

TOWN OF NEW HARTFORD, NEW YORK

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	DECEMBER 31, 2008

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BARONE, HOWARD & Co., CPAs, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Town Supervisor and
Members of the Town Board
Town of New Hartford, New York

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of New Hartford, New York, as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate fund information of the Town of New Hartford, New York as of December 31, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 – 5 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Town Supervisor and Members of the Town Council
Town of New Hartford, New York

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of New Hartford, New York's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund statements have 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 financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Barone, Howard & Co, CPAs, P.C.
BARONE, HOWARD & Co., CPAs, P.C.
September 2, 2009

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008**

This section of Town of New Hartford, New York's annual financial report represents its discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2008.

Financial Highlights

- The Town's total governmental major fund balances at December 31, 2008 was \$8,223,244, which is \$235,049 (or 2.9%) higher than 2007. This consisted of increases to the Sewer, Highway Whole-Town and Capital Projects Funds and decreases to the other major Funds.
- The Town implemented GASB 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" to account for capital assets and GASB 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.
- At the close of 2008 the government-wide assets of the Town were \$7,597,377.
- The Town's borrowings from lending institutions increased by \$2,228,000 in 2008.
- The real estate property tax rate for 2008 was \$2.11 per thousand dollars of assessed value compared to \$2.01 per thousand in 2007.
- The governmental General Fund reported a decrease in fund balance of \$297,847.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as public safety and transportation were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008**

Government-Wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and include all assets of the Town as well as all liabilities (including long-term debt).

The two government-wide statements report the Town's net assets and how they have changed. Net assets, the difference between Town's assets and liabilities, is one way to measure the Town's financial health or financial position.

- Over time, increases or decreases in the Town's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Town's overall health, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's infrastructure and other facilities.

In the statement of net assets and the statement of activities all activities of the Town have been classified as governmental. The major activities are described as follows:

Governmental activities - All of the Town's basic services are reported in this category, including the general government, public safety, transportation, economic assistance, culture and recreation and home and community services. Property and sales taxes, user fees, interest income, franchise fees, local sources and state and federal grants finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds, not the Town as a whole. Some funds are required to be established by state law. However, the Town Board establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008**

The Town has two types of funds:

- **Governmental funds:** All of the Town's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- **Fiduciary funds:** The Town is the trustee, or fiduciary, for assets that belong to others. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Town excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Earle C. Reed, Town Supervisor, 48 Genesee Street, New Hartford, NY 13413.

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF NET ASSETS
December 31, 2008

Assets	All Governmental Activities
Cash and cash equivalents	\$ 3,235,911
Restricted cash and cash equivalents	3,480,223
Receivables:	
Due from other governments	2,156,599
Other	116,099
Inventory	9,288
Prepaid expenses	137,177
Capital assets, not being depreciated	401,546
Capital assets, net of accumulated depreciation	<u>11,597,742</u>
 Total Assets	 <u>\$ 21,134,585</u>
Liabilities and Net Assets	
Accounts payable	\$ 625,699
Retainage and bid deposits held	281,354
Deferred revenue	5,000
Long-term debt:	
Due within one year	426,000
Due in more than one year	<u>12,199,155</u>
Total liabilities	<u>13,537,208</u>
Net assets:	
Invested in capital assets, net of related debt	1,511,488
Restricted for capital projects	3,307,075
Unrestricted	<u>2,778,814</u>
Total net assets	<u>7,597,377</u>
 Total Liabilities and Net Assets	 <u>\$ 21,134,585</u>

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF ACTIVITIES
For the year ended
December 31, 2008

