

TOWN OF KILLINGWORTH, CONNECTICUT

**AUDITED FINANCIAL STATEMENTS
TOGETHER WITH SUPPLEMENTAL
REPORTS AND SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2010

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AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Killingworth, Connecticut

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killingworth, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town of Killingworth, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Killingworth, Connecticut's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

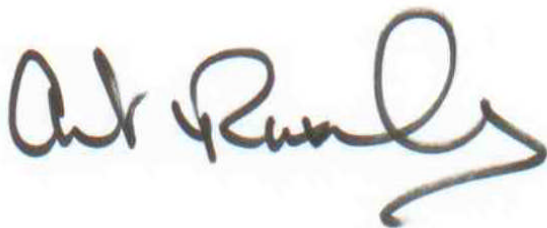
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killingworth, Connecticut as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 14, 2010, on my consideration of the Town of Killingworth, Connecticut's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 38 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

(Continued)

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Killingworth, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
December 14, 2010

TOWN OF KILLINGWORTH, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

This discussion and analysis of the Town of Killingworth, Connecticut's (the "Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2010. This management discussion and analysis should be read in conjunction with the Town's financial statements.

Financial Highlights

- Net assets of the Town's governmental activities decreased by \$460,758 or 1.4%.
- The total cost of all of the Town's programs was approximately \$21.5 million.
- The General Fund reported a fund balance of almost \$3.3 million at June 30, 2010.
- For the year ended June 30, 2010, the resources available for appropriation, excluding bond anticipation note proceeds and the appropriation of prior year fund balance, were approximately \$205,000 more than budgeted for the general fund. Expenditures were generally kept within spending limits.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III and IV. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information on the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibit I and II. The statements of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall financial health of the Town.

(Continued)

In the statement of net assets and the statement of activities, the Town reports its activities:

- *Governmental activities*-Most of the Town's basic services are reported here, including general government, public safety, highway, sanitation and health, conservation and land use, recreation, welfare, and education. Property taxes, charges for services and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by Charter or State law. However, the Board of Finance and/or the Treasurer have established other funds to help the Town control and manage financial activities for particular purposes or to show that the Town is meeting legal responsibilities for using certain grants and other money. The Town's funds are divided into two categories; governmental, and fiduciary.

- *Governmental funds* (Exhibit III and IV) – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accrual method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

- *Fiduciary funds* (Exhibits V and VI) – The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use the assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Government-wide Financial Analysis

The Town's combined net assets decreased by \$460,758 from a year ago. The analysis below focuses on the net assets and changes in net assets of the Town's governmental activities.

The Town's total revenue for 2010 (excluding special items) was \$21,077,217. The total cost of all programs and services for 2010 was \$21,537,975 with no new programs being added during the year. Our analysis below considers the operations of governmental activities.

(Continued)

Changes in Net Assets

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 262,414	\$ 361,868
Operating grants and contributions	2,079,089	2,392,054
Capital grants and contributions	1,076,778	232,425
General revenues:		
Property taxes	17,125,200	17,006,663
Grants and contributions not restricted to specific purposes	206,381	269,495
Unrestricted investment earnings	49,287	108,610
Miscellaneous	278,068	832,482
Total revenues	21,077,217	21,203,597
Program expenses:		
General government	1,448,133	1,400,091
Public safety	448,762	442,545
Highway	2,549,888	2,539,888
Sanitation and health	298,790	276,428
Conservation and land use	68,631	71,414
Recreation	135,313	98,316
Miscellaneous	460,498	519,506
Welfare	6,240	8,740
Education	16,001,735	15,345,795
Debt service/interest/fees	119,985	130,833
Total program expenses	21,537,975	20,833,556
Increase (decrease) in net assets	\$ (460,758)	\$ 370,041

(Continued)

Net assets of the Town's governmental activities decreased by \$460,758 or by 1.4%. Unrestricted net assets – the part of net assets than can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – totaled \$5,562,121 at June 30, 2010.

	Governmental Activities	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current and other assets	\$ 5,995,529	\$ 6,442,713
Net Other Post-employment Benefits(OPEB) asset	36,478	25,048
Capital assets, net	29,542,186	29,720,150
	<u>35,574,193</u>	<u>36,187,911</u>
Accounts payable & accrued expense	97,438	91,743
Deferred revenue	2,946	
Long-term liabilities:		
Due within one year	271,002	257,086
Due in more than one year	3,040,267	3,215,784
General Obligation Bonds payable		
	<u>3,411,653</u>	<u>3,564,613</u>
Net assets:		
Invested in capital assets, net of debt	26,600,419	26,582,721
Unrestricted	5,562,121	6,040,577
	<u>\$ 32,162,540</u>	<u>\$ 32,623,298</u>

Governmental activities

Governmental activities decreased the Town's net assets by \$460,758 for 2010.

The analysis below presents the cost of each of the Town's five largest programs – education, general government, highway, miscellaneous and conservation and land use - as well as each program's net cost (total cost less revenues generated by the activities). Net cost shows the burden that was placed on the Town's taxpayers by each of the functions.

(Continued)

Governmental Activities

	2010		2009	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Education	\$ 16,001,735	14,092,050	\$ 15,345,795	13,118,328
General government	1,448,133	1,152,150	1,400,091	1,042,591
Highway	2,549,888	1,388,416	2,539,888	2,180,648
Community Services	460,498	420,807	519,506	477,931
Public Safety	448,762	448,017	442,545	441,980
All other	628,959	618,254	585,731	585,731
Totals	\$ 21,537,975	18,119,694	\$ 20,833,556	17,847,209

Town Fund Financial Analysis

Governmental funds

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$5,822,744, which is a decrease of \$476,379 from last year's total of \$6,299,123. Included in this year's total change in fund balance, is a decrease in the Town's General Fund balance of \$1,160,017 and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$693,901. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted in Exhibit IV.

General Fund budgetary highlights

General property taxes-property tax revenue was \$378,685 higher than budgeted due primarily to higher than anticipated overall tax collections. Intergovernmental revenue-grant revenues were \$275,132 lower than budgeted due primarily to the ARRA funding going directly to the Regional School District rather than to the town. Interest and investment income fell short of budgetary estimates as interest rates being paid on Town's deposits continued to decrease. Other revenues were higher due to the receipt of \$171,710 from the Regional School District 17 surplus distribution. With the exception of the snow removal budget, most of the Town's departments maintained spending within the budgetary limits. During the year, the Town authorized a special appropriation of \$27,381 for the purpose of "Wettish Property Development" and \$475,000 for the purpose of "Wettish Athletic Fields" at a special Town meeting. There were no other major special appropriations during the year.

(Continued)

The Town's General Fund balance of \$5,822,744 reported on Exhibit III differed from the General Fund's budgetary fund balance. The nature of the differences is primarily attributable to: (1) property taxes are budgeted on a cash basis; (2) accrued payroll is not recognized for budgetary purposes; (3) the use of fund balance to subsidize the operating budget is not recognized for GAAP purposes.

Capital asset and debt administration

At June 30, 2010, the Town had a net amount of \$29,542,186 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and infrastructure. This represents a net decrease (including additions and deductions) of \$177,964 from the prior year.

Capital Assets at Year-end (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 3,821,535	\$ 3,821,535
Land improvements	838,141	123,639
Buildings and improvements	2,205,335	2,202,240
Equipment and vehicles	773,794	751,279
Infrastructure	21,903,381	22,821,457
Totals	<u>\$ 29,542,186</u>	<u>\$ 29,720,150</u>

The Town's 2010/2011 budget anticipates no significant capital projects or infrastructure additions other than road projects and the Phase I of the Town Office Building Renovation.

Long-term debt

At June 30, 2010, the Town had \$2,941,767 in general obligation bonds and capital lease obligations outstanding – a decrease of \$195,662 from the prior year – as shown in the analysis below.

Outstanding Debt, at Year-end

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 2,920,000	\$ 3,095,000
Capital lease obligations	21,767	42,429
Totals	<u>\$ 2,941,767</u>	<u>\$ 3,137,429</u>

(Continued)

The State of Connecticut limits the amount of general obligation debt that cities and towns can issue based on a formula determined under State statutes based on the type of debt and the tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit.

Other obligations include accrued vacation and sick leave, and net pension obligations. More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements.

Economic factors and next year's budgets and rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2010 budget tax rates. Some of those factors include the economy at both the state and local levels, the rate of population growth within the Town, and realized and potential increases and/or reductions in state funding, property values, and interest rates.

These factors were taken into account when adopting the General Fund budget for 2010-2011.

Contacting the Town's financial management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the First Selectman at the Town of Killingworth, 323 Route 81, Killingworth, Connecticut.

