
TOWN OF SALISBURY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

Ramunni & Bushka, LLC

CERTIFIED PUBLIC ACCOUNTANTS

95 Main Street • P.O. Box 929 • Canaan, CT 06018 • (860) 824-0781

Town of Salisbury
Table of Contents
June 30, 2007

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
<u>Government-Wide Financial Statements:</u>	
Statement of Nets Assets	10
Statement of Activities	11
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds	12
Reconciliation of the Government Fund Balance Sheet To the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	21
Notes to Basic Financial Statements	22-40
SUPPLEMENTAL AND COMBINING INDIVIDUAL FUND NONMAJOR FUND STATEMENTS AND SCHEDULES	
<u>General Fund:</u>	
Schedule of Revenues and Other Financing Sources - Budget and Actual - Budgetary Basis	41
Schedule of Expenditures and Other Financing Uses - Budget and Actual - Budgetary Basis	42-48
<u>Nonmajor Governmental Funds:</u>	
Combining Balance Sheet	49-51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	52-54

Town of Salisbury

Table of Contents

June 30, 2007

(Continued)

	<u>Page</u>
SUPPLEMENTAL AND COMBINING INDIVIDUAL FUND NONMAJOR FUND STATEMENTS AND SCHEDULES (Continued):	
<u>Fiduciary Funds:</u>	
Combining Statement of Fiduciary Net Assets	55
<u>Other Schedules:</u>	
Statement of Debt Limitation	56
Report of the Property Tax Collector	57
OTHER REPORTS	
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-59
Report on Compliance with Requirements Applicable to Each Major Program, on Internal Control over Compliance in Accordance With the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance	60-61
Schedule of Expenditures of State Financial Assistance	62
Notes to Schedule of Expenditures of State Financial Assistance	63
Schedule of Findings and Questioned Costs	64

Ramunni & Bushka, LLC

CERTIFIED PUBLIC ACCOUNTANTS

A. Paul Ramunni, CPA
Mark B. Bushka, CPA

95 Main Street • P.O. Box 929 • Canaan, CT 06018

Tel: (860) 824-0781
Fax: (860) 824-5227
www.rbscpas.com

Independent Auditor's Report

Board of Finance
Town of Salisbury
Salisbury, CT 06068

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salisbury, Connecticut as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Salisbury, Connecticut's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salisbury, Connecticut as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2008 on our consideration of the Town of Salisbury Connecticut's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salisbury's basic financial statements. The budgetary detail, combining and individual nonmajor fund statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical tables have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Ramunni & Bushka, LLC
Certified Public Accountants

January 3, 2008
Canaan Connecticut

TOWN OF SALISBURY, CONNECTICUT
Management's Discussion and Analysis
June 30, 2007

The Management Discussion and Analysis (MD&A) offers the readers of the Town of Salisbury (the "Town") financial statements a narrative overview and analysis of the financial activities of the Town for the fiscal year ending June 30, 2007. The information presented here should be considered in conjunction with the Town's basic financial statements that follow this section. Wherever possible, reference to the financial statements is provided.

FINANCIAL HIGHLIGHTS

On a government-wide basis the Town's assets of \$16,678,637 exceeded its liabilities at June 30, 2007, resulting in total net assets of \$15,283,766. Total net assets for Government activities were \$14,733,664 at fiscal year-end and total net assets for Business-type activities were \$550,102. Unrestricted net assets were \$4,848,081 and were available to meet ongoing government obligations. Of that amount \$4,394,336 is related to governmental activities, which include the General Fund.

The Town's governmental funds, reported on a current financial resources basis, combined ending fund balance was \$5,688,296, an increase of \$663,572 for the year. The General Fund operating surplus for the year was \$41,515. The General Fund balance was \$1,992,502 of which \$427,492 was reserved for subsequent year's operations.

The unreserved undesignated fund balance was \$1,360,164 or 12.04% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the Town include general government, public safety, public works, and recreation. The business-type activities of the Town of Salisbury include the sewer usage enterprise fund.