	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Operating Grants and Contributions		
General government support	\$ 1,754,565	462,765	-	-	\$ (1,291,800)
Public safety	3,751,066	368,369	26,300	-	(3,356,397)
Public health	99,344	57,813	7,640	-	(33,891)
Transportation	3,081,827	406,202	-	265,626	(2,409,999)
Culture and recreation	1,226,326	213,648	-	-	(1,012,678)
Home and community services	854,782	80,316	5,000	-	(769,466)
Employee benefits	3,241,034	-	-	-	(3,241,034)
Interest on long-term debt	175,715	-	-	-	(175,715)
Total governmental activities	\$ 14,184,659	1,589,113	38,940	265,626	(12,290,980)

General Revenues

Real property taxes, levied for general purposes	4,424,157
Real property tax items	62,893
Nonproperty tax items	5,225,707
Federal and state grants and other contributions not restricted to specific functions	766,613
Mitigation fees	20,651
Interest	63,630
Total general revenues and special items	10,563,651
Change in net assets	(1,727,329)
Net assets, beginning of year, restated	9,287,008
Prior period adjustment	37,698
Net assets, end of year	\$ 7,597,377

TOWN OF NEW HARTFORD, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS (INCLUDING THE RECONCILIATION OF TOTAL
GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES)
December 31, 2008

	General	General - Part Town	Highway	Highway - Part Town	Capital Projects	Sewer	Fire Districts	Other Government Funds	Total
Assets									
Cash and cash equivalents	\$ 41,294	26,794	15,832	632	2,468,920	253,178	4,817	424,444	\$ 3,235,911
Restricted cash and cash equivalents	173,148	-	-	-	3,307,075	-	-	-	3,480,223
Receivables:									
Due from other funds	1,613,205	456,976	11,404	192,891	59,808	1,292,920	-	55,386	3,682,590
Other	70,998	15,159	-	24,620	-	5,322	-	-	116,099
Due from other governments	733,930	178,151	79,001	1,164,416	-	-	-	1,101	2,156,599
Inventory	9,288	-	-	-	-	-	-	-	9,288
Prepaid expenses	130,607	-	-	5,828	-	742	-	-	137,177
Total Assets	2,772,470	677,080	106,237	1,388,387	5,835,803	1,552,162	4,817	480,931	12,817,887
Liabilities and Net Assets									
Accounts payable	180,760	4,970	-	165,560	128,933	21,358	-	124,118	625,699
Retainage and bid deposits	-	-	-	-	-	-	-	281,354	281,354
Deferred revenue	5,000	-	-	-	-	-	-	-	5,000
Due to other funds	1,540,704	103	-	968,813	1,025,313	-	64,842	82,815	3,682,590
Total liabilities	1,726,464	5,073	-	1,134,373	1,154,246	21,358	64,842	488,287	4,594,643
Net Assets									
Restricted									
Expendable	173,148	-	-	-	3,307,075	-	-	-	3,480,223
Nonexpendable	-	-	-	-	-	-	-	-	-
Unrestricted									
Appropriated for next year's budget	1,170,444	156,618	-	280,364	-	-	-	-	1,607,426
Unrestricted	(297,586)	515,389	106,237	(26,350)	1,374,482	1,530,804	(60,025)	(7,356)	3,135,595
Total net assets	1,046,006	672,007	106,237	254,014	4,681,557	1,530,804	(60,025)	(7,356)	8,223,244
Total Liabilities and Net assets	\$ 2,772,470	677,080	106,237	1,388,387	5,835,803	1,552,162	4,817	480,931	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.