TOWN OF KILLINGWORTH, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Total
ASSETS:		
Cash and cash equivalents	\$ 5,769,083	5,769,083
Receivables, net	226,446	226,446
Net Other Post-employment Benefits (OPEB) asset	36,478	36,478
Capital assets, net	29,542,186	29,542,186
Total Assets	35,574,193	35,574,193
LIABILITIES:		
Accounts payable and accrued expenses	97,438	97,438
Deferred revenue	2,946	2,946
Long-term liabilities:		
Due within one year	271,002	271,002
Due in more than one year	3,040,267	3,040,267
Total Liabilities	3,411,653	3,411,653
NET ASSETS:		
Invested in capital assets, net of related debt	26,600,419	26,600,419
Unrestricted	5,562,121	5,562,121
Total Net Assets	\$ 32,162,540	32,162,540

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

TOWN OF KILLINGWORTH, CONNECTICUT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$ 1,448,133	248,617	5,000	42,366	(1,152,150)	(1,152,150)
Public safety	448,762	745	-	-	(448,017)	(448,017)
Highway	2,549,888	-	127,060	1,034,412	(1,388,416)	(1,388,416)
Sanitation and health	298,790	-	-	-	(298,790)	(298,790)
Conservation and land use	68,631	-	10,705	-	(57,926)	(57,926)
Recreation	135,313	-	-	-	(135,313)	(135,313)
Community services	460,498	13,052	26,639	-	(420,807)	(420,807)
Welfare	6,240	-	-	-	(6,240)	(6,240)
Education	16,001,735	-	1,909,685	-	(14,092,050)	(14,092,050)
Debt service	119,985	-	-	-	(119,985)	(119,985)
Total governmental activities	<u>21,537,975</u>	<u>262,414</u>	<u>2,079,089</u>	<u>1,076,778</u>	<u>(18,119,694)</u>	<u>(18,119,694)</u>
Total government	<u>\$ 21,537,975</u>	<u>262,414</u>	<u>2,079,089</u>	<u>1,076,778</u>		
General revenues:						
Property taxes					17,125,200	17,125,200
Grants and contributions not restricted to specific programs					206,381	206,381
Unrestricted investment earnings					49,287	49,287
Miscellaneous					278,068	278,068
Total general revenues and transfers					<u>17,658,936</u>	<u>17,658,936</u>
Change in net assets					(460,758)	(460,758)
Net assets-beginning					32,623,298	32,623,298
Net assets-ending					<u>\$ 32,162,540</u>	<u>32,162,540</u>

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

TOWN OF KILLINGWORTH, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2010

<u>ASSETS</u>	<u>General</u>	<u>Reserve Fund For Capital And Nonrecurring Expenditures</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 3,136,426	2,490,581	142,076	5,769,083
Receivables-net of an allowance of \$15,527	146,737	-	-	146,737
Grants receivable	-	79,709	-	79,709
Due from other funds	186,122	-	-	186,122
Total Assets	\$ 3,469,285	2,570,290	142,076	6,181,651
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 10,569	43,177	-	53,746
Deferred revenue	119,039	-	-	119,039
Due to other funds	-	170,077	16,045	186,122
Total Liabilities	129,608	213,254	16,045	358,907
Fund Balances:				
Reserved	-	1,446,031	-	1,446,031
Unreserved, reported in:				
General Fund	2,098,823	-	-	2,098,823
General Fund-Designated for Subsequent Year's Budget	1,240,854	-	-	1,240,854
Reserve Fund For Capital And Nonrecurring Expenditures	-	911,005	-	911,005
Special Revenue Funds	-	-	126,031	126,031
Total Fund Balances	3,339,677	2,357,036	126,031	5,822,744
Total Liabilities and Fund Balances	\$ 3,469,285	2,570,290	142,076	

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:

The "Net Other Post-employment Benefits Asset" is not considered a financial resource of the current period and, therefore, is not recorded in the funds	36,478
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	29,542,186
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds	116,093
Long-term liabilities, including bond anticipation notes payable and general obligation bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(3,311,269)
Accrued interest payable on long-term liabilities is not recorded in the funds	(43,692)
Net assets of governmental activities	\$ 32,162,540

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

TOWN OF KILLINGWORTH, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2010

	General	Reserve Fund For Capital And Nonrecurring Expenditures	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 17,108,256	-	-	17,108,256
Intergovernmental	2,304,491	1,034,413	5,000	3,343,904
Licenses, permits and fees	155,338	-	37,768	193,106
Charges for goods and services	86,343	-	-	86,343
Interest and investment income	36,455	12,058	775	49,288
Capital Surcharge	-	4,308	-	4,308
Other	274,918	150	-	275,068
Total Revenues	<u>19,965,801</u>	<u>1,050,929</u>	<u>43,543</u>	<u>21,060,273</u>
EXPENDITURES:				
Current:				
General government	1,384,571	-	22,299	1,406,870
Public safety	378,100	-	-	378,100
Highway	927,445	-	-	927,445
Sanitation and health	275,175	-	-	275,175
Conservation and land use	67,586	-	-	67,586
Recreation	96,300	-	-	96,300
Miscellaneous	388,170	-	31,507	419,677
Welfare	6,240	-	-	6,240
Education	16,001,735	-	-	16,001,735
Debt service	319,257	-	-	319,257
Capital outlays	-	1,638,267	-	1,638,267
Total Expenditures	<u>19,844,579</u>	<u>1,638,267</u>	<u>53,806</u>	<u>21,536,652</u>
Excess of Revenues Over (Under) Expenditures	121,222	(587,338)	(10,263)	(476,379)
Other Financing Sources (Uses):				
Operating transfers in	-	1,281,239	2,513	1,283,752
Operating transfers out	(1,281,239)	-	(2,513)	(1,283,752)
Total Other Financing Sources (Uses)	<u>(1,281,239)</u>	<u>1,281,239</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,160,017)	693,901	(10,263)	(476,379)
Fund Balance- June 30, 2009	<u>4,499,694</u>	<u>1,663,135</u>	<u>136,294</u>	
Fund Balance, June 30, 2010	<u>\$ 3,339,677</u>	<u>2,357,036</u>	<u>126,031</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year.	(177,964)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	16,944
Bond proceeds and capital lease obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease obligation principal is an expenditure in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds.	195,662
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(19,021)
Total change in net assets (Exhibit II)	<u>\$ (460,758)</u>

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

TOWN OF KILLINGWORTH, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	Pension Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 804,143	216,239
Investments	1,361,110	-
Total Assets	2,165,253	216,239
<u>LIABILITIES</u>		
Due to other groups	-	216,239
Total Liabilities	-	216,239
<u>NET ASSETS</u>		
Held in trust for pension benefits	2,165,253	
Total Net Assets	\$ 2,165,253	

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

TOWN OF KILLINGWORTH, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUNDS

For the Year Ended June 30, 2010

ADDITIONS:

Contributions:	
Employer	\$ 118,780
Plan members	-
Total Contributions	<u>118,780</u>
Investment income (loss)	125,240
Total Additions	<u>244,020</u>

DEDUCTIONS:

Benefits paid	69,462
Administration	14,448
Total Deductions	<u>83,910</u>
Net Increase	160,110

Net assets held in trust for pension benefits:

Beginning of year	2,005,143
End of year	<u><u>\$ 2,165,253</u></u>

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

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Killingworth, Connecticut (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below:

A. Reporting Entity

The Town of Killingworth, Connecticut was named in 1667. The Town of Killingworth, Connecticut operates under a Board of Selectmen/Board of Finance form of Government. The Town provides the following services: public safety; highways and streets; health and welfare; culture-recreation; education; public improvements; planning and zoning; and general administrative services.

The Town operates under the provisions of its charter and the General Statutes of the State of Connecticut. The legislative powers of the Town are vested in the Town meeting. The executive body is made up of a Board of Selectmen, consisting of a First Selectman, who is the chief executive officer, and two other board members. A six-member Board of Finance is responsible for presenting fiscal operating budgets to the Annual Town Meeting. The members of the Board of Finance are elected to 4 year terms.

As required by generally accepted accounting principles, the financial statements of the reporting entity include only the funds and account groups of the Town of Killingworth (the primary government) as no other component units exist based on operational or financial relationships with the Town.

Related Organizations

The Board of Selectmen is responsible for appointing two members of the Library Board of the Town of Killingworth but the Town's accountability does not extend beyond making such appointments. Amounts paid by the Town of Killingworth to the Library in exchange for services rendered amounted to \$200,573 for the year ended June 30, 2010.

The Town has joined the neighboring Town of Haddam, Connecticut in a multi-governmental arrangement established under Connecticut General Statutes to provide services to the residents of the member Towns. Regional School District 17 provides educational services and facilities to the member Towns. The member Towns share proportionately in the operating costs of the school district based upon anticipated enrollment. Although the school district provides services to the citizenry of both governments, it does not meet the definition of a joint venture as the member Towns do not retain an ongoing financial interest in the school district. During the year ended June 30, 2010, the Town of Killingworth recognized expenditures of \$16,001,735 for its proportional share of the operating costs of Regional School District 17.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements

Government-wide 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 nonfiduciary activities of the Town. 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, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the Town's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in Capital Assets Net of Related Debt – This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those capital assets.

Restricted Net Assets – This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2010, the Town had no restricted net assets.

Unrestricted Net Assets – This category consists of net assets which do not meet the definition of the two preceding categories.

When both restricted and unrestricted revenue are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are available.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major individual governmental funds, each reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as "Other Governmental Funds".

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, Continued

Government-wide Financial Statements, Continued

Governmental Funds

Governmental Funds are those through which most of the governmental functions are financed.

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Special Revenue Funds - Special Revenue Funds are used to account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Funds – The Pension Trust Funds are used to account for the Town's defined benefit pension plans

Agency Funds – Agency Funds are custodial in nature (assets equal liabilities) and do not involve the results of operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies, Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

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

The Town reports the following major governmental funds:

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

The Reserve Fund for Capital and Nonrecurring Expenditures is a Special Revenue Fund which is used to account for financial resources to be used for the acquisition of capital and/or nonrecurring items (other than those which may be financed by Proprietary Funds or Trust Funds).

Additionally, the Town reports the following fund types:

The Pension Trust Funds which account for the activities of the Town's pension plans, which accumulate resources for pension benefit payments to qualified Town employees and volunteer fire fighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain Town's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

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

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies, Continued

State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as more fully described in Note 4.

Investments of the Town are reported at fair value.

E. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts being owed between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/due from other funds." Interfund receivables and payables within governmental activities are eliminated in the Statement of Net Assets.

All trade and property taxes receivable are shown net of an allowance for uncollectibles. Property taxes are assessed as of October 1. Assessed values are established by the Town's Assessor's offices at 70% of appraised value. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Taxes become overdue one month after the installment due date. Interest at the rate of 1.5% per month accrues on all overdue tax balances. Liens are effective on the assessment date and are generally continued by filing in May following the due date.

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes and related interest receivable at June 30, 2010 are stated net of an allowance for uncollectible amounts of \$15,527.

F. Inventories and Prepaid Expenses

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At June 30, 2010, the Town had no inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At June 30, 2010, the Town had no prepaid expenses.

G. Capital Assets

Capital assets, which include land and related improvements, buildings and related improvements, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements.