The government-wide financial statements can be found on pages 10 -11 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is the Town's most basic services. Unlike the government-wide financial statements, however, the funds focus on (1) cash and other financial resources that can be readily converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a near or short-term view of the Town's finances that may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of government's near-term decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 - 16 of this report.

Proprietary Funds. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Salisbury uses an enterprise fund to account for the Sewer Commission.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Sewer Commission is the only activity in the proprietary fund financial statements, therefore is considered a major fund, and information for the fund is shown separately.

The basic proprietary fund statements are found on pages 17 - 19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statements can be found on pages 20 - 21 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and financial fund statements. The notes to the financial statements can be found on pages 22-40 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the footnotes on pages 36 - 38 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 41 - 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town, assets exceeded liabilities by \$14,707,535 at the close of the most recent fiscal year.

By far the largest portion of the Town's assets is its investment in capital assets (e.g., land, buildings, machinery, and equipment). It is presented in the statement of net assets less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets, net of accumulated depreciation, is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF SALISBURY NET ASSETS June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 6,500,499	\$ 472,916	\$ 6,973,415
Capital Assets, net of accumulated Depreciation	<u>9,608,865</u>	<u>96,357</u>	<u>9,705,222</u>
Total Assets	<u>16,109,364</u>	<u>569,273</u>	<u>16,678,637</u>

Current Liabilities	\$ 190,267	19,171	209,438
Long-term liabilities outstanding	<u>1,185,433</u>	<u>-</u>	<u>1,185,433</u>
Total Liabilities	<u>1,375,700</u>	<u>19,171</u>	<u>1,394,871</u>
Net Assets:			
Invested in capital assets, net			
Of related debt	8,423,432	96,357	8,519,789
Restricted	1,915,896	-	1,915,896
Unrestricted	<u>4,394,336</u>	<u>453,745</u>	<u>4,848,081</u>
Total Net Assets	<u>\$14,733,664</u>	<u>\$550,102</u>	<u>\$15,283,766</u>

The governments net assets increased by \$639,123 during the current fiscal year. The increase is mainly attributable to the general fund operating surplus.

CHANGES IN NET ASSETS
June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,322,986	\$ 360,482	\$ 1,683,468
Operating grants and contributions	1,209,726	-	1,209,726
Capital grants and contributions	121,895	-	121,895
General Revenues:			
Property taxes	9,914,967	-	9,914,967
Grants not restricted to specific Programs	310,465	-	310,465
Unrestricted investment earnings	416,076	27,092	443,168
Other local revenues	34,586		34,586
Transfers			
Total Revenues	<u>13,330,701</u>	<u>387,574</u>	<u>13,718,275</u>
Expenses:			
Administration	1,247,135	-	1,247,135
Public Safety	506,497	-	506,497
Highway	1,057,748	-	1,057,748
Sanitation	1,191,517	366,754	1,558,271
Health	153,929	-	153,919
Welfare	167,771	-	167,771
Recreation	584,700	-	584,700
Debt Service	41,963	-	41,963
Education	7,562,946	-	7,562,946
Capital	106,894	-	106,894
Miscellaneous	20,218	-	20,218
Other	<u>77,734</u>	<u>-</u>	<u>77,734</u>
Total Expenses	<u>12,719,052</u>	<u>366,754</u>	<u>13,085,806</u>

Change in net assets	611,649	47,170	639,123
Net assets at beginning of year	<u>14,122,015</u>	<u>502,935</u>	<u>14,624,947</u>
Net Assets at End Of Year	<u>\$14,733,664</u>	<u>\$550,102</u>	<u>\$ 15,283,766</u>

The Town's net assets increased by \$658,819 overall during the fiscal year with net assets of Governmental activities and Business-type activities increasing by \$611,649 and \$47,170 respectively.

Governmental Activities.