Net Assets of Governmental Activities

	11,999,288
	(12,625,155)
	<u>\$ 7,597,377</u>

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

Revenues:	General	General - Part Town	Highway	Highway - Part Town	Capital Projects	Sewer	Fire Districts	Other Government Funds	Total
Real property taxes	\$ 2,550,978	-	-	-	-	633,288	971,194	258,697	\$ 4,414,157
Real property tax items	62,893	-	-	-	-	-	-	-	62,893
Nonproperty tax items	2,580,048	175,151	35,500	2,435,008	-	-	-	-	5,225,707
Departmental income	492,418	107,720	-	-	-	5,107	-	-	605,245
Intergovernmental charges	17,875	-	-	170,219	-	-	-	-	188,094
Use of money and property	30,233	1,716	43	2,951	104,856	21,110	6,126	1,451	168,486
Licenses and permits	18,154	124,824	-	-	-	-	-	-	142,978
Fines and forfeitures	208,980	-	-	-	-	-	-	-	208,980
Sale of property and compensation for loss	14,245	-	-	6,217	-	-	-	-	20,462
Miscellaneous local sources	187,160	21,101	-	50	39,158	5,447	-	1,373	254,289
State and federal aid	732,051	-	43,502	390,486	-	-	-	-	1,166,039
Total revenues	6,895,035	430,512	79,045	3,004,931	144,014	664,952	977,320	261,521	12,457,330
Other Financing Sources:									
Transfers from other funds	654,296	-	-	5,301	-	22,858	-	-	682,455
Proceeds from long-term financing sources	-	-	-	-	2,760,000	-	-	-	2,760,000
Total revenues and other financing sources	7,549,331	430,512	79,045	3,010,232	2,904,014	687,810	977,320	261,521	15,899,785
Expenditures:									
General governmental support	1,741,881	5,965	-	-	-	-	-	-	1,747,846
Public safety	2,561,767	-	-	-	-	-	1,043,541	-	3,605,308
Public health	-	53,284	-	-	-	-	-	-	53,284
Transportation	134,738	-	215	2,760,072	-	-	-	95,382	2,990,407
Economic assistance and opportunity	140,710	-	-	-	-	-	-	-	140,710
Culture and recreation	1,295,315	-	-	-	-	-	-	-	1,295,315
Home and community services	23,410	325,238	-	-	1,487,747	241,717	-	20	2,078,132
Employee benefits	1,668,752	105,557	-	555,259	-	71,694	-	-	2,401,262
Debt service:									
Principal retirement	168,100	-	-	235,000	-	7,000	-	121,900	532,000
Interest expense	112,505	2,640	-	51,881	-	4,982	-	3,707	175,715
Total expenditures	7,847,178	492,684	215	3,602,212	1,487,747	325,393	1,043,541	221,009	15,019,979
Other Financing Uses:									
Transfers to other funds	-	-	-	-	682,455	-	-	-	682,455
Total expenditures and other financing uses	7,847,178	492,684	215	3,602,212	2,170,202	325,393	1,043,541	221,009	15,702,434
Net change in fund balances	(297,847)	(62,172)	78,830	(591,980)	733,812	362,417	(66,221)	40,512	197,351
Fund balance, beginning of year	1,306,155	734,179	27,407	845,994	3,947,745	1,168,387	6,196	(47,868)	7,988,195
Prior period adjustment	37,698	-	-	-	-	-	-	-	37,698
Fund balance, end of year	\$ 1,046,006	672,007	106,237	254,014	4,681,557	1,530,804	(60,025)	(7,356)	\$ 8,223,244

See notes to financial statements.
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TOWN OF NEW HARTFORD, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Net changes in fund balances - Governmental funds \$ 197,351

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of debt is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Debt proceeds	(2,760,000)	
Debt repayment	<u>532,000</u>	(2,228,000)

Capital outlays are shown as expenditures among the Governmental Funds, but are, instead, capitalized and depreciated over their respective useful lives in the Statement of Activities. The annual depreciation expense is not recorded as an expenditure in the Governmental Funds but is recorded as an expense in the Statement of Activities.

Capital outlays	2,198,317	
Depreciation	<u>(941,236)</u>	1,257,081

In the Statement of Activities the actuarially determined annual cost of post employment health care benefits has been recorded but because it will be paid after 90 days it is not recorded as a current expenditure in the Government Funds.

(839,772)

In the Statement of Activities the change in compensated absences has been recorded but because it will be paid after 90 days it is not recorded as a current expenditure in the Government Funds.

