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TOWN OF NEW HARTFORD, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2007

TOWN OF NEW HARTFORD, NEW YORK

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities 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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of New Hartford, New York'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. 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 opinions.

As discussed in Note 1-A to the financial statements, management has not recorded certain general infrastructure assets in its activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the Town. The amount by which this departure would affect the assets, net assets, and expenses of the Town's activities is not reasonable determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of New Hartford, New York as of December 31, 2007 or the changes in financial position thereof for the year ended.

The supplemental schedule information on pages 19-21 is not a required part of the basic financial statements but is required by U.S. Generally Accepted Accounting Principles. We have applied certain limited procedures, which consisted principally of inquiries 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.

Barone, Howard & Co., CPAs, P.C.
Barone Howard & Co., CPAs, P.C.

New Hartford, New York
July 29, 2008

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2007**

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, 2007.

Financial Highlights

- At the close of fiscal year 2007 the liabilities of the Town of New Hartford exceeded assets by \$1,455,199. This is \$222,441 higher than the 2006 figure.
- The Town's long-term debt increased by \$693,204.
- The Town issued bond anticipation notes totaling \$1,207,800 for storm water improvements (\$700,000), completion of a part-town zoning study (\$75,000), completion of a generic environmental impact study (\$225,000) and purchase of a grade-all excavator (\$207,800).
- The array of services provided by the Town during 2007 was consistent with 2006; however some major costs continue to increase each year such as health insurance, fuel and heating
- The Town also experienced an increase in equipment expenses in 2007.
- The real estate property tax rate for 2007 was \$2.05 per thousand dollars of assessed value compared to \$2.01 per thousand in 2006.
- The general fund reported a decrease in fund balance of \$623,270.

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, 2007**

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 (except for fixed assets and infrastructure) as well as all liabilities (including long-term debt). The Town is in the process of having its fixed assets and infrastructure inventoried and appraised in order to meet the requirements of GASB 34. The financial statements at December 31, 2008 will include all fixed assets and infrastructure. The Town has also contracted with an actuarial company to comply with GASB 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions".

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, 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, 2007**

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, 2007

Assets	<u>All Governmental Activities</u>
Cash and cash equivalents	\$ 3,476,695
Restricted cash and cash equivalents	3,296,909
Receivables:	
Due from other governments	1,821,454
Other	42,687
Inventory	13,880
Prepaid expenses	<u>19,060</u>
 Total Assets	 <u>\$ 8,670,685</u>
 Liabilities and Net Assets	
Accounts payable	\$ 411,552
Retainage and bid deposits held	270,938
Long-term debt:	
Due within one year	424,000
Due in more than one year	<u>9,019,394</u>
Total liabilities	<u>10,125,884</u>
Net assets:	
Restricted:	
Expendable	3,296,909
Nonexpendable	-
Unrestricted	<u>(4,752,108)</u>
Total net assets	<u>(1,455,199)</u>
 Total Liabilities and Net Assets	 <u>\$ 8,670,685</u>

See notes to financial statements.

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF ACTIVITIES
For the year ended
December 31, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General government support	\$ 1,633,775	437,837	1,447	-	\$ (1,194,491)
Public safety	3,393,527	437,093	-	-	(2,956,434)
Public health	54,046	9,931	-	-	(44,115)
Transportation	2,496,651	257,940	-	150,000	(2,088,711)
Culture and recreation	1,229,014	189,915	-	-	(1,039,099)
Home and community services	1,820,549	9,262	-	-	(1,811,287)
Employee benefits	2,122,511	-	-	-	(2,122,511)
Interest on long-term debt	157,185	-	-	-	(157,185)
Total governmental activities	<u>\$ 12,907,258</u>	<u>1,341,978</u>	<u>1,447</u>	<u>150,000</u>	<u>(11,413,833)</u>

General Revenues

Real property taxes, levied for general purposes	4,131,089
Real property tax items	52,826
Nonproperty tax items	5,278,200
Federal and state grants and other contributions not restricted to specific functions	858,962
Mitigation fees	621,513
Interest	248,802
Total general revenues and special items	<u>11,191,392</u>
Change in net assets	(222,441)
Net assets, beginning of year, restated	(1,232,758)
Net assets, end of year	<u>\$ (1,455,199)</u>