Fixed assets used in governmental fund operations are accounted for as capital outlays, or departmental expenditures in the fund financial statements upon acquisition.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies, Continued

G. Capital Assets, Continued

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and related improvements, land improvements, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Land improvements	20
Equipment and vehicles	5-20
Infrastructure	20-50

H. Compensated Absences

Under the terms of the Town's bargaining agreement, certain Town employees are granted vacation and sick leave in varying amounts. Certain employees may carry over a limited number of unused vacation and sick days to subsequent years and, in the event of termination, are reimbursed for these days based upon various formulas. Accumulated vacation and sick leave is recognized as a liability of the Town in the government-wide financial statements.

I. Long-Term Obligations

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term debt consists of general obligation bonds, capital lease obligations, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest are reported as expenditures.

J. Fund Equity

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

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies, Continued

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

L. Other Post-employment Benefits (OPEB) Accounting

In fiscal 2009, the Town implemented GASB Statement Number 45, "Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions." This pronouncement required the Town to calculate and record a net OPEB asset at June 30, 2009. This net OPEB asset is, in general, the cumulative difference between the actuarial required contribution and the actual contributions made since July 1, 2008. The Town makes annual contributions based upon management decisions.

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds." The details of this (\$3,311,269) are as follows:

General obligation bonds payable	\$ 2,920,000
Capital lease obligations payable	21,767
Compensated absences	187,076
Net pension obligations	182,426
Net adjustment to reduce fund balance - total government funds to arrive at net assets-governmental activities	<u>\$ 3,311,269</u>

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$177,964) are as follows:

Capital outlays-net	\$ 1,589,559
Depreciation expense	(1,767,523)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	\$ (177,964)

Another element of that reconciliation states that “Bond proceeds and capital lease obligation proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease obligation principal is an expenditure in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net assets.” The details of this \$195,662 difference are as follows:

Principal repayments:	
Capital lease financing	\$ 20,662
General obligation bonds	175,000
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	\$ 195,662

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$43,150 difference are as follows:

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities, Continued

Change in accrued interest payable	\$	3,610
Change in compensated absences payable		(15,650)
Changes in net pension obligations		(18,411)
Change in net other post-employment benefits		11,430
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities		
		\$ (19,021)

3. Stewardship, Compliance and Accountability

The Town establishes a Town-wide budget in accordance with provisions of its Charter and the Connecticut General Statutes. The Annual Budget Meeting is held on the third Monday in May, in accordance with the Town Charter. At the meeting the Board of Finance recommends its proposed budget to the Town. The operating budget includes proposed expenditures and the means of financing them.

The Board of Finance, on request by Town agencies or officials, may make special appropriations from surplus revenue or from an approved contingency fund. Such a special appropriation in excess of \$20,000 shall require approval by a vote of Town meeting. Not more than one special appropriation for any Town agency, official, or any department may be made by the Board of Finance in each fiscal year, without approval of Town meeting.

The Board of Finance is also authorized to transfer budgeted amounts up to \$20,000 within and between Town departments. Any transfers over \$20,000 must be approved at Town meeting.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Additional appropriations approved during the year totaled \$580,716.

All unencumbered general fund appropriations lapse at year-end. In accordance with section 9-7 of the Town charter, the Town is permitted to hold open unencumbered appropriations authorizing the construction or permanent improvement of fixed assets of the Town for a period of three years. If an encumbered expenditure has been incurred, the appropriation is held open until the completion of the project. Additionally, the same section of the Town charter allows the Board of Finance to hold open any portion of an annual appropriation remaining unexpended at the close of the fiscal year.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

4. Cash, Cash Equivalents and Investments

The deposit of public funds is controlled by Connecticut General Statutes. Cash equivalents are defined as those liquid investments having original maturities of three months or less. The following is a summary of cash, cash equivalents and investments at June 30, 2010:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	Statement of	Statement of
	<u>Net Assets</u>	Fiduciary
		<u>Net Assets</u>
Cash and cash equivalents:		
Cash on hand and on deposit	\$ 3,278,502	216,239
Money market funds	<u>2,490,581</u>	<u>804,143</u>
Total cash and cash equivalents	<u>5,769,083</u>	<u>1,020,382</u>
Investments:		
Cash funds	-	146,865
U.S. government and related obligations	-	355,073
Corporate bonds	-	14,952
Equity securities	-	577,649
Mutual funds	<u>-</u>	<u>266,571</u>
Total investments	<u>-</u>	<u>1,361,110</u>
Total cash, cash equivalents and investments	<u>\$ 5,769,083</u>	<u>2,381,492</u>

Deposits

As of year-end, the carrying amount of the Town of Killingworth's deposits, including money market funds, was \$3,494,741 and the bank balance was \$3,950,251.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy with regards to custodial credit risk for deposits requires that all of the bank balance be covered by Federal depository insurance and/or deposit surety bonds issued by an insurance company to the financial institution on behalf of the Town. Accordingly, there were no deposit balances which were uninsured and/or uncollateralized at June 30, 2010.

Cash Equivalents

At June 30, 2010, the Town's cash equivalents amounted to \$3,294,724. The Town's cash equivalents consist of money market funds which are also covered by Federal depository insurance and/or deposit surety bonds issued by an insurance company to the financial institution on behalf of the Town. Accordingly, there were no money market funds with balances which were uninsured and/or uncollateralized at June 30, 2010.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

4. Cash, Cash Equivalents and Investments, Continued

Investments

At June 30, 2010, the Town had the following investments:

Investment type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Notes	\$ 168,770	13,612	125,081	22,209	7,868
U. S. Agencies	186,303	-	26,828	10,243	149,232
Corporate Bonds	14,952	-	14,952	-	-
	<u>370,025</u>	<u>13,612</u>	<u>166,861</u>	<u>32,452</u>	<u>157,100</u>
Equity Securities **	577,649				
Mutual Funds **	266,571				
Cash funds **	146,865				
	<u>\$ 1,361,110</u>				

** Equity securities, mutual funds and cash funds do not mature.

Interest Rate Risk- The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair values losses arising from increases in interest rates.

Credit Risk –State statutes permit the Town to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the statutes cover specific municipal funds with particular investment authority.

The provisions of State statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan. The Town has no investment policy that would further limit its investment choices beyond those limited by state statute.

Custodial Credit Risk – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2010, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

Concentrations of Credit Risk – The Town has no policy limiting the amount the Town may invest in any one issuer.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

5. Receivables and Deferred Revenue

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

	General <u>Fund</u>
Receivables:	
Taxes	\$ 133,770
Interest	28,494
Grants receivable	<u>79,709</u>
Gross receivables	241,973
Less: allowance for uncollectibles	<u>(15,527)</u>
Net total receivables	<u>\$ 226,446</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the component of deferred revenue reported in governmental funds is as follows:

Delinquent property taxes and interest receivable	<u>\$116,093</u>
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**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

6. Capital Assets

Capital asset activity for the year ended June 30, 2010 is as follows:

	Balance <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,821,535	-	-	3,821,535
Capital assets, being depreciated				
Land improvements	650,787	729,746	-	1,380,533
Buildings and improvements	3,269,227	68,257	-	3,337,484
Equipment and vehicles	3,200,053	152,434	23,998	3,328,489
Infrastructure	<u>41,575,530</u>	<u>639,122</u>	-	<u>42,214,652</u>
Total assets being depreciated	<u>48,695,597</u>	<u>1,589,559</u>	<u>23,998</u>	<u>50,261,158</u>
Less: accumulated depreciation for:				
Land improvements	527,148	15,244	-	542,392
Buildings and improvements	1,066,987	65,162	-	1,132,149
Equipment and vehicles	2,448,774	129,919	23,998	2,554,695
Infrastructure	<u>18,754,073</u>	<u>1,557,198</u>	-	<u>20,311,271</u>
Total accumulated depreciation	<u>22,796,982</u>	<u>1,767,523</u>	<u>23,998</u>	<u>24,540,507</u>
 Total capital assets, being depreciated, net	 <u>25,898,615</u>	 <u>(177,964)</u>	 -	 <u>25,720,651</u>
 Total Government-Wide Capital Assets, Net	 <u>\$ 29,720,150</u>	 <u>(177,964)</u>	 -	 <u>29,542,186</u>

Depreciation expense was charged Governmental activities-functions/programs as follows:

General government	\$ 19,272
Public safety	68,629
Highway	1,615,415
Sanitation and health	19,300
Recreation	4,086
Miscellaneous	40,821
 Total depreciation expense-governmental activities	 <u>\$ 1,767,523</u>

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

7. Interfund Accounts

At June 30, 2010, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 186,122	-
Major Governmental Fund:		
Reserve Fund for Capital and Nonrecurring Expenditures	-	170,077
Nonmajor Governmental Funds:		
Special Revenue-Dog Fund	-	16,045
	<u>\$ 186,122</u>	<u>186,122</u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	1,281,239
Major Governmental Fund:		
Reserve Fund for Capital and Nonrecurring Expenditures	1,281,239	-
Nonmajor Governmental Funds:		
Special Revenue-Dog Fund	2,513	-
Special Revenue-The Atti Fund	-	2,513
	<u>\$ 1,283,752</u>	<u>1,283,752</u>

All transfers represent routine recurring transactions to move resources from one fund to another.

8. Capital Leases

The Town leases a portable building under the terms of a capital lease. A summary of future minimum lease payments required by the lease agreement, together with the present value of the net minimum lease payments as of June 30, 2010 is as follows:

Fiscal year ending June 30, 2011	\$ 22,932
Less: amount representing interest	<u>(1,165)</u>
Present value of minimum lease payments	<u>\$ 21,767</u>

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

9. Long-term Debt

General Obligation Bonds Payable

At June 30, 2010, the Town had general obligation bonds in the amount of \$2,920,000 outstanding. The bonds, dated August 15, 2006, mature serially over 20 years at rates which vary from 3.875% to 5.5%.