(113,989)

Change in net assets of governmental activities

\$ (1,727,329)

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements
For the year ended December 31, 2008

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The Town of New Hartford, New York (the "Town"), is governed by the general laws of the State of New York, and various local laws and ordinances.

The Town Council is the legislative body responsible for the overall operation of the Town. The Supervisor serves as the chief executive officer and as chief fiscal officer of the Town. The Town provides the following basic services: public safety (police and fire), highways and streets, water and sewer, and various recreational and community services.

A. Financial Reporting Entity

The accompanying basic financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

Government Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, would be reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Town's activities are classified as governmental activities.

The government-wide Statement of Net Assets is required to report on a full accrual basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Beginning in 2008 the Town's Statement of Net Assets does report all of these items.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Following Governmental Fund Types

General Fund – This is the principal operating fund, which accounts for all financial resources except those required to be accounted for in another fund.

Various Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following special revenue funds are utilized:

- General – Part-town
- Highway
- Sewer
- Fire districts
- Other – This groups the lighting, water and agency funds

Capital Projects Fund - This fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

The emphasis in the fund financial statements is on the major governmental fund categories. Non-major funds are summarized into a single column.

Basis of Accounting - Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 90 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Budgetary Data

Budget Policies - The budget policies are as follow:

- a) Budgets are adopted annually on a basis consistent with U.S. generally accepted accounting principles. By September 30, the budget officer submits to the Town Clerk the estimated budget for the ensuing year. The Council, on or before November 20, determines the final budget and amounts to be included in the annual town tax levy.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) The budget is legally established through passage of an ordinance. The Board must approve subsequent revisions that materially alter appropriations of any department or fund.

D. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

E. Fund Balance Reserves

Portions of fund equity are segregated for future use and are, therefore, not available for appropriation or expenditure. A designation of unreserved fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use.

The Town has reserved part of the fund equity of the Capital Projects Fund. These funds being held are from the collection of mitigation fees. The funds can only be spent on specific public improvements.

F. Inventories

Year-end supplies of office supplies that are on hand are shown as an asset of the Town.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

G. Compensated Absences

Town employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limitations.

H. Cash, Cash Equivalents and Investments

State statutes require that collateral be pledged at 100 percent of all deposits not covered by Federal Deposit Insurance Corporation insurance for demand deposits, time deposits, repurchase agreements, and certificates of deposit. Obligations of the United States Treasury and its agencies as well as obligations of New York State and its municipalities and school districts may be pledged. Investments are carried at market value.

I. Capital Assets

Starting in 2008, capital assets, which include land, building, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased and constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

J. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASB No. 34, to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

K. Expenditures

Expenditures are recognized when the related fund liability is incurred.

L. Other Significant Accounting Policies

Other significant accounting policies are set forth in the following notes.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 2 CASH

New York State statutes govern the Town's investment policies. Town monies must be deposited in commercial banks or trust companies insured by the Federal Deposit Insurance Corporation (FDIC) and located within New York State. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance coverage. Section 10 of General Municipal Law and the Town's investment policy detail the security options that are allowable to be pledged against deposits. The carrying amount of cash and cash equivalents aggregated \$6,716,134 at December 31, 2008.

Deposits with financial institutions were entirely covered by Federal Deposit Insurance Corporation insurance or by collateral held in the pledging bank's trust department or agent in the Town's name.

Note 3 PROPERTY TAXES AND COLLECTION

Real property taxes are levied no later than December 31st for the calendar year and are due and payable when levied. They become a lien on property on November 1st. They are expected to finance expenditures of the current year. Unpaid taxes are turned over to Oneida County for enforcement responsibility. Any such taxes remaining unpaid at year-end are relieved as Oneida County taxes and are paid in full to the Town.

Property taxes are recognized as revenue when they are levied because they are considered both measurable and available.

Note 4 SALES TAX REVENUES

The Town's share of total sales tax receipts collected and paid by Oneida County to the Town for 2008 was \$4,945,659. The portion that was due to the Town at year-end is a part of this revenue amount and is shown as a receivable in the amount of \$1,148,353.