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, 2007

	General	General - Part Town	Highway	Capital Projects	Sewer	Fire Districts	Other Government Funds	Total
Assets								
Cash and cash equivalents	\$ 515,847	183,520	327,403	1,125,797	929,558	6,196	388,374	\$ 3,476,695
Restricted cash and cash equivalents	-	-	-	3,296,909	-	-	-	3,296,909
Receivables:								
Due from other funds	1,035,682	571,796	527,610	608,161	302,229	-	2,358	3,047,837
Other	11,887	6,928	23,873	-	-	-	-	42,687
Due from other governments	1,049,738	3,000	767,707	-	-	-	1,009	1,821,454
Inventory	13,880	-	-	-	-	-	-	13,880
Prepaid expenses	13,823	-	4,746	-	491	-	-	19,060
Total Assets	2,640,857	765,244	1,651,339	5,030,867	1,232,278	6,196	391,741	11,718,522
Liabilities and Net Assets								
Accounts payable	164,185	26,419	94,432	6,735	63,837	-	55,944	411,552
Retainage and bid deposits	-	-	-	-	-	-	270,938	270,938
Due to other funds	1,170,517	4,646	683,506	1,076,387	54	-	112,727	3,047,837
Total liabilities	1,334,702	31,065	777,938	1,083,122	63,891	-	439,609	3,730,327
Net Assets								
Restricted								
Expendable	-	-	-	3,296,909	-	-	-	3,296,909
Nonexpendable	-	-	-	-	-	-	-	-
Unrestricted								
Appropriated for next year's budget	835,129	118,570	555,855	-	-	-	-	1,509,554
Unrestricted	471,026	615,609	317,546	650,836	1,168,387	6,196	(47,868)	3,181,732
Total net assets	1,306,155	734,179	873,401	3,947,745	1,168,387	6,196	(47,868)	7,988,195
Total Liabilities and Net assets	\$ 2,640,857	765,244	1,651,339	5,030,867	1,232,278	6,196	391,741	

Amounts reported for governmental activities in the statement following:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the above funds.

(9,443,394)

Net Assets of Governmental Activities

\$ (1,455,199)

See notes to financial statements.

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	General	General - Part Town	Highway	Capital Projects	Sewer	Fire Districts	Other Government Funds	Total
Revenues:								
Real property taxes	\$ 2,437,031	-	-	-	614,772	931,801	147,485	\$ 4,131,089
Real property tax items	52,826	-	-	-	-	-	-	52,826
Nonproperty tax items	2,619,007	175,151	2,484,042	-	-	-	-	5,278,200
Departmental income	474,640	88,270	-	-	5,068	-	-	567,978
Intergovernmental charges	25,025	-	163,042	-	-	-	-	188,067
Use of money and property	33,277	6,686	8,067	143,339	47,720	8,276	1,437	248,802
Licenses and permits	13,846	149,383	-	-	-	-	-	163,229
Fines and forfeitures	171,133	-	-	-	-	-	-	171,133
Sale of property and compensation for loss	18,420	-	42,083	-	-	-	-	60,503
Miscellaneous local sources	120,218	16,286	31,074	793,254	3,196	-	-	964,028
State and federal aid	686,427	-	172,535	-	-	-	-	858,962
Total revenues	6,651,850	435,776	2,900,843	936,593	670,756	940,077	148,922	12,684,817
Other Financing Sources:								
Transfers from other funds	60,099	1,638	8,650	152,276	137,009	-	51,540	411,212
Proceeds from long-term financing sources	-	-	-	1,207,800	-	-	-	1,207,800
Total revenues and other financing sources	6,711,949	437,414	2,909,493	2,296,669	807,765	940,077	200,462	14,303,829
Expenditures:								
General governmental support	1,586,392	6,934	-	-	-	-	-	1,593,326
Public safety	2,455,162	-	-	-	-	938,365	-	3,393,527
Public health	-	54,046	-	-	-	-	-	54,046
Transportation	203,156	-	2,184,852	-	-	-	97,309	2,485,317
Culture and recreation	1,229,014	-	-	-	-	-	-	1,229,014
Home and community services	159,853	286,587	-	953,306	415,868	-	4,935	1,820,549
Employee benefits	1,430,858	109,230	526,736	-	55,687	-	-	2,122,511
Debt service:								
Principal retirement	182,600	-	169,379	-	11,500	-	202,900	566,379
Interest expense	88,184	-	56,880	-	5,403	-	6,718	157,185
Total expenditures	7,335,219	456,797	2,937,847	953,306	488,458	938,365	311,862	13,421,854
Other Financing Uses:								
Transfers to other funds	-	46,151	142,671	222,390	-	-	-	411,212
Total expenditures and other financing uses	7,335,219	502,948	3,080,518	1,175,696	488,458	938,365	311,862	13,833,066
Net change in fund balances	(623,270)	(65,534)	(171,025)	1,120,973	319,307	1,712	(111,400)	470,763
Fund balance, beginning of year, restated	1,929,425	799,713	1,044,426	2,826,772	849,080	4,484	63,532	7,517,432
Fund balance, end of year	\$ 1,306,155	734,179	873,401	3,947,745	1,168,387	6,196	(47,868)	\$ 7,988,195