Approximately 74% of the revenues were derived from property taxes, followed by 10% from operating and capital grants, 10% from service charges, and 6% from grants and investment earnings. Detailed revenue information can be found on page 11.

Business-type Activities

Business-type activities increased the Town's net assets by \$47,170. The increase was primarily due to the operation results of the sewer commission.

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds.

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund total fund balance was \$1,992,502. Of this total fund balance, \$427,492 is reserved for the subsequent year's budget and \$204,846 is reserved for other activities. The remaining balance of \$1,360,164 is unreserved and undesignated.

The fund balance of the Town's General Fund increased by \$41,515 during the current fiscal year. The primary reason for this increase was revenues were greater than anticipated.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town has one proprietary fund.

Unrestricted net assets of the Sewer Commission Fund at the end of the year amounted to \$453,745.

GENERAL FUND BUDGETARY HIGHLIGHTS

Due to revenue substantially in excess of budgeted amounts the Town of Salisbury was able to operate at a surplus of \$492,838 in excess of the final budgeted amount.

A detailed schedule of revenues and expenditures, budget and actual, can be found on page 42 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The town's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2006 amounted to \$9,608,865 and \$96,357, respectively. This investment in capital assets included land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Additional information on the Town's capital assets can be found in Note 6.

CAPITAL ASSETS, Net of Depreciation June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 437,539	\$ -	\$ 437,539
Buildings and Improvements	4,997,683	18,203	5,015,886
Machinery & Equipment	624,657	53,122	677,779
Vehicles	306,169	25,032	331,201
Infrastructure	<u>3,242,817</u>	<u>-</u>	<u>3,242,817</u>
Total	\$ 9,608,865	\$ 96,357	\$ 9,705,222

Long-Term Debt

At the end of the current fiscal year, the Town had total outstanding debt of \$1,185,433. Of this outstanding debt, \$1,085,000 represents a School Renovation Bond and \$100,433 are notes payable.

All of the debt is backed by the full faith and credit of the Town.

OUTSTANDING DEBT June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
School renovation Bond	\$1,085,000	\$ -	\$1,308,000
Notes payable	<u>100,433</u>	<u>-</u>	<u>100,433</u>
Total	\$1,185,433	\$ -	\$1,185,433

The Town's total debt had a net decrease of \$355,162 during the current fiscal year.

The Town maintained an "Aa" rating from Moody's Investors' Service for all general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.0 times its total prior year tax collections. The current statutory debt limitation for the Town is \$71,177,526 which is significantly more than the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 11.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

There have been discussions about the dissolution of the Lakeville Fire District. Concerns relating to the fairness of a separate taxing district that really benefits the whole town. This matter will eventually be decided by a town vote.

The Salisbury/Sharon Transfer Station, a shared facility with the Town of Sharon, must be relocated in the future since it is presently on leased land. A committee made up of residents from both towns is reviewing this matter to determine the best location.

The Town has five bridges that will need to be rebuilt within the next few years. Only two bridges will qualify for state funds. The Town will continue to budget funds for bridge repairs.

At a Town Meeting on March 28, 2007 the town appropriated \$1,050,000 for roof repairs and replacement of fuel tanks at the Upper Building at Salisbury Central School. The Board of Finance has recommended the issuance of bond to finance this project.

The Town authorized the use of \$427,492 of fund balance from the general fund to reduce the mill rate for the 2007-2008 fiscal year.

All of the above factors were considered in preparing the Town's budget for the 2007-2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Accountant, Town of Salisbury, 27 Main Street, PO Box 548, Salisbury, CT 06068.