Note 5 PENSION PLAN

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement Systems (PFRS) and the Public Employees' Group Life Insurance Plan. These are cost sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 5 PENSION PLAN -continued

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The total pension expense has been recorded in the following manner:

General Fund	\$ 374,754
General – Part Town Fund	23,132
Highway Fund	109,202
Sewer Fund	<u>16,903</u>
Total	<u>\$ 523,991</u>

The Town's contributions made to the System were equal to 100 percent of the contributions required for the year.

Note 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

From an accrual accounting perspective, the cost of postemployment benefits (healthcare), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2008, the Town recognizes the cost of postemployment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan description

The Town provides postemployment benefits for certain employees for current and future health insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The actuarial valuation was made January 1, 2008. The postemployment benefit plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at January 1, 2008, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	15
Active plan members	<u>91</u>
Total	<u>106</u>

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

The Town's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability as of January 1, 2008 is estimated to be \$10,724,156. The Town's contributions represent payments made for premiums for insured individuals.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll
01/01/08	\$ -	\$ 10,724,156	\$ 10,724,156	0.0%	\$ 5,315,686	201.7%

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/08	\$ 1,069,504	\$ 229,732	21.5%	\$ 839,772

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

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

Note 7 LONG-TERM DEBT

The Town borrows funds on a long-term basis primarily for the purpose of financing the acquisition of land and equipment and construction of buildings and highway improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are maintained separately and represent a reconciling item between the fund

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 7 LONG-TERM DEBT - continued

and government-wide financial statements. Short-term borrowings for capital projects in progress are shown on both the fund and government-wide financial statements.

State law requires that Bond Anticipated Notes (BANs) issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. There exists BANs at year-end in the amount of \$4,076,800.

Interest associated with long-term debt is recorded as an expenditure when such amounts are due. Interest expense for the year ended December 31, 2008, was \$175,715.

Long-term debt shown on the accompanying Statement of Net Assets is as follows at December 31, 2008:

Borrowings due within one year	\$	426,000
Borrowings due after one year		<u>5,985,000</u>
		6,411,000
BANs due after one year		4,076,800
Post employment health care costs		839,772
Compensated absences		<u>1,297,583</u>
		<u>\$ 12,625,155</u>

Borrowings outstanding as of December 31, 2008 consisted of the following:

Description of Issue	Date Issued	Date of Maturity	Interest Rate	Balance 12/31/08
General Fund – Whole town				
1995	8/95	2/15	5-5.75%	\$ 358,100
1999	8/99	2/14	5-5.25%	244,000
2002	2/02	3/22	3.9-4.75%	985,000
Highway Fund – Part town				
1999	8/99	2/14	5-5.25%	196,000
2002	2/02	3/22	3.9-4.75%	555,000
Water Fund				
1995	8/95	2/15	5-5.75%	61,900
Sewer Fund				
2002	2/02	3/22	3.9-4.75%	110,000
Total Serial Bonds				
Water project note payable	7/06	6/36	0.00%	<u>3,901,000</u>
Total				<u>\$ 6,411,000</u>

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2008

Note 7 LONG-TERM DEBTS - continued

Presented below is a summary of debt service requirements to maturity by year:

<u>Fiscal Year Ending</u>	<u>General - Whole town</u>	<u>Highway - Part town</u>	<u>Water</u>	<u>Sewer</u>
2009	\$ 169,100	\$ 126,000	\$ 123,900	\$ 7,000
2010	169,000	125,000	127,000	7,000
2011	164,000	129,000	129,000	8,000
2012	158,000	85,000	131,000	8,000
2013 - 2017	592,000	286,000	667,000	40,000
2018 - 2022	335,000	-	690,000	40,000
2023 - 2027	-	-	739,000	-
Thereafter	-	-	1,356,000	-
Total	<u>\$ 1,587,100</u>	<u>\$ 751,000</u>	<u>\$ 3,962,900</u>	<u>\$ 110,000</u>

Note 8 CONTINGENT LIABILITIES

Judgments and Claims

The Town is a defendant in various lawsuits. In the opinion of the Town's management, after considering all relevant facts and the opinion of outside counsel in certain instances, such litigation will not in the aggregate have a materially adverse effect on the financial position of the Town.