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, 2007

Net changes in fund balances - Governmental funds \$ 470,763

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	(1,207,800)	
Repayment of debt	<u>566,379</u>	(641,421)

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.

(51,783)

Change in net assets of governmental activities

\$ (222,441)

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements
For the year ended December 31, 2007

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

Except for the information provided in the following paragraph, 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.

To be in conformity with U.S. GAAP the Town should account for its capital assets and report them on its Statement of Net Assets. Capital assets include land, buildings, major infrastructure costs, vehicles and equipment. These assets should be valued at their estimated or actual historical cost and be depreciated over their estimated useful life. Instead, capital expenditures incurred in the current and previous years have been expensed as a normal operating expenditure. While the value of these assets has not been estimated at this time, it is known that the recognition of these assets would substantially increase the reported equity position of the Town.

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 supposed to report on a full accrual basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's Statement of Net Assets does report all of these items except for its capital assets.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

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.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 60 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.

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 Council 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.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. Inventories

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

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. 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.

J. Expenditures

Expenditures are recognized when the related fund liability is incurred.

K. 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, 2007

Note 2 CASH

New York State statutes govern the Town's investment policies. Town monies must be deposited in commercial banks of 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 \$6,203,105 at December 31, 2007.

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 2007 was \$5,017,461. 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 \$1,478,330.

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, 2007

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	\$ 334,266
General – Part Town Fund	22,524
Highway Fund	117,043
Sewer Fund	<u>13,521</u>
Total	<u>\$ 487,354</u>

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

Note 6 HEALTH INSURANCE

In addition to the pension benefits provided through the New York State Retirement System, the Town provides certain health care benefits for currently employed and retired employees. Substantially all of the Town's employees may become eligible for such benefits if they reach normal retirement age while working for the Town. These and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year.

The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums, which for 2007 and 2006 were approximately \$1,124,000 and \$929,000, net of participant contributions.

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 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 \$1,183,594.

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2007

Note 7 LONG-TERM DEBTS - continued

Interest associated with long-term debt is recorded as an expenditure when such amounts are due. Interest expense for the year ended December 31, 2007 and 2006, was \$157,185 and \$171,989, respectively.

Long-term debt shown on the accompanying Statement of Net Assets is as follows at December 31, 2007:

Borrowings due within one year	\$ 424,000
Borrowings due after one year	<u>6,256,000</u>
	6,680,000
BANs due after one year	1,579,800
Compensated absences	<u>1,183,594</u>
	<u>\$ 9,443,394</u>

Borrowings outstanding as of December 31, 2007 consisted of the following:

Description of Issue	Date Issued	Date of Maturity	Interest Rate	Balance 12/31/07
General Fund – Whole town				
1995	8/95	2/15	5-5.75%	\$ 410,200
1999	8/99	2/14	5-5.25%	286,000
2002	2/02	3/22	4.26%	1,059,000
Highway Fund – Part town				
1999	8/99	2/14	5-5.25%	254,000
2002	2/02	3/22	4.26%	624,000
Water Fund				
1995	8/95	2/15	5-5.75%	69,800
Sewer Fund				
2002	2/02	3/22	4.26%	<u>117,000</u>
Total Serial Bonds				2,820,000
Water project note payable	7/06	2036	0.00%	<u>3,860,000</u>
Total				<u>\$ 6,680,000</u>