TOWN OF SALISBURY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,701,244	\$ 460,527	\$ 4,161,771
Investments	1,807,102	-	1,807,102
Receivables:			-
Property Taxes	217,133	-	217,133
Accounts Receivable	156,101	-	156,101
Accrued interest and fees on property tax	86,480	-	86,480
Sewer Usage Receivable	-	12,389	12,389
Due From Other Funds	-	-	-
Due From Other Governments	500,464	-	500,464
Prepaid Expenses	31,975	-	31,975
Capital Assets, net of accumulated depreciation	<u>9,608,865</u>	<u>96,357</u>	<u>9,705,222</u>
<u>TOTAL ASSETS</u>	<u>\$ 16,109,364</u>	<u>\$ 569,273</u>	<u>\$ 16,678,637</u>
 <u>LIABILITIES</u>			
Accounts and Other Payables	131,944	19,171	151,115
Due to Fiduciary Funds	-	-	-
Due to Student Groups and Agencies	-	-	-
Due to State	2,425	-	2,425
Deferred Revenue	55,898	-	55,898
Noncurrent Liabilities:			-
Due within one year	346,838	-	346,838
Due in more than one year	<u>838,595</u>	<u>-</u>	<u>838,595</u>
<u>TOTAL LIABILITIES</u>	<u>1,375,700</u>	<u>19,171</u>	<u>1,394,871</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	8,423,432	96,357	8,519,789
Restricted for:			
Permanent funds	1,915,896	-	1,915,896
Unrestricted	<u>4,394,336</u>	<u>453,745</u>	<u>4,848,081</u>
<u>TOTAL NET ASSETS</u>	<u>14,733,664</u>	<u>550,102</u>	<u>15,283,766</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 16,109,364</u>	 <u>\$ 569,273</u>	 <u>\$ 16,678,637</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2007

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business - Type Activities	Total
Governmental Activities							
Administration	\$ (1,247,135)	\$ 632,845	\$ 145,026	76,895	\$ (392,369)	\$ -	\$ (392,369)
Public Safety	(506,497)	14,572	-	-	(491,925)	-	(491,925)
Highways	(1,057,748)	-	143,897	-	(913,851)	-	(913,851)
Sanitation and Waste Removal	(1,191,517)	479,828	460,104	45,000	(206,585)	-	(206,585)
Health	(153,929)	-	-	-	(153,929)	-	(153,929)
Welfare	(167,771)	-	-	-	(167,771)	-	(167,771)
Recreation	(584,700)	154,404	21,725	-	(408,571)	-	(408,571)
General Obligation Note	(41,963)	-	-	-	(41,963)	-	(41,963)
Miscellaneous	(20,218)	-	-	-	(20,218)	-	(20,218)
Education	(7,562,946)	41,337	438,974	-	(7,082,635)	-	(7,082,635)
Capital Outlay	(106,894)	-	-	-	(106,894)	-	(106,894)
Other	(77,734)	-	-	-	(77,734)	-	(77,734)
Total Governmental Activities	<u>(12,719,052)</u>	<u>1,322,986</u>	<u>1,209,726</u>	<u>121,895</u>	<u>(10,064,445)</u>	<u>-</u>	<u>(10,064,445)</u>
Business Type Activities							
Sewer	(366,754)	360,482	-	26,350	-	20,078	20,078
Total Primary Government	<u>\$ (13,085,806)</u>	<u>\$ 1,683,468</u>	<u>\$ 1,209,726</u>	<u>\$ 148,245</u>	<u>(10,064,445)</u>	<u>20,078</u>	<u>(10,044,367)</u>

General Revenues:

Property taxes	9,914,967
Grants and contributions not restricted to specific programs	310,465
Other local revenues	34,586
Unrestricted investment earnings	416,076
Total General revenues	<u>10,676,094</u>