The annual debt service requirements on these general obligation bonds, including interest, are as follows as of June 30, 2010:

Fiscal year ending:	<u>Principal</u>	<u>Interest</u>
June 30, 2011	\$ 175,000	113,013
June 30, 2012	175,000	106,122
June 30, 2013	175,000	99,341
June 30, 2014	175,000	92,559
June 30, 2015	175,000	85,668
Thereafter	<u>2,045,000</u>	<u>482,722</u>
	<u>\$ 2,920,000</u>	<u>979,425</u>

Changes in Long-term Debt

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 3,095,000	-	175,000	2,920,000	175,000
Total bonds payable	<u>3,095,000</u>	<u>-</u>	<u>175,000</u>	<u>2,920,000</u>	<u>175,000</u>
Capital lease obligations	42,429	-	20,662	21,767	21,767
Compensated absences	171,426	15,650	-	187,076	74,235
Net pension obligations	164,015	18,411	-	182,426	-
Total Governmental Activities					
long-term liabilities	<u>\$ 3,472,870</u>	<u>34,061</u>	<u>195,662</u>	<u>3,311,269</u>	<u>271,002</u>

Contingent Obligation

The Town is contingently liable for 45.29042% of the bonded indebtedness of Regional School District 17 not to be provided by the State of Connecticut. As of June 30, 2010, the total of such outstanding indebtedness of the Regional School District 17 was \$20,000,000 with Killingworth's share approximating \$9,058,084.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

9. Long-term Debt, Continued

Debt Limitation

The Town's total authorized debt falls within the debt limitation set forth by the Connecticut General Statutes.

10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the Town carries commercial insurance. During the year ended June 30, 2010, deductibles paid by the Town were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

11. Contingencies and Litigation

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by legal counsel to be likely to result in a judgment or judgments, which would materially affect the Town's financial position.

12. Related Party Transactions

Regional School District Number 17 provides educational services and facilities to the residents of the Towns of Haddam and Killingworth. The member towns share proportionately in the operating costs of the school district. Although the school district provides services to the citizenry of both governments, the school district does not meet the definition of a joint venture, as the member governments do not retain an ongoing financial interest in the school district. During the year ended June 30, 2010, the Town recognized expenditures of \$16,001,735 for its payment of its proportionate share of the operating costs of Regional School District Number 17.

13. Deferred Compensation Plan

The Town of Killingworth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible employees, permits employees to defer a portion of their salaries until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or under certain specific conditions as defined in the plan.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

14. Defined Benefit Pension Plan-Municipal Employees

Plan Description

The Town of Killingworth is the sponsor and administrator of a single employer retirement system named the "Town of Killingworth Municipal Employees' Pension Plan" (the Plan) which was established to provide pension benefits for employees of the Town. The plan was adopted September 30, 2003 effective July 1, 2001. Plan assets of the former defined contribution plan have been transferred to the defined benefit plan.

The Plan covers substantially all full-time employees of the Town. The plan is considered to be part of the Town's financial reporting entity and is included as a pension trust fund of the Town.

Summary of Significant Accounting Policies

The plan's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value.

Plan Membership

Membership in the plan consisted of the following at July 1, 2007, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	7
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members	<u>16</u>
	<u><u>23</u></u>

Benefit Provisions

A participant is eligible for normal retirement upon reaching the later of the age of 65 or the completion of 15 years of service. There is no mandatory retirement age. The benefit is equal to the following:

The annual accrued benefit of a member shall be equal to (A) times (B), where:

(A) 1.5% of the average compensation multiplied by the years of benefit service at normal retirement date.

(B) Equals a fraction (not to exceed one), the numerator of which is the actual completed years of benefit service at normal retirement date or earlier termination of employment; and the denominator of which is the years of benefit service which the plan member would have accumulated at normal retirement date.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

14. Defined Benefit Pension Plan-Municipal Employees, Continued

Benefit Provisions, Continued

The Plan contains a provision for early retirement at age 60 with at least 15 years of service. Benefits for early retirement are actuarially determined. The spousal death benefit for the plan is the actuarial equivalent of the members vested accrued retirement benefit. Participants in the plan are vested after 15 years.

Funding Policy

Employer contributions rates are established by the Board of Selectmen and approved by the Board of Finance as determined by its actuaries. The Town is required to contribute the remaining amounts necessary to finance the benefits for the participants as determined by its actuaries. The Town's funding policy provides for periodic employer contributions to accumulate sufficient assets to pay benefits when due.

Other

A schedule of employer contributions, a schedule of funding progress, and the calculation of annual pension cost and net pension obligation are presented as "Required Supplementary Information" in schedule RSI-3 accompanying these financial statements.

15. Defined Benefit Pension Plan-Killingworth Volunteer Fire Company

Plan Description

The Town of Killingworth is the sponsor and administrator of a single employer retirement system named the "Killingworth Volunteer Fire Company Defined Benefit Pension Plan" (the Plan) which was established to provide pension benefits for employees of the Town. The plan was formally adopted in September, 2005. The plan was originally effective January 1, 1989 with benefit funding provided exclusively through an insurance program which was paid by the Town.

The Plan covers anyone who is a volunteer fireman or ambulance personnel who is eligible to enter the plan. Individuals are eligible to enter the plan as a participant upon reaching age 18 and completing a probationary period of at least 3 months and not more than 3 years. The plan is considered to be part of the Town's financial reporting entity and is included as a pension trust fund of the Town.

Summary of Significant Accounting Policies

The plan's financial statements are prepared using the accrual basis of accounting. Town contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value.

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

15. Defined Benefit Pension Plan-Killingworth Volunteer Fire Company, Continued

Benefit Provisions

A participant is eligible for normal retirement upon reaching the age of 65. There is no mandatory retirement age. The plan benefit is determined based upon years of participation. Participants will be credited with a year of plan participation for any plan year in which the participant attends any one of the following: (1) at least 20% of all calls; (2) at least 50% of all meetings; (3) at least 50% of all drills; and (4) at least 50% of all work nights.

The amount of monthly retirement income benefit of a plan participant will be an amount based upon years of plan participation as set forth in the following table:

<u>Years of Plan Participation</u>	<u>Amount of Monthly Retirement Income</u>
0	\$ -
1-5	\$ 150
6	\$ 200
7	\$ 220
8	\$ 240
9	\$ 260
10	\$ 280
11	\$ 300
12	\$ 320
13	\$ 340
14	\$ 360
15	\$ 380
16	\$ 400
17	\$ 420
18	\$ 440
19	\$ 460
20	\$ 480
21 or more	\$ 500

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

15. Defined Benefit Pension Plan-Killingworth Volunteer Fire Company, Continued

Benefit Provisions, Continued

The normal form of retirement benefit provides for a monthly benefit payment for as long as the participant shall live. Optional forms of distribution are available. Participants in the plan are vested according to the following table:

<u>Years of Plan Participation</u>	<u>Vested Percentage</u>
Less than 4	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

Funding Policy

Town contributions rates are established by the Board of Selectmen and approved by the Board of Finance as determined by its actuaries. The Town is required to contribute the remaining amounts necessary to finance the benefits for the participants as are actuarially determined. The Towns funding policy provides for periodic employer contributions to accumulate sufficient assets to pay benefits when due.

Other

A schedule of employer contributions, a schedule of funding progress, and the calculation of annual pension cost and net pension obligation are presented as "Required Supplementary Information" in schedule RSI-4 accompanying these financial statements.

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

16. Other Post-employment Benefits (OPEB)

The Town provides post-retirement medical benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit OPEB plan. The OPEB plan provides medical coverage to eligible retirees and their spouse. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet plan obligations. The latest valuation was made July 1, 2008. The OPEB plan does not issue a separate, stand-alone, financial report.

Employees of the Town are eligible for medical coverage based upon the following criteria:

- Normal retirement at age 62 and 15 years of service.
- For UPSEU union retirees:
 - Benefits are continued for the lesser of 3 years or the retiree's age 65.
- For AFSME union retirees:
 - Benefits are continued for 3 years regardless of the retiree's or spouse's age.

Spousal medical benefits are provide to the spouse of a retiree eligible for medical benefits and are subject to the same duration of coverage as indicated above.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting GASB Statement Number 45 beginning with the year ended June 30, 2009, the Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability (or asset) from prior years, and provides information useful in assessing potential demands on the Town's cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

The contribution requirement of plan members and the Town are established and may be amended by the Town. The Town currently contributes enough money to the plan to satisfy the current obligations on a pay-as-you go basis.

Benefits for retirees are provided by the Town at no cost to the retiree. Benefits for the spouse's of eligible retirees require a contribution for the spouses portion of the premium of between 10 and 20 percent.

Membership in the plan consisted of the following at July 1, 2008, the date of the most recent actuarial valuation:

Active members	8
Retirees	<u>5</u>
	<u><u>13</u></u>

(Continued)

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2010**

16. Other Post-employment Benefits (OPEB), Continued

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if it were paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The actuarial accrued liability as of July 1, 2008 is estimated to be \$415,951. The Town's contributions represent payments made for premiums for insured individuals.

A schedule of employer contributions, a schedule of funding progress, the calculation of net other post-employment obligation, and three year trend information are presented as "Required Supplementary Information" in schedule RSI-5 accompanying these financial statements.

Actuarial valuation 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 continued revision as actual results are compared with past expectation and new estimates are made about the future.

Projection 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 of benefit 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.