TOWN OF NEW HARTFORD, NEW YORK
Notes to Financial Statements - continued
For the year ended December 31, 2007

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>
2008	\$ 168,100	\$ 127,000	\$ 121,900	\$ 7,000
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	-	-	1,201,000	-
Total	<u>\$ 1,755,200</u>	<u>\$ 878,000</u>	<u>\$ 3,929,800</u>	<u>\$ 117,000</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
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

**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, 2007

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Real property taxes	\$ 2,437,010	2,437,010	2,437,031	\$ 21
Real property tax items	36,000	36,000	52,826	16,826
Nonproperty tax items	2,811,539	2,811,539	2,619,007	(192,532)
Departmental income	493,146	493,146	474,640	(18,506)
Intergovernmental charges	-	-	25,025	25,025
Use of money and property	67,732	67,732	33,277	(34,455)
Licenses and permits	13,230	13,230	13,846	616
Fines and forfeitures	128,000	128,000	171,133	43,133
Sale of property & compensation for loss	23,000	23,000	18,420	(4,580)
Miscellaneous local sources	198,337	198,337	120,218	(78,119)
State and federal aid	752,283	752,283	686,427	(65,856)
Total revenues	<u>6,960,277</u>	<u>6,960,277</u>	<u>6,651,850</u>	<u>(308,427)</u>
Expenditures:				
General governmental support	1,747,825	1,747,825	1,586,392	161,433
Public safety	2,424,254	2,424,254	2,455,162	(30,908)
Transportation	187,761	187,761	203,156	(15,395)
Economic assistance and opportunity	177,525	177,525	-	-
Culture and recreation	1,212,885	1,212,885	1,229,014	(16,129)
Home and community services	32,500	32,500	159,853	(127,353)
Employee benefits	1,508,151	1,508,151	1,430,858	77,293
Debt service:				
Principal retirement	168,100	168,100	182,600	(14,500)
Interest expense	112,247	112,247	88,184	24,063
Total expenditures	<u>7,571,248</u>	<u>7,571,248</u>	<u>7,335,219</u>	<u>236,029</u>
Excess Revenue Over (Under) Expenditures	<u>(610,971)</u>	<u>(610,971)</u>	<u>(683,369)</u>	<u>(72,398)</u>
Other Financing Sources (Uses)				
Appropriation of prior year's fund balance	610,971	610,971	-	-
Transfers from other funds	-	-	60,099	60,099
Total other financing sources (uses)	<u>610,971</u>	<u>610,971</u>	<u>60,099</u>	<u>60,099</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>(623,270)</u>	<u>\$ (12,299)</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, 2007

	Sewer Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Real property taxes	\$ 619,494	619,494	614,772	\$ (4,722)
Departmental income	-	-	5,068	5,068
Use of money and property	19,814	19,814	47,720	27,906
Miscellaneous local sources	-	-	3,196	-
Total revenues	<u>639,308</u>	<u>639,308</u>	<u>670,756</u>	<u>31,448</u>
Expenditures:				
Home and community services	559,775	559,775	415,868	143,907
Employee benefits	62,630	62,630	55,687	6,943
Debt service:				
Principal retirement	11,500	11,500	11,500	-
Interest expense	5,403	5,403	5,403	-
Total expenditures	<u>639,308</u>	<u>639,308</u>	<u>488,458</u>	<u>150,850</u>
Excess Revenue Over (Under) Expenditures	-	-	182,298	182,298
Other Financing Sources (Uses)				
Transfers from other funds	-	-	137,009	137,009
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>319,307</u>	<u>\$ 319,307</u>



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

INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of Town Council
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, 2007. 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, 2007.

To the Supervisor and
Members of Town Council
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 NYCRR.

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, 2007, and have issued our report thereon dated July 29, 2008. 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 NYCRR, 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 Council, 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
July 29, 2008

TOWN OF NEW HARTFORD, NEW YORK
Schedule of State Transportation Assistance Expended
For the year ended December 31, 2007

<u>Program Title</u>	<u>Municipal Code</u>	<u>Current Year Expenditures</u>
Consolidated Local Streets and Highway Improvement Program – Capital Component	260574	<u>\$ 101,981</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.