Change in net assets

Net assets beginning of year	14,122,015	502,932	14,624,947
Net assets end of year	<u>\$ 14,733,664</u>	<u>\$ 550,102</u>	<u>\$ 15,283,766</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General Fund</u>	<u>Transfer Station Fund</u>	<u>Building Capital Fund</u>	<u>Bauer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,569,405	\$ 127,129	\$ 455,472	\$ 127,928	\$ 1,421,310	\$ 3,701,244
Investments	150,855	-	-	1,349,202	307,045	1,807,102
Receivables:						
Property Taxes	217,133	-	-	-	-	217,133
Accounts Receivable	138,831	17,270	-	-	-	156,101
Due From Other Funds	7,007	-	-	-	-	7,007
Due From Other Governments	151,712	-	-	-	2,668	154,380
Prepaid Expenses	31,975	-	-	-	-	31,975
TOTAL ASSETS	\$ 2,266,918	\$ 144,399	\$ 455,472	\$ 1,477,130	\$ 1,731,023	\$ 6,074,942
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts and Other Payables	\$ 85,044	\$ 32,319	\$ -	\$ -	\$ 14,581	\$ 131,944
Due to Other Funds	-	-	4,430	-	2,577	7,007
Deferred Revenue	189,372	54,180	-	-	1,718	245,270
Due to Student Groups and Agencies	-	-	-	-	-	-
Due to State	-	-	-	-	2,425	2,425
TOTAL LIABILITIES	\$ 274,416	\$ 86,499	\$ 4,430	\$ -	\$ 21,301	\$ 386,646
<u>FUND BALANCES</u>						
Reserved for:						
Designated for subsequent year's operating budget	427,492	-	-	-	-	427,492
Permanent funds	-	-	-	1,477,130	438,766	1,915,896
Capital project funds	-	-	-	-	965,272	965,272
Other reserved	204,846	-	-	-	-	204,846
Unreserved, reported in:						
General fund	1,360,164	-	-	-	-	1,360,164
Special revenue funds	-	57,900	-	-	305,684	363,584
Capital project funds	-	-	451,042	-	-	451,042
TOTAL FUND BALANCES	\$ 1,992,502	\$ 57,900	\$ 451,042	\$ 1,477,130	\$ 1,709,722	\$ 5,688,296
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,266,918	\$ 144,399	\$ 455,472	\$ 1,477,130	\$ 1,731,023	\$ 6,074,942

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

<u>Total fund balances for governmental funds</u>	\$ 5,688,296
Total net assets reported for governmental activities in the statement of net assets is different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	9,608,865
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Property tax and receivables greater than 60 days	189,372
Receivable from the state for school construction projects	346,084
Interest receivable on property taxes	86,480
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(1,185,433)</u>
<u>Net assets of governmental activities</u>	<u>\$ 14,733,664</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Transfer Station Fund	Building Capital Fund	Bauer Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales and Services.....	\$ -	\$ 479,828	\$ -	\$ -	\$ 107,044	\$ 586,872
Property Taxes.....	9,982,929	-	-	-	-	9,982,929
Other Governmental Revenues.....	891,190	460,104	-	-	159,635	1,510,929
Other Local Revenues.....	1,007,692	-	-	-	-	1,007,692
Interest, Dividends and Gains.....	98,190	2,417	27,220	187,936	100,313	416,076
Donations.....	-	-	-	-	44,151	44,151
Total Revenues	11,980,001	942,349	27,220	187,936	411,143	13,548,649
Expenditures:						
Current:						
Administration.....	1,214,796	-	-	-	-	1,214,796
Public Safety.....	489,638	-	-	-	13,706	503,344
Highways.....	629,536	-	-	-	223,226	852,762
Sanitation and Waste Removal.....	278,973	880,756	-	-	-	1,159,729
Health.....	153,929	-	-	-	-	153,929
Welfare.....	87,758	-	-	72,493	-	160,251
Recreation.....	516,109	-	-	-	67,058	583,167
Miscellaneous.....	20,218	-	-	-	-	20,218
Other.....	77,403	-	-	-	331	77,734
Education.....	7,295,626	-	-	-	88,186	7,383,812
Capital Outlay.....	180,754	-	58,730	-	195,018	434,502
Debt Service.....	351,963	-	-	-	-	351,963
Total Expenditures	11,296,703	880,756	58,730	72,493	595,045	12,903,727
Excess (deficiency) of Revenues Over Expenditures	683,298	61,593	(31,510)	115,443	(183,902)	644,922
Other Financing Sources (Uses):						
Transfers In.....	-	-	130,000	-	556,783	686,783
Transfers Out.....	(641,783)	-	-	-	(26,350)	(668,133)
Total Other Financing sources (Uses):	(641,783)	-	130,000	-	530,433	18,650
Net Change in Fund Balances	41,515	61,593	98,490	115,443	346,531	663,572
Fund Balances (Deficit), Beginning of Year	1,950,987	(3,693)	352,552	1,361,687	1,363,191	5,024,724
Fund Balances (Deficit), End of Year	1,992,502	57,900	451,042	1,477,130	1,709,722	5,688,296