TOWN OF KILLINGWORTH, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Property Taxation:				
General Tax Receipts	\$ 16,719,029	16,719,029	17,047,989	328,960
Other Tax Collections	20,000	20,000	69,725	49,725
	<u>16,739,029</u>	<u>16,739,029</u>	<u>17,117,714</u>	<u>378,685</u>
Intergovernmental Revenues:				
Education Equalization	2,227,467	2,227,467	1,909,685	(317,782)
Pequot/Mohegan Grant	23,587	23,587	16,659	(6,928)
Town Aid Roads	92,998	92,998	127,060	34,062
PILOT-State Owned Property	123,817	123,817	124,027	210
Local Capital Improvement Program	55,662	55,662	42,366	(13,296)
Youth Services	14,000	14,000	19,000	5,000
Boating Safety	3,913	3,913	2,005	(1,908)
Tax Relief for the Elderly	28,154	28,154	31,939	3,785
Veterans Tax Relief	4,688	4,688	5,796	1,108
Disabled Grant	231	231	210	(21)
Lead Poisoning Prevention and Control Program	-	1,107	1,107	-
Connecticut Clean Energy Fund	-	4,000	2,000	(2,000)
Other Federal, State and Local Grants	-	-	22,638	22,638
	<u>2,574,517</u>	<u>2,579,624</u>	<u>2,304,492</u>	<u>(275,132)</u>
Licenses, Fees and Permits	125,000	125,000	155,338	30,338
Charges for Goods and Services	150,000	150,000	86,343	(63,657)
Interest and Investment Income	75,000	75,000	36,455	(38,545)
Capital Surcharge	3,100	3,100	-	(3,100)
Other Revenues	98,000	98,000	274,918	176,918
Bond Anticipation Note Proceeds	1,000,000	1,000,000	-	(1,000,000)
Appropriation of Prior Year Fund Balance	1,617,852	2,193,461	1,162,525	(1,030,936)
Total Revenues	<u>\$ 22,382,498</u>	<u>22,963,214</u>	<u>21,137,785</u>	<u>(1,825,429)</u>

Budgetary revenues are different from GAAP revenues because:

Fund balance and prior year surplus are not recognized as revenues for GAAP purposes (1,162,525)

Property taxes are budgeted on a cash basis:

Change in net property taxes and interest receivable 7,486
Change in deferred property tax and interest revenue (16,945)

Total revenues and other financing sources as reported on the "Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds"-Exhibit IV

\$ 19,965,801

**TOWN OF KILLINGWORTH
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP-BUDGETARY BASIS)**

For the year ended June 30, 2010

	Original <u>Budget</u>	Revised <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
General Government				
First Selectman-Salary	\$ 59,500	60,644	60,644	-
First Selectman-Meeting Expense	750	750	195	555
First Selectman Cellular Phone	400	400	205	195
First Selectman-Mileage	1,200	1,452	1,452	-
Finance Director-Salary	50,715	51,690	51,690	-
Selectman's Secretary-Salary	32,515	33,162	33,162	-
Office Expense	15,000	14,470	12,704	1,766
Selectmen's Salary	8,000	8,000	8,000	-
Probate Court Support	600	600	339	261
Board of Elections-Salaries	8,000	8,000	7,370	630
Board of Elections-Expenses	13,150	13,150	12,351	799
Board of Finance-Expenses	3,500	3,500	2,436	1,064
Board of Finance-Audit	11,000	11,000	11,000	-
Annual Capital Transfer-Secretary Pension Expense	2,439	2,439	2,439	-
Annual Capital Transfer-Transfer to Capital Reserve	755,000	755,000	755,000	-
Annual Capital Transfer-Life Benefit/KVFC & Ambulance	25,000	25,000	25,000	-
Annual Capital Transfer-Sinking Fund Vacation Sicktime	20,000	20,000	20,000	-
Annual Capital Transfer-Other	-	478,800	478,800	-
Contingency	20,000	-	-	-
Grant Writer	1	1	-	1
Assessor-Salary	53,562	54,592	54,592	-
Assessor Assistant-Salary	38,347	39,485	39,485	-
Assessor-Expenses	14,050	14,050	10,875	3,175
Board of Assessment Appeals-Salary	150	150	100	50
Board of Assessment Appeals-Expenses	55	55	-	55
Tax Collector-Salary	46,389	47,281	47,281	-
Tax Collector Clerk Salary	18,461	18,461	18,455	6
Tax Collector-Expenses	6,579	6,579	3,397	3,182
Treasurer-Salary	3,900	3,900	3,900	-
Treasurer-Expenses	700	700	700	-
Town Counsel-Fees	30,000	33,626	33,626	-
Town Engineer-Fees	30,000	14,091	14,091	-
Town Clerk-Salary	58,489	59,614	59,614	-
Town Clerk Assistant A-Salary	32,180	33,332	33,332	-
Town Clerk Assistant B-Salary	13,000	14,177	14,177	-
Town Clerk-Expenses	30,800	30,800	29,792	1,008
Building Official-Salary	40,954	48,998	48,998	-
Building Official-Expenses	9,950	9,950	6,912	3,038
Land Use Secretary-Salary	12,308	12,308	12,180	128
Water Testing Fees	1,400	1,922	1,922	-
Buildings and Grounds	23,795	23,795	17,897	5,898
Electricity	34,700	34,700	28,503	6,197
Telephone Expense	14,000	14,000	11,983	2,017
Town Office Building-Custodian	10,800	10,800	6,698	4,102
Town Officials' Bonds	2,700	2,700	2,678	22
Fire/Liability/Casualty Insurance	85,000	65,000	63,495	1,505
Workers Compensation Insurance	40,000	44,760	44,760	-
Unemployment Insurance	6,000	6,000	-	6,000
Social Security/Medicare	83,000	83,000	78,513	4,487
Medical/Dental Insurance	240,000	240,000	230,043	9,957
Life/Disability Insurance	7,500	7,500	6,174	1,326
Duplicating Expense	3,800	3,800	2,879	921
Postage/Meter Rental	12,000	12,000	10,992	1,008
Mapping Machine	1,000	1,393	1,393	-
Misc. Expense Allowance (Clothing)	1,500	1,500	1,500	-
Computer Supplies	9,235	9,235	7,866	1,369
Computer Maintenance and Licenses	22,749	22,749	20,088	2,661
GIS Applications	3,500	3,500	3,500	-
Town Website	-	10,000	-	10,000
IT Network Support	20,500	20,512	20,512	-
Legal Notices	5,400	5,400	5,061	339
Medical Buyout	87,000	87,000	85,110	1,890
Pension Plan	100,000	100,000	100,000	-
Actuarial Expense	6,000	6,825	6,825	-
Total General Government	2,288,223	2,748,298	2,672,686	75,612

(Continued)

**TOWN OF KILLINGWORTH
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP-BUDGETARY BASIS)**

For the year ended June 30, 2010

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety				
Fire Company	\$ 106,300	106,300	106,300	-
Ambulance/Fire Company Incentive Program	80,000	80,000	80,000	-
Actuarial Expense	6,000	6,475	6,475	-
Fire Marshal-Salary	5,235	5,235	5,235	-
Fire Marshal-Expenses	3,450	3,450	3,242	208
Open Burning Official-Salary	1,000	1,000	1,000	-
Office of Emergency Management	9,120	9,120	8,526	594
Emergency Planning Committee	1	1	-	1
Resident State Trooper-Salary	87,066	80,591	80,591	-
Resident State Trooper-Expenses	13,070	27,033	21,812	5,221
Traffic Control Officers	500	500	-	500
Valley Shore Emergency Communications	64,919	64,919	64,919	-
Total Public Safety	376,661	384,624	378,100	6,524
Highway				
Foreman-Salary	70,491	71,847	71,847	-
Mechanic-Salary	1	1	-	1
Driver/Operator-Salary	255,674	267,937	267,937	-
Overtime/Special	4,500	5,679	5,679	-
Highway Other	380,127	395,970	395,970	-
Snow Removal	149,500	173,108	173,108	-
Groundskeepers/Contractors	10,000	10,268	10,268	-
Cemetery Care	8,000	8,000	5,992	2,008
Total Highway	878,293	932,810	930,801	2,009
Sanitation and Health				
Compactor-Supervisor's Salary	15,424	15,656	15,656	-
Compactor-Attendant Salary	35,402	32,311	32,311	-
Compactor-Maintenance & Operations	23,400	13,779	13,779	-
Carting & Disposal Expense	114,000	102,118	102,118	-
Bulky Waste Disposal	54,900	59,515	59,515	-
Bethke Site	200	200	-	200
Mosquito Control	1	1	-	1
Sludge Lagoons	3,000	3,968	3,968	-
Hazardous Waste Collection	13,500	13,500	10,710	2,790
Health Director	8,000	9,107	8,000	1,107
Restaurant Sanitarian	4,000	4,000	3,072	928
Sanitarian	16,337	21,852	21,852	-
Sanitarian-Expenses	5,976	4,553	3,343	1,210
Public Health Nurse	3,850	1,620	1,620	-
Vital Statistics	200	200	116	84
Route 148 Property Clean Up and Demolition	-	16,250	-	16,250
Total Sanitation and Health	298,190	298,630	276,060	22,570
Conservation and Land Use				
Planning and Zoning	7,950	7,950	3,188	4,762
Lans Use Reporting Requirement	3,000	4,270	4,270	-
Zoning Enforcement Officer-Salary	28,860	29,414	29,414	-
Zoning Enforcement Officer-Expenses	3,100	3,160	3,160	-
Zoning Board of Appeals	500	500	300	200
Conservation Commission	975	975	125	850
Inlands Wetlands Commission	2,150	2,150	545	1,605
Inlands Wetlands Enforcement Officer-Salary	19,242	19,613	19,613	-
Inlands Wetlands Enforcement Officer-Expenses	1,000	1,019	1,019	-
Water Pollution Control	7,450	7,450	3,002	4,448
Connecticut River Conservation District	1,661	1,661	1,661	-
Tree Warden	2,500	2,500	2,140	360
Total Conservation and Land Use	78,388	80,662	68,437	12,225

(Continued)