Union Agreement

The Town has the following union agreements in place with the related expiration dates:

		Expiration Date
Police	New Hartford Police Benevolent Assn.	Dec. 31, 2008
	The Police contract is being negotiated as of August 2009. An agreement is expected in 2009.	
Dispatch	New Hartford Central Dispatch Benevolent Assn.	Dec. 31, 2009
Highway	Teamster Local No. 182	Dec. 31, 2010
Parks	Teamster Local No. 182	Dec. 31, 2010

CITY OF NEW HAVEN, CONN.
 COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 AND EXPENDITURES AND OTHER FINANCIAL DATA
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2006

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Real property taxes	2,250,000	2,250,000	2,240,870	9,130
Real property tax abate	20,000	20,000	20,000	-
Income tax on sales	2,917,500	2,917,500	2,820,045	997,455
Departmental income	422,207	422,207	414,283	7,924
Cost of water and sewage	70,400	70,400	70,400	-
License and permits	34,400	34,400	32,154	2,246
Fines and forfeitures	140,000	140,000	204,470	64,470
Gift of property & compensation for loss	25,000	25,000	25,200	(200)
Miscellaneous local sources	100,000	100,000	100,000	-
State and federal aid	600,000	600,000	720,000	120,000
Total Revenues	<u>7,210,107</u>	<u>7,210,107</u>	<u>7,420,112</u>	<u>210,005</u>
Expenditures				
General governmental support	1,717,100	1,717,100	1,741,894	(24,794)
Public safety	1,000,000	1,000,000	7,400,000	(6,400,000)
Transportation	10,000	10,000	100,000	(90,000)
Economic development and opportunity	100,000	100,000	100,000	-
Culture and recreation	1,000,000	1,000,000	1,000,000	-
Historical and community centers	20,000	20,000	20,000	-
Fire and police	1,000,000	1,000,000	1,000,000	-
Debt service				
Interest payments	100,000	100,000	100,000	-
Sinking funds	100,000	100,000	100,000	-
Tax expenditures	800,000	800,000	7,000,000	(6,200,000)
Total Expenditures	<u>6,717,100</u>	<u>6,717,100</u>	<u>7,041,894</u>	<u>324,292</u>
Excess Revenues Over Operating Expenditures	<u>(507,000)</u>	<u>(507,000)</u>	<u>(621,782)</u>	<u>114,782</u>
Other Financing Sources (Uses)				
Amortization of prior year's bond advance	500,000	500,000	-	(500,000)
Transfer from other funds	37,000	37,000	37,000	-
Total other financing sources (uses)	<u>537,000</u>	<u>537,000</u>	<u>37,000</u>	<u>(463,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(\$57,847)</u>	<u>\$ 200,000</u>

**SUPPLEMENTARY
 INFORMATION**

TOWN OF NEW HARTFORD, NEW YORK
 COMBINED STATEMENT OF REVENUE AND OTHER FINANCING SOURCES
 AND EXPENDITURES AND OTHER FINANCIAL USES
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2008