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

JUNE 30, 2007

<u>Net change in fund balances for governmental funds</u>	\$	663,572
Total change in net assets reported for governmental activities in the statement of activities is different because of the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation differed from capital outlays in the current period is as follows:		
Expenditures for capital assets	327,608	
Depreciation expense	<u>(471,745)</u>	
Net adjustment	<u>(144,137)</u>	(144,137)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		310,000
Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		45,162
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Decrease in Property Taxes Receivable-accrual basis adjustment		(112,344)
Intergovernmental revenue on school bonds		(103,020)
Decrease in Interest and Lien Fees due on Property Taxes		<u>(47,584)</u>
<u>Change in net assets of governmental activities</u>	<u>\$</u>	<u>611,649</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 9,968,443	\$ 9,968,443	\$ 9,982,929	\$ 14,486
Other Governmental Revenues	356,700	356,700	631,087	274,387
Other Local Revenue	744,300	744,300	1,007,692	263,392
Interest, Dividends and Gains	31,000	31,000	98,190	67,190
Total Revenues	11,100,443	11,100,443	11,719,898	619,455
Expenditures:				
Administration	1,249,890	1,249,890	1,214,796	35,094
Public Safety	489,220	489,220	489,638	(418)
Highways	703,677	703,677	629,536	74,141
Sanitation and Waste Removal	279,058	279,058	278,973	85
Health	156,636	156,636	153,929	2,707
Welfare	88,066	88,066	87,758	308
Recreation	494,216	509,216	516,109	(6,893)
General Obligation Notes	352,000	352,000	351,963	37
Miscellaneous	35,250	35,250	20,218	15,032
Other	1,000	1,000	258,157	(257,157)
Education	7,115,953	7,115,953	7,035,523	80,430
Total Expenditures	10,964,966	10,979,966	11,036,600	(56,634)
Excess of Revenues Over (Under) Expenditures	135,477	120,477	683,298	562,821
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(571,800)	(571,800)	(641,783)	(69,983)
Total Other Financing Sources (Uses)	(571,800)	(571,800)	(641,783)	(69,983)
Net Change in Fund Balance	\$ (436,323)	\$ (451,323)	41,515	\$ 492,838
Fund Balance - beginning of year			1,950,987	
Fund Balance - end of year			\$ 1,992,502	

