 01, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The accompanying Schedule of Expenditures of Federal Financial Assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Marien + Company

December 01, 2010

Town of North Stonington, Connecticut
Schedule of Expenditures of Federal Financial Assistance
For the Year Ended June 30, 2010

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
Department of Education:			
Passed through the State of Connecticut:			
Title I - Current	84.010	12060-SDE64370-20679	\$ 79,435
Title I - Carryover	84.010	12060-SDE64370-20679	2,893
Title I - ARRA	84.389	12060-SDE64370-29010	41,078
			<u>123,406</u>
 Title II - Part A, Improving Teacher Quality - Current	 84.367	 12060-SDE64370-20858	 29,088
Title II - Part D, Technology - Carryover	84.318	12060-SDE64370-20826	212
 Title IV - Safe and Drug Free Schools - Carryover	 84.186	 12060-SDE64370-20873	 403
 IDEA, Part B, Section 611, Handicapped - Current	 84.027	 12060-SDE64370-20977	 107,636
IDEA, Part B, Section 611, Handicapped - Carryover	84.027	12060-SDE64370-20977	90,419
IDEA, Part B, Section 611, Handicapped - ARRA	84.391	12060-SDE64370-29011	54,546
			<u>252,601</u>
 IDEA, Part B, Section 619, Preschool - Current	 84.173	 12060-SDE64370-20983	 4,987
IDEA, Part B, Section 619, Preschool - ARRA	84.392	12060-SDE64370-29012	3,637
			<u>8,624</u>
 American Recovery and Reinvestment Act, SFSF: Govt Services	 84.397	 12060-SDE64370-29053	 146,657
American Recovery and Reinvestment Act, SFSF: Education	84.394	12060-SDE64370-29054	265,993
			<u>412,650</u>
Total Department of Education			<u>826,984</u>
Department of Agriculture:			
Passed through the State of Connecticut:			
National School Lunch	10.555	12060-SDE64370-20560	59,888
National School Breakfast	10.553	12060-SDE64370-20508	15,179
Total Department of Agriculture			<u>75,067</u>
Department of Transportation:			
Passed through the State of Connecticut:			
Alcohol Traffic Safety Grants	20.601	12062-DOT57343-22091	10,197
Alcohol Open Container Requirements	20.607	12062-DOT57343-22091	26,762
Total Department of Transportation			<u>36,959</u>
Department of Homeland Security:			
Passed through the State of Connecticut:			
Emergency Management Performance Grant	97.042	12060-EHS99660-21881	3,000
Total Department of Homeland Security			<u>3,000</u>
Department of the Interior:			
Passed through the State of Connecticut:			
JAG - ARRA	16.803	12060-OPM20350-29002	6,806
Total Department of the Interior			<u>6,806</u>
 Total Federal Financial Assistance			 <u><u>\$ 948,816</u></u>

See Accountants' Report

Town of North Stonington, Connecticut
Notes to the Schedule of Expenditures of Federal Financial Assistance
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies

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

A. Basis of Accounting

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

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

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

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

B. Basis of Presentation

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

**Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

I. Summary of Audit Results

A. Financial Statements:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

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

Noncompliance material to the financial statements noted?

B. Federal Financial Assistance:

Internal control over major programs:

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

☐ Yes ☒ No
☐ Yes ☒ None reported

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

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

☐ Yes ☒ No

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

CFDA #:	84.010/84.389	Name: Title I
CFDA #:	84.394/84.397	Name: American Recovery and Reinvestment: SFSE

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

Qualified as a low risk auditee: ☐ Yes ☒ No

II. Federal Financial Assistance Findings And Questioned Costs

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

III. Summary Schedule of Prior Audit Findings

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.

Current Status: The finding has been corrected.

Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

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

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

Current Status: The Town has hired an outside accountant to come in quarterly to review the bookkeeping and management reports.

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.

Current Status: The finding has been corrected.

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.

Current Status: The finding has been corrected.

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.

**Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

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

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

MW-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.

Current Status: The finding has been corrected.

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.

Current Status: The finding has been corrected.

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.

Current Status: The finding has been corrected.