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Real property taxes	\$ 2,550,854	2,550,854	2,550,978	\$ 124
Real property tax items	36,000	36,000	62,893	26,893
Nonproperty tax items	2,817,539	2,817,539	2,580,048	(237,491)
Departmental income	422,267	422,267	510,293	88,026
Use of money and property	70,400	70,400	30,233	(40,167)
Licenses and permits	14,440	14,440	18,154	3,714
Fines and forfeitures	150,000	150,000	208,980	58,980
Sale of property & compensation for loss	25,500	25,500	14,245	(11,255)
Miscellaneous local sources	186,000	186,000	187,160	1,160
State and federal aid	997,943	997,943	732,051	(265,892)
Total revenues	<u>7,270,943</u>	<u>7,270,943</u>	<u>6,895,035</u>	<u>(375,908)</u>
Expenditures:				
General governmental support	1,737,258	1,737,258	1,741,881	(4,623)
Public safety	2,481,872	2,481,872	2,561,767	(79,895)
Transportation	135,867	135,867	134,738	1,129
Economic assistance and opportunity	160,456	160,456	140,710	19,746
Culture and recreation	1,668,298	1,668,298	1,295,315	372,983
Home and community services	27,500	27,500	23,410	4,090
Employee benefits	1,646,566	1,646,566	1,668,752	(22,186)
Debt service:				
Principal retirement	168,100	168,100	168,100	-
Interest expense	112,505	112,505	112,505	-
Total expenditures	<u>8,138,422</u>	<u>8,138,422</u>	<u>7,847,178</u>	<u>291,244</u>
Excess Revenue Over (Under) Expenditures	<u>(867,479)</u>	<u>(867,479)</u>	<u>(952,143)</u>	<u>(84,664)</u>
Other Financing Sources (Uses)				
Appropriation of prior year's fund balance	835,129	835,129	-	(835,129)
Transfers from other funds	32,350	32,350	654,296	621,946
Total other financing sources (uses)	<u>867,479</u>	<u>867,479</u>	<u>654,296</u>	<u>(213,183)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>(297,847)</u>	<u>\$ (297,847)</u>

TOWN OF NEW HARTFORD, NEW YORK
 COMBINED STATEMENT OF REVENUE AND OTHER FINANCING SOURCES
 AND EXPENDITURES AND OTHER FINANCIAL USES
 BUDGET AND ACTUAL - HIGHWAY FUND
 For the Year Ended December 31, 2008

	Highway - Whole and Part Town		Actual	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues:				
Nonproperty tax items	\$ 2,737,310	2,737,310	2,470,508	\$ (266,802)
Intergovernmental charges	154,945	154,945	170,219	15,274
Use of money and property	25,500	25,500	2,994	(22,506)
Sale of property & compensation for loss	-	-	6,217	6,217
Miscellaneous local sources	13,600	13,600	50	(13,550)
State and federal aid	101,980	101,980	433,988	332,008
Total revenues	<u>3,033,335</u>	<u>3,033,335</u>	<u>3,083,976</u>	<u>50,641</u>
Expenditures:				
Transportation	2,806,297	2,806,297	2,760,287	46,010
Employee benefits	495,427	495,427	555,259	(59,832)
Debt service:				
Principal retirement	235,000	235,000	235,000	-
Interest expense	55,131	55,131	51,881	3,250
Total expenditures	<u>3,591,855</u>	<u>3,591,855</u>	<u>3,602,427</u>	<u>(10,572)</u>
Excess Revenue Over (Under) Expenditures	<u>(558,520)</u>	<u>(558,520)</u>	<u>(518,451)</u>	<u>40,069</u>
Other Financing Sources (Uses)				
Appropriation of prior year's fund balance	555,855	555,855	-	(555,855)
Transfers (to)/from other funds	2,665	2,665	5,301	2,636
Total other financing sources (uses)	<u>558,520</u>	<u>558,520</u>	<u>5,301</u>	<u>(553,219)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>(513,150)</u>	<u>\$ (513,150)</u>

TOWN OF NEW HARTFORD, NEW YORK
 COMBINED STATEMENT OF REVENUE AND OTHER FINANCING SOURCES
 AND EXPENDITURES AND OTHER FINANCIAL USES
 BUDGET AND ACTUAL - SEWER FUND
 For the Year Ended December 31, 2008