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2007

	Business - Type Activities Sewer Enterprise Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 460,527
Sewer Usage Receivable	12,389
Capital Assets, net of accumulated depreciation	<u>96,357</u>
<u>TOTAL ASSETS</u>	<u>\$ 569,273</u>
 <u>LIABILITIES</u>	
Accounts and Other Payables	<u>\$ 19,171</u>
<u>TOTAL LIABILITIES</u>	<u>19,171</u>
 <u>NET ASSETS</u>	
Invested in capital assets	96,357
Unrestricted	<u>453,745</u>
<u>TOTAL NET ASSETS</u>	<u>550,102</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 569,273</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Business - Type Activities Sewer Enterprise Fund
<u>Operating Revenues:</u>	
Sewer Usage Fees	\$ 360,482
<u>Total Operating Revenues</u>	<u>360,482</u>
<u>Operating Expenses</u>	
Materials	10,167
Wages and Benefits	150,832
Operating Expenses	142,615
Depreciation	18,140
<u>Total Operating Expenses</u>	<u>321,754</u>
<u>Operating Income (Loss)</u>	<u>38,728</u>
<u>Non-operating revenues (expenses)</u>	
Interest	27,092
<u>Net Non-operating revenues (expenses)</u>	<u>27,092</u>
Income (loss) before transfers	65,820
Transfers In	26,350
Transfers Out	<u>(45,000)</u>
Change in Net Assets	47,170
<u>Net Assets beginning of year</u>	<u>502,932</u>
<u>Net Assets end of year</u>	<u>\$ 550,102</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business - Type Activities Sewer Enterprise Fund</u>
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 357,023
Cash paid to suppliers	(299,255)
Payments for interfund services used	-
<u>Net cash provided by (used in) operating activities</u>	<u>57,768</u>
<u>Cash flows from non-capital financing activities</u>	
Transfers in from other funds	-
Transfers out to other funds	(45,000)
<u>Net cash used in non-capital financing activities</u>	<u>(45,000)</u>
<u>Cash flows from capital and related financing activities</u>	
Purchase of property, plant and equipment	-
<u>Net cash used in capital and related financing activities</u>	<u>-</u>
<u>Cash flows from investing activities</u>	
Interest on investments	27,092
<u>Net cash provided by investing activities</u>	<u>27,092</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	39,860
<u>Cash and cash equivalents at beginning of year</u>	<u>420,667</u>
<u>Cash and cash equivalents at end of year</u>	<u>\$ 460,527</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 22,153	\$ 52,362
Investments	958,352	-
Due from other funds	-	-
	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 980,505</u>	<u>\$ 52,362</u>
 <u>LIABILITIES</u>		
Due to beneficiaries	\$ -	\$ 52,362
<u>TOTAL LIABILITIES</u>	<u> -</u>	<u>52,362</u>
 <u>NET ASSETS</u>		
Net assets held in trust for pension benefits	980,505	-
<u>TOTAL NET ASSETS</u>	<u>980,505</u>	<u> -</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>		
	<u>\$ 980,505</u>	<u>\$ 52,362</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Pension Trust Fund</u>
<u>ADDITIONS</u>	
<u>Contributions</u>	
Employer	\$ 64,696
<u>Total Contributions</u>	<u>64,696</u>
<u>Investment Income</u>	
Dividend and Interest Earnings	35,318
Net Change in Fair Value of Investments	<u>48,091</u>
<u>Total Investment Income</u>	<u>83,409</u>
<u>TOTAL ADDITIONS</u>	<u>148,105</u>
<u>DEDUCTIONS</u>	
Benefits	187,757
Administrative Expense	<u>10,154</u>
<u>TOTAL DEDUCTIONS</u>	<u>197,911</u>
<u>CHANGE IN NET ASSETS</u>	<u>(49,806)</u>
<u>NET ASSETS BEGINNING OF YEAR</u>	<u>1,030,311</u>
<u>NET ASSETS END OF YEAR</u>	<u>\$ 980,505</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The Town of Salisbury was incorporated October 1741 under the provisions of the Connecticut General Statutes. The Town of Salisbury operates under the Selectman form of government with a Board of Finance and a Board of Education and various other boards and commissions and provides a full range of services including public safety, public works, health and welfare, parks and recreation, education, and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The following related organizations, to which the Town appropriates funds annually, do not meet the above criteria and are not included in the reporting entity:

Lakeville Volunteer Fire Department - This potential component unit has a separate elected board and provides services to residents, generally within the geographic boundaries of the Town. It is excluded from the reporting entity because the Town does not have the ability to exercise influence or control over the daily operations or approve budgets

Regional School District #1 - This potential component unit has a separate elected board and provides educational services to residents of several local Towns which make up the region. It is excluded from the reporting entity because the Town does not have the ability to exercise influence or control over the daily operations or approve budgets.