**TOWN OF KILLINGWORTH
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP-BUDGETARY BASIS)**

For the year ended June 30, 2010

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation				
Killingworth Park & Recreation Comm.	\$ 26,650	19,760	19,760	-
H-K Regional Recreation	76,526	76,540	76,540	-
Total Recreation	103,176	96,300	96,300	-
Community Services				
Connecticut River Estuary				
Regional Planning Agency	12,886	12,886	12,886	-
Community Renewal Team	2,500	2,500	2,500	-
Council of Small Towns	825	825	825	-
CT Council of Municipalities	3,607	3,607	3,607	-
Estuary Council of Senior Clubs	19,000	19,000	19,000	-
Killingworth Seniors'	1,600	1,600	1,600	-
Library	200,573	200,573	200,573	-
Dog Fund Support	-	-	-	-
Estuary Transit District	6,983	6,983	6,983	-
Community Health Center	1,000	1,000	1,000	-
Literacy Volunteers	400	400	400	-
Regional Mental Health	289	289	289	-
Killingworth Housing Partnership	1,500	1,500	809	691
H-K Youth & Family Services	60,000	60,000	60,000	-
Middlesex Substance Abuse	963	963	963	-
Killingworth Land Use Subcommittee	1,200	1,200	692	508
Town Office Building Study Committee	1	1	-	1
Tax Abatements and Refunds	1	35,621	35,621	-
Miscellaneous Grants	1	19,323	19,323	-
Miscellaneous Government Refunds	1	1	-	1
Open Space Subcommittee	500	500	-	500
Open Space Acquisition	1	1	-	1
Wettsih Property Development	-	27,381	18,598	8,783
Friendly Fund/Helping Hands	1,000	1,000	-	1,000
The Connection-Eddy Shelter	2,500	2,500	2,500	-
Total Miscellaneous	317,331	399,654	388,169	11,485
Welfare				
Social Services/Municipal Agent	9,270	9,270	6,240	3,030
Administration Expenses	100	100	-	100
Total Welfare	9,370	9,370	6,240	3,130

(Continued)

**TOWN OF KILLINGWORTH
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP-BUDGETARY BASIS)**

For the year ended June 30, 2010

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt and Lease Obligations				
Town Office Building Rental	\$ 22,932	22,932	22,932	-
Bonding	296,325	296,325	296,325	-
BAN-Wettish Ballfields & Reservoir Road Bridge	1,000,000	1,000,000	-	1,000,000
Debt Related Expenses	50,000	50,000	-	50,000
Total Debt and Lease Obligations	<u>1,369,257</u>	<u>1,369,257</u>	<u>319,257</u>	<u>1,050,000</u>
Total Operating Expenditures	<u>5,718,889</u>	<u>6,319,605</u>	<u>5,136,050</u>	<u>1,183,555</u>
Education	<u>16,663,609</u>	<u>16,643,609</u>	<u>16,001,735</u>	<u>641,874</u>
Total Expenditures	<u>\$ 22,382,498</u>	<u>22,963,214</u>	<u>21,137,785</u>	<u>1,825,429</u>
Accrued payroll costs are not recorded for budgetary purposes			(11,967)	
Total Expenditures and Other Financing Uses on the Statement of Revenues, Expenditures and Changes in Fund Balances-Exhibit IV			<u>21,125,818</u>	

**TOWN OF KILLINGWORTH, CONNECTICUT
DEFINED BENEFIT PENSION PLAN-MUNICIPAL EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

I. Schedule of Employer Contributions

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Contribution Made	Percentage Contributed
2000	\$ 61,337	\$ 47,094	76.8%
2001	\$ 65,323	-	0.0%
2002	\$ 69,569	\$ 49,160	70.7%
2003	\$ 74,091	-	0.0%
2004	\$ 78,907	-	0.0%
2005	\$ 84,036	\$ 80,000	95.2%
2006	\$ 219,067	\$ 265,591	121.2%
2007	\$ 123,808	\$ 85,000	68.7%
2008	\$ 93,371	\$ 130,000	139.2%
2009	\$ 99,440	\$ 100,000	100.6%
2010	\$ 126,710	\$ 100,000	78.9%

II. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
06/30/03	\$ 761,270	\$ 1,215,354	454,084	62.6%	\$ 832,759	54.5%
06/30/04	N/A	N/A	N/A	N/A	N/A	N/A
06/30/05	\$ 935,161	\$ 1,697,114	761,953	55.1%	\$ 727,689	104.7%
06/30/06	\$ 1,227,411	\$ 1,461,410	233,999	84.0%	\$ 782,930	29.9%
06/30/07	\$ 1,463,239	\$ 1,646,251	\$ 183,012	88.9%	\$ 726,436	25.2%
06/30/08	N/A	N/A	N/A	N/A	N/A	N/A
06/30/09	\$ 1,224,101	\$ 1,917,519	\$ 693,418	63.8%	\$ 817,837	84.8%

III. Calculation of Annual Pension Cost (APC) and Net Pension Obligation (NPO)

Actuarially required contribution (ARC)	\$ 126,710
Interest on Net Pension Obligation	11,429
Adjustment to Actuarially Required Contribution	(12,295)
Annual Pension Cost	<u>125,844</u>
Contribution Made	100,000
Increase (Decrease) in Net Pension Obligation	<u>25,844</u>
Net Pension Obligation, Beginning of Year	163,274
Net Pension Obligation, End of Year	<u>\$ 189,118</u>

IV. Three Year Trend Information

Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of Annual Pension Contributed	Net Pension Obligation	Actual Contribution
2008	\$ 85,907	151.3%	\$ 169,759	\$ 130,000
2009	\$ 93,515	106.9%	\$ 163,274	\$ 100,000
2010	\$ 125,844	79.5%	\$ 189,118	\$ 100,000

V. Notes to Required Supplementary Information:

Actuarial valuation date:	July 1, 2009
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar, closed
Remaining amortization period:	30 years
Actuarial asset valuation method:	Fair market value
Actuarial assumptions:	
Investment rate of return:	7.00%
Projected salary increases:	4.00%
Post retirement benefit increases:	None
Inflation:	No explicit assumption
Cost of living adjustments:	No explicit assumption
Turnover assumption:	Starting with 5.44% at age 20 grading to 0% at age 50.
Other:	Mortality table: RP2000 mortality table-combined Retirement age: Age 65 Disability assumption-None Pre-retirement death benefit-Present value of accrued benefits

**TOWN OF KILLINGWORTH, CONNECTICUT
DEFINED BENEFIT PENSION PLAN-KILLINGWORTH VOLUNTEER FIRE COMPANY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

I. Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Contribution Made</u>	<u>Percentage Contributed</u>
2000	\$ 36,355	\$ 19,420	53.4%
2001	\$ 38,718	\$ 39,820	102.8%
2002	\$ 41,235	\$ 45,630	110.7%
2003	\$ 43,915	\$ 21,510	49.0%
2004	\$ 46,769	\$ 20,460	43.7%
2005	\$ 49,809	\$ 54,480	109.4%
2006	\$ 53,047	\$ 80,785	152.3%
2007	\$ 62,813	\$ 60,000	95.5%
2008	\$ 62,008	\$ 72,000	116.1%
2009	\$ 62,008	\$ 80,000	129.0%
2010	\$ 72,571	\$ 80,000	110.2%

II. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/05	\$ 550,000	\$ 1,005,082	455,082	54.7%	N/A	N/A
01/01/06	\$ 610,644	\$ 1,056,551	445,907	57.8%	N/A	N/A
01/01/07	\$ 705,161	\$ 1,163,454	458,293	60.6%	N/A	N/A
01/01/08	N/A	N/A	N/A	N/A	N/A	N/A
07/01/09	\$ 781,042	\$ 1,287,549	\$ 506,507	60.7%	N/A	N/A

III. Calculation of Annual Pension Cost (APC) and Net Pension Obligation (NPO)

Actuarially required contribution (ARC)	\$ 72,571
Interest on Net Pension Obligation	52
Adjustment to Actuarially Required Contribution	(56)
Annual Pension Cost	<u>72,567</u>
Contribution Made	80,000
Increase (Decrease) in Net Pension Obligation	<u>(7,433)</u>
Net Pension Obligation, Beginning of Year	741
Net Pension Obligation, End of Year	<u>\$ (6,692)</u>

IV. Three Year Trend Information

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of Annual Pension Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
2008	\$ 61,808	116.5%	\$ 18,863	\$ 72,000
2009	\$ 61,878	129.3%	\$ 741	\$ 80,000
2010	\$ 72,567	110.2%	\$ (6,692)	\$ 80,000

V. Notes to Required Supplementary Information:

Actuarial valuation date:	07/01/09
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar, closed
Remaining amortization period:	30 years
Actuarial asset valuation method:	Fair market value
Actuarial assumptions:	
Investment rate of return:	7.00%
Projected salary increases:	None
Post retirement benefit increases:	None
Inflation:	No explicit assumption
Cost of living adjustments:	No explicit assumption
Turnover assumption:	Starting with 5.44% at age 20 grading to 0% at age 50
Other:	Mortality tables: RP 2000 mortality table-combined Retirement age: Age 65 Disability assumption-none Pre-retirement death benefit-N/A

**TOWN OF KILLINGWORTH, CONNECTICUT
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

I. Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 45,646	\$ 70,694	154.9%
2010	\$ 46,576	\$ 58,351	125.3%

II. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
07/01/08	\$ -	\$ 415,951	\$ 415,951	0%	\$ 385,232	108%
07/01/09	N/A	N/A	N/A	N/A	N/A	N/A

III. Calculation of Net Other Postemployment Obligation (NOO)

Annual Required Contribution (ARC)	\$ 46,576
Net OPEB Obligation (NOO) June 30, 2008	(25,048)
Interest on NOO at 4.5%	(1,127)
Adjustment to ARC	(1,472)
Annual OPEB Cost (AOC)	46,921
Contribution Made	58,351
Change in NOO	(11,430)
NOO, End of Year	<u>\$ (36,478)</u>

IV. Three-year Trend Information

The Town's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan and the net OPEB obligation (NOO) is as follows ***:

<u>Fiscal Year Endng</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/09	\$ 45,646	\$ 70,694	154.9%	\$ (25,048)
06/30/10	\$ 46,576	\$ 58,351	125.3%	\$ (36,478)