	Sewer Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Real property taxes	\$ 638,010	638,010	633,288	\$ (4,722)
Departmental income	-	-	5,107	5,107
Use of money and property	20,000	20,000	21,110	1,110
Miscellaneous local sources	-	-	5,447	5,447
Total revenues	<u>658,010</u>	<u>658,010</u>	<u>664,952</u>	<u>6,942</u>
Expenditures:				
Home and community services	575,310	575,310	241,717	333,593
Employee benefits	70,718	70,718	71,694	(976)
Debt service:				
Principal retirement	7,000	7,000	7,000	-
Interest expense	4,982	4,982	4,982	-
Total expenditures	<u>658,010</u>	<u>658,010</u>	<u>325,393</u>	<u>332,617</u>
Excess Revenue Over (Under) Expenditures	-	-	339,559	339,559
Other Financing Sources (Uses)				
Transfers from other funds	-	-	22,858	22,858
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>362,417</u>	<u>\$ 362,417</u>



BARONE, HOWARD & Co., CPAs, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Town Supervisor and
Members of Town Board
Town of New Hartford, New York

Compliance

We have audited the compliance of the Town of New Hartford, New York with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2008. The program tested is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program is the responsibility of the Town of New Hartford, New York's management. Our responsibility is to express an opinion on the Town of New Hartford, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Draft Part 43 of NYCCR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above, that could have a direct and material effect on a state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the Town of New Hartford, New York'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 New Hartford, New York's compliance with those requirements.

In our opinion, the Town of New Hartford, New York complied, in all material respects, with the requirements referred to above that are applicable to its state transportation assistance program for the year ended December 31, 2008.

To the Town Supervisor and
Members of Town Board
Town of New Hartford, New York

Page Two

Internal Control Over Compliance

The management of Town of New Hartford, New York is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state transportation assistance programs tested.

In planning and performing our audit, we considered the Town of New Hartford, New York's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Draft Part 43 of NYCCR.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a state transportation assistance programs tested, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the Town of New Hartford, New York as of and for the year ended December 31, 2008, and have issued our report thereon dated August 3, 2009. Our audit was performed for the purpose of forming an opinion on the Town of New Hartford, New York's financial statements taken as a whole. The accompanying schedule of state transportation assistance is presented for purposes of additional analysis as required by Draft Part 43 of NYCCR, 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, Town Board, and the New York State Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Barone, Howard & Co., CPAs, P.C.
BARONE, HOWARD & CO., CPAs, PC
September 2, 2009

TOWN OF NEW HARTFORD, NEW YORK
Schedule of State Transportation Assistance Expended
For the year ended December 31, 2008

<u>Program Title</u>	<u>Municipal Code</u>	<u>Current Year Expenditures</u>
Consolidated Local Streets and Highway Improvement Program – Capital Component	260574	\$ <u>124,860</u>

Note A - Basis of Presentation

The accompanying Schedule of State Transportation Assistance Expended presents the activity of all New York State Department of Transportation awards administered by the Town of New Hartford, New York an entity as defined in Note 1 to the Town's financial statements.

Note B - Basis of Accounting

The accompanying Schedule of State Transportation Expended is presented using the accrual basis of accounting.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Findings and Questioned Costs
State Transportation Assistance Expended
For the year ended December 31, 2008

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Town of New Hartford, New York.
2. No reportable conditions relating to the audit of the financial statements of the Town of New Hartford, New York, were reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Town of New Hartford, New York were disclosed during the audit.
4. The auditors' report on compliance for the State award program tested for the Town of New Hartford, New York expresses an unqualified opinion.
5. No reportable conditions relating to the audit of State awards are reported in the Report on Compliance and Controls over State Transportation Assistance Expended Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
6. Audit findings required to be reported relative to the State award program tested for the Town of New Hartford, New York are reported on this schedule.
7. The Town of New Hartford was determined to be a low-risk auditee.
8. State Transportation Assistance Program Tested:
Consolidated Local Street and Highway Improvement Program

Compliance Findings and questioned Costs

None