*** June 30, 2009 is the first year in which the ARC and the net OPEB obligation has been completed.

IV. Notes to Required Supplementary Information:

Actuarial valuation date:	July 1, 2008
Actuarial cost method:	Projected Unit Credit
Amortization method:	30 years, level dollar, open
Remaining amortization period:	30 years
Actuarial asset valuation method:	Fair market value
Actuarial assumptions:	
Investment rate of return	4.50%
Inflation	No explicit assumption
Health cost trend rates	A rate of 10% initially, reduced to 5.0% in 2013 and beyond.
Turnover assumption	No turnover was assumed.
Other:	
Mortality:	Pre retirement: None Post retirement: 1983 Group Annuity Mortality Table-Setback 3 Years. Retirement age: Age 62 (with 15 years of service)

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2010**

Grand List Year	Uncollected Taxes July 1, 2009 and Current Levy	Lawful Corrections	Suspense Collections	Transfers (To) Suspense	Taxes Collectible	Actual Cash Collections				Refunds	Uncollected Taxes June 30, 2010
						Taxes	Interest	Liens & Fees	Total		
2008	\$ 16,999,347	23,163	-	-	17,022,510	16,954,161	48,369	696	17,003,226	33,295	101,644
2007	107,797	1,922	-	-	109,719	85,161	13,036	457	98,654	1,799	26,357
2006	15,035	1,646	-	(11,563)	5,118	4,664	1,308	24	5,996	251	705
2005	1,440	(260)	842	-	2,022	842	772	13	1,627	260	1,440
2004	1,129	-	668	-	1,797	668	569	-	1,237	-	1,129
2003	1,145	-	593	-	1,738	593	778	-	1,371	-	1,145
2002	-	-	198	-	198	198	208	-	406	-	-
2001	-	-	133	-	133	133	176	-	309	-	-
2000	-	-	25	-	25	25	-	-	25	-	-
1999	-	-	121	-	121	121	17	-	138	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	321	-	321	321	669	-	990	-	-
1996	-	-	457	-	457	457	1,029	-	1,486	-	-
1995	-	-	392	-	392	392	948	-	1,340	-	-
1994	-	-	253	-	253	253	656	-	909	-	-
1993	1,350	-	-	-	1,350	-	-	-	-	-	1,350
\$	17,127,243	26,471	4,003	(11,563)	17,146,154	17,047,989	68,535	1,190	17,117,714	35,605	133,770

TOWN OF KILLINGWORTH, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2010

Special Revenue

	Dog Fund	The Attie Fund	Town Clerk Record Preservation	Town Clerk Record Surcharge	Resident State Trooper DARE	Fire Protection Fund	Helping Hands	Friendly Fund	Parmelee Farm	Community Gardens	Total Special Revenue	Total Nonmajor Governmental Funds
ASSETS												
Cash and cash equivalents	\$ 82,485	8,920	6,244	7,276	1,085	22,011	2,702	9,238	1,536	579	142,076	142,076
Total Assets	\$ 82,485	8,920	6,244	7,276	1,085	22,011	2,702	9,238	1,536	579	142,076	142,076
LIABILITIES AND FUND BALANCE												
Liabilities:												
Accounts payable and accrued expenses	\$ -	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	16,045	-	-	-	-	-	-	-	-	-	16,045	16,045
Total Liabilities	16,045	-	-	-	-	-	-	-	-	-	16,045	16,045
Fund Balance:												
Unreserved and undesignated	66,440	8,920	6,244	7,276	1,085	22,011	2,702	9,238	1,536	579	126,031	126,031
Total Fund Balance	66,440	8,920	6,244	7,276	1,085	22,011	2,702	9,238	1,536	579	126,031	126,031
Total Liabilities and Fund Balance	\$ 82,485	8,920	6,244	7,276	1,085	22,011	2,702	9,238	1,536	579	142,076	142,076

TOWN OF KILLINGWORTH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2010

	Special Revenue										Total Nonmajor Governmental Funds	
	Dog Fund	The Attie Fund	Town Clerk Record Preservation	Town Clerk Record Surcharge	Resident State Trooper DARE	Fire Protection Fund	Helping Hands	Friendly Fund	Parmelee Farm	Community Gardens		Total Special Revenue
REVENUES:												
Intergovernmental	\$ -	-	5,000	-	-	-	-	-	-	-	5,000	5,000
Fees, permits and other	14,750	1,302	1,436	1,436	500	-	4,859	2,780	8,225	2,480	37,768	37,768
Investment income	569	4	43	31	-	114	-	-	14	-	775	775
Total Revenues	15,319	1,306	6,479	1,467	500	114	4,859	2,780	8,239	2,480	43,543	43,543
EXPENDITURES:												
Current:												
General government	-	-	5,480	-	48	-	5,737	2,428	6,703	1,903	22,299	22,299
Miscellaneous	31,507	-	-	-	-	-	-	-	-	-	31,507	31,507
Capital Outlays	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	31,507	-	5,480	-	48	-	5,737	2,428	6,703	1,903	53,806	53,806
Excess of Revenues Over (Under) Expenditures	(16,188)	1,306	999	1,467	452	114	(878)	352	1,536	577	(10,263)	(10,263)
Other Financing Sources (Uses):												
Operating transfers in	2,513	-	-	-	-	-	-	-	-	-	2,513	2,513
Operating transfers out	-	(2,513)	-	-	-	-	-	-	-	-	(2,513)	(2,513)
Total Other Financing Sources (Uses)	2,513	(2,513)	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,675)	(1,207)	999	1,467	452	114	(878)	352	1,536	577	(10,263)	(10,263)
Fund Balance, June 30, 2009	80,115	10,127	5,245	5,809	633	21,897	3,580	8,886	-	2	136,294	136,294
Fund Balance, June 30, 2010	\$ 66,440	8,920	6,244	7,276	1,085	22,011	2,702	9,238	1,536	579	126,031	126,031

TOWN OF KILLINGWORTH, CONNECTICUT
Special Revenue Fund-Reserve Fund for Capital and Nonrecurring Expenditures
Schedule of Changes in Fund Balance
For the Year Ended June 30, 2010

	<u>Fund Balance</u> <u>(Deficit)</u> <u>June 30, 2009</u>	<u>Transfers In</u> <u>From The</u> <u>General Fund</u>	<u>Fund</u> <u>Balance</u> <u>Designations</u>	<u>Interest</u> <u>And Other</u> <u>Income</u>	<u>Grant</u> <u>Revenue</u>	<u>Expenditures</u>	<u>Project</u> <u>Close-outs</u>	<u>Fund Balance</u> <u>(Deficit)</u> <u>June 30, 2010</u>
Reserved:								
Continuing Projects:								
Assessor-Revaluation	\$ 100,058	-	25,000	-	-	-	-	125,058
Fire Department-Refurbish Siding-Station #1	188	-	-	-	-	(115)	(73)	-
Fire Equipment	100,000	-	100,000	-	-	-	-	200,000
Fire Department-First Floor Drain Repair	-	-	10,000	-	-	(9,351)	(649)	-
Open Space Acquisition	9,708	-	-	-	-	-	-	9,708
Highway Department Equipment	100,000	-	(92,500)	-	-	-	-	7,500
Highway Department-Backhoe Loader	-	-	105,000	-	-	(88,235)	-	16,765
Highway Department-Mason Dump With Plow/Sander	-	-	75,000	-	-	(64,199)	-	10,801
Highway Department-Hoop Building With Paved Floor	-	-	12,500	-	-	-	-	12,500
Transfer Station-Open Top Container	6,000	-	-	-	-	(4,315)	-	1,685
Transfer Station-Recyclable Container	7,500	-	-	-	-	-	-	7,500
Surveying-Sheldon Field	4,800	-	-	-	-	-	-	4,800
Sheldon Park Engineering and Design	-	-	50,000	-	-	-	-	50,000
Town Plan-Walkway Portion	20,000	-	-	-	-	-	-	20,000
Parmelee Property Preparation	28,959	3,800	25,000	150	-	(34,927)	-	22,982
Wetish Multi-Purpose Athletic Fields	-	475,000	-	-	500,000	(729,746)	-	245,254
Town Office Building-Phase 1	-	-	135,000	-	68,553	(68,257)	-	135,296
	<u>377,213</u>	<u>478,800</u>	<u>445,000</u>	<u>150</u>	<u>568,553</u>	<u>(999,145)</u>	<u>(722)</u>	<u>869,849</u>
Road Projects:								
Alders Road Bridge Intersection	1,660	-	-	-	-	-	-	1,660
Reservoir Road Bridge	144,296	-	62,000	-	465,860	(610,892)	-	61,264
Burr Hill Road	160,263	-	-	-	-	(5,611)	-	154,652
River Road Bridge	73,660	-	125,000	-	-	(22,619)	-	176,041
	<u>379,879</u>	<u>-</u>	<u>187,000</u>	<u>-</u>	<u>465,860</u>	<u>(639,122)</u>	<u>-</u>	<u>393,617</u>
Sinking Funds:								
Uninsured Firefighters Death Benefit	75,000	25,000	-	-	-	-	-	100,000
Pension Exclusion Potential	18,334	2,439	-	-	-	-	-	20,773
Sick/vacation Payout at Retirement	20,000	20,000	-	-	-	-	-	40,000
Capital Surcharge Account	17,484	-	-	4,308	-	-	-	21,792
	<u>130,818</u>	<u>47,439</u>	<u>-</u>	<u>4,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,565</u>
Total Reserved Fund Balance	<u>887,910</u>	<u>526,239</u>	<u>632,000</u>	<u>4,458</u>	<u>1,034,413</u>	<u>(1,638,267)</u>	<u>(722)</u>	<u>1,446,031</u>
Unreserved and Undesignated	<u>775,225</u>	<u>755,000</u>	<u>(632,000)</u>	<u>12,058</u>	<u>-</u>	<u>-</u>	<u>722</u>	<u>911,005</u>
Total Fund Balance	<u>\$ 1,663,135</u>	<u>1,281,239</u>	<u>-</u>	<u>16,516</u>	<u>1,034,413</u>	<u>(1,638,267)</u>	<u>-</u>	<u>2,357,036</u>

TOWN OF KILLINGWORTH, CONNECTICUT

PENSION TRUST FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2010

	Municipal Employees Defined Benefit Pension Plan	Firemens Defined Benefit Pension Plan	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	804,143	804,143
Investments	1,361,110	-	1,361,110
Other receivables	-	-	-
Total Assets	<u>1,361,110</u>	<u>804,143</u>	<u>2,165,253</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	-	-	-
Due to employees and others	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits	1,361,110	804,143	2,165,253
Total Net Assets	<u>\$ 1,361,110</u>	<u>804,143</u>	<u>2,165,253</u>

TOWN OF KILLINGWORTH, CONNECTICUT
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 2010

	Municipal Employees Defined Benefit Plan	Firemens Defined Benefit Plan	Total
Additions:			
Contributions:			
Employer	\$ 100,000	18,780	118,780
Employee	-	-	-
Total contributions	<u>100,000</u>	<u>18,780</u>	<u>118,780</u>
Investment income (loss)	120,919	4,321	125,240
Total additions	<u>220,919</u>	<u>23,101</u>	<u>244,020</u>
Deductions:			
Benefits	69,462	-	69,462
Administration	14,448	-	14,448
Total deductions	<u>83,910</u>	<u>-</u>	<u>83,910</u>
Net increase (decrease)	137,009	23,101	160,110
Net assets held in trust for pension benefits, June 30, 2009	1,224,101	781,042	2,005,143
Net assets held in trust for pension benefits, June 30, 2010	<u>\$ 1,361,110</u>	<u>804,143</u>	<u>2,165,253</u>

TOWN OF KILLINGWORTH, CONNECTICUT

AGENCY FUNDS

Combining Balance Sheet

June 30, 2010

	<u>Tax Sale Fund</u>	<u>Performance Bonds</u>	<u>Total</u>
ASSETS			
Cash and equivalent investments	\$ 2,283	213,956	216,239
Total Assets	<u>\$ 2,283</u>	<u>213,956</u>	<u>216,239</u>
LIABILITIES			
Liabilities			
Due To Other Groups	\$ 2,283	213,956	216,239
Total Liabilities	<u>\$ 2,283</u>	<u>213,956</u>	<u>216,239</u>

TOWN OF KILLINGWORTH, CONNECTICUT
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2010

TAX SALE FUND				
	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash	\$ 2,366	2,283	2,366	2,283
Total Assets	<u>\$ 2,366</u>	<u>2,283</u>	<u>2,366</u>	<u>2,283</u>
LIABILITIES				
Due To Other Groups	\$ 2,366	2,283	2,366	2,283
Total Liabilities	<u>\$ 2,366</u>	<u>2,283</u>	<u>2,366</u>	<u>2,283</u>
PERFORMANCE BONDS				
	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash	\$ 253,832	6,344	46,220	213,956
Total Assets	<u>\$ 253,832</u>	<u>6,344</u>	<u>46,220</u>	<u>213,956</u>
LIABILITIES				
Due to Other Groups	\$ 253,832	6,344	46,220	213,956
Total Liabilities	<u>\$ 253,832</u>	<u>6,344</u>	<u>46,220</u>	<u>213,956</u>
TOTAL AGENCY FUNDS				
	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash	\$ 256,198	8,627	48,586	216,239
Total Assets	<u>\$ 256,198</u>	<u>8,627</u>	<u>48,586</u>	<u>216,239</u>
LIABILITIES				
Due To Other Groups	\$ 256,198	8,627	48,586	216,239
Total Liabilities	<u>\$ 256,198</u>	<u>8,627</u>	<u>48,586</u>	<u>216,239</u>

TOWN OF KILLINGWORTH, CONNECTICUT
Schedule of Debt Limitation
June 30, 2010

Total Current Year Tax Collections,
Including Interest and Lien Fees \$ 17,117,714

Reimbursement For Revenue Loss:
Tax Relief For the Elderly and Totally Disabled Homeowners 31,399

Tax Base \$ 17,149,113

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 38,585,504				
4-1/2 times base		77,171,009			
3-3/4 times base			64,309,174		
3-1/4 times base				55,734,617	
3 times base					51,447,339
Total Debt Limitation	<u>38,585,504</u>	<u>77,171,009</u>	<u>64,309,174</u>	<u>55,734,617</u>	<u>51,447,339</u>
Indebtedness:					
Town Share of Regional School District Number 17 Indebtedness		9,058,084			
General obligation bonds	2,920,000				
Net pension obligations					182,426
Total Indebtedness	<u>2,920,000</u>	<u>9,058,084</u>	<u>-</u>	<u>-</u>	<u>182,426</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 35,665,504</u>	<u>68,112,925</u>	<u>64,309,174</u>	<u>55,734,617</u>	<u>51,264,913</u>

Total Capacity For Borrowing (7 Times Base) \$ 120,043,791

Total Present Indebtedness 12,160,510

Margin For Additional Borrowing \$ 107,883,281

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

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

To the Board of Finance
Town of Killingworth, Connecticut

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killingworth, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town of Killingworth, Connecticut's basic financial statements and have issued my report thereon dated December 14, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

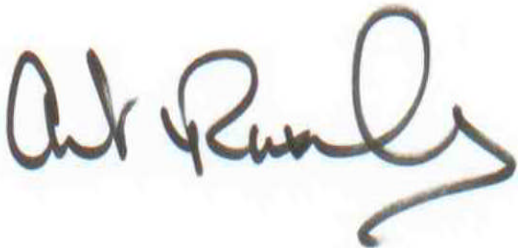
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

(Continued)

Compliance and Other Matters

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

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

A handwritten signature in dark ink, appearing to read "Albert Rusilowicz". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
December 14, 2010

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

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

To the Board of Finance
Town of Killingworth, Connecticut

Compliance

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

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

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

Internal Control Over Compliance

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

(Continued)

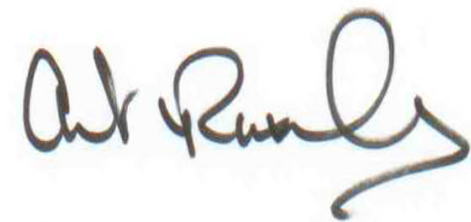
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

Schedule of Expenditures of State Financial Assistance

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killingworth, Connecticut as of and for the year ended June 30, 2010, and have issued my report thereon dated December 14, 2010. My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Killingworth, Connecticut's financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my 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, the Board of Finance, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long horizontal stroke at the end.

Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
December 14, 2010

TOWN OF KILLINGWORTH, CONNECTICUT
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2010

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Environmental Protection:		
Small Town Economic Assistance Program	12052-DEP43153-55050	\$ 500,000
Boating Grant	12060-DEP44434-55070	2,005
Total Department of Environmental Protection		<u>502,005</u>
Department of Transportation:		
Town Aid Road Grant	12001-DOT57131-17036	127,060
Alcohol Open Container Requirements	12062-DOT57533-22091	5,715
Total Department of Transportation		<u>132,775</u>
Office of the State Comptroller:		
Payment In-Lieu of Taxes-State Owned Property	11000-OSC15910-17004	124,027
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	110,920
Property Tax Relief For Elderly And Totally Disabled Homeowners	11000-OPM20600-17018	31,939
Property Tax Relief For Veterans	11000-OPM20600-17024	5,796
Property Tax Relief For Manufacturing Machinery and Equipment	11000-OPM20600-17031	6,168
Property Tax Reimbursement-Disabled Exemption	11000-OPM20600-17011	210
Total Office of Policy and Management		<u>155,033</u>
Department of Education:		
Youth Service Bureau	11000-SDE64370-17052	14,000
Youth Service Bureau Enhancement	11000-SDE64370-16201	5,000
Total Department of Education		<u>19,000</u>
Department of Emergency and Homeland Security:		
Citizen Corps	12060-EHS99530-21880	1,822
Emergency Management Performance Grant	12060-EHS99620-21881	3,885
Total Department of Emergency and Homeland Security		<u>5,707</u>
State Library:		
Historic Document Preservation Grant	12060-CSL66094-35150	5,000
Judicial Department:		
Judicial Restitution	34001-JUD95162-40001	1,170
Total State Financial Assistance Before Exempt Programs		<u>925,717</u>
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64000-17041	1,909,685
Office of the State Comptroller:		
Mashantucket Pequot Grant	12009-OSC15910-17005	16,659
Total Exempt Programs		<u>1,926,344</u>
Total State Financial Assistance		<u>\$ 2,852,061</u>

TOWN OF KILLINGWORTH, CONNECTICUT

**Notes to the Schedule of Expenditures of
State Financial Assistance**

For the Year Ended June 30, 2010

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Killingworth, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including:

- Education
- Road Maintenance
- Property Tax Relief
- Youth Services

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Killingworth, Connecticut conform to generally accepted accounting principles accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the Town of Killingworth, Connecticut's annual audit report are generally prepared on the accrual basis of accounting. The following is a summary of such basis:

Revenues are normally recognized in the accounting period in which they are earned.

Expenditures are generally recorded when goods or services are received and actual liabilities are incurred.

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

TOWN OF KILLINGWORTH, CONNECTICUT

**State Financial Assistance Programs
Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2010

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial
statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes no

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

STATE GRANTOR <u>AND PROGRAM</u>	<u>STATE CORE-CT NUMBER</u>	<u>EXPENDITURES</u>
Department of Environmental Protection:		
Small Town Economic Assistance Program	12052-DEP43153-55050	\$ 500,000
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 110,920

- Dollar threshold used to distinguish between type A and type B programs: \$100,000

TOWN OF KILLINGWORTH, CONNECTICUT

**State Financial Assistance Programs
Schedule of Findings and Questioned Costs, Continued**

For the Year Ended June 30, 2010

II. Financial Statement Findings

- I issued reports dated December 14, 2010 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- My report on compliance and other matters indicated no reportable instances of noncompliance.
- My report on internal control over financial reporting indicated no deficiencies in internal control over financial reporting.

III. State Financial Assistance Findings and Questioned Costs

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