B. Basis of Presentation

The accompanying financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary 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 activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund- the primary operating fund of the Town. This fund is used to account for all financial transactions and 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 - account for revenue derived from specific sources other than capital projects that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Permanent Funds - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

Enterprise Funds - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

The *Pension Trust Fund* is used to account for the activities of the Town's defined benefit plan which accumulates resources for pension benefit payments to qualified employees.

Agency Funds account for monies held by the Town as a custodian for outside groups and agencies.

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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Property taxes, 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. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town or specifically identified.

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

The Town reports the following major governmental funds:

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

The *Transfer Station Fund* accounts for financial resources designated for the operation of the Salisbury/Sharon Transfer station.

The *Building Capital Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment. Most of the capital outlays are financed by appropriations from the General Fund or the issuance of general obligation bonds.

The *Bauer Fund* accounts for permanently restricted funds held by the Town and used for general assistance, recreation and maintenance of Bauer Park as allowed under the fund.

The Town reports the following major proprietary fund:

The *Sewer Enterprise Fund* accounts for the operations of the Town's waste water treatment system.

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 also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. 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 all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Accounting 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash Equivalents

The Town classifies all highly liquid investments having original maturities of three months or less as cash equivalents.

E. Receivables and Payables

Interfund receivable and payable arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

F. Prepaid Items

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.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

G. Investments

Investments are stated at fair value.

F. Property Taxes

The Town levies property taxes each year on October 1, which are payable in four installments on July 1, October 1, January 1, and April 1. Supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are filed by the last day of the fiscal year. An allowance based on historical collection experience is provided for uncollectible taxes.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 with 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 fair value at the date of donation.

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

Property, plant, equipment, and infrastructure assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Building improvements	20
Infrastructure	50
Machinery and equipment	5 - 30
Vehicles	5 - 10

H. Compensated Absences

It is the Town's policy to permit employees to accumulate up to 60 days of earned sick leave. However, earned vacation pay must be used by the beginning of the following year. Earned vacation pay is paid to employees upon separation of service but sick pay is not paid upon separation of service. The cost of vacation and sick leave is recognized when payments are made to employees. The amount of the liability for accrued vacation and sick leave would not have a material effect on the Town's financial statements; therefore no liability has been recorded.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

I. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets.

J. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is frequently employed by governmental units as an extension of formal budgetary integration in the governmental funds. The Town of Salisbury does not utilize encumbrance accounting.

K. Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not yet available during the current period.

L. Fund Equity and Net Assets

Equity in the government-wide financial statements is defined as “net assets” and is classified in the following categories:

Invested in Capital Assets, Net of Related Debt - this category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category represents the net assets of the Town, which are not restricted for any project or other purpose.

The equity of the fund financial statements is defined as “fund balance” and is classified the following categories:

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Reserved Fund Balance - represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated Fund Balance – represents tentative management plans that are subject to change.

Unreserved Fund Balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- A proposed operating budget is submitted for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted in the Town to obtain taxpayer comments.
- The budget is legally enacted through passage of ordinance.
- The Board of Finance is authorized to transfer budgeted amounts between departments within any fund: however, any major revisions that alter the total expenditures or any fund must be approved at the Town Meeting. No additional appropriations were approved at Town meetings.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgets are not employed in the other various types of funds of the Town.
- The Board of education, which is not a separate legal entity, but a function of the Town, is authorized under state law to make any transfers within their budget at their discretion.

Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America. A reconciliation of general fund amounts presented on the budgetary basis to amounts presented in conformity with accounting principles generally accepted in the United States of America is as follows:

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

	Revenues	Expenditures
Total Budgetary Basis	\$ 11,719,898	\$ 11,036,600
“On-Behalf” payments – State Teachers retirement Fund (see Note 13)	260,103	260,103
Total GAAP Basis	\$ 11,980,001	\$ 11,296,703

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash Deposits

The Town’s cash deposits are categorized pursuant to Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments, and Repurchase Agreements*. Category 1 includes amounts which are insured or collateralized with securities held by the Town or by its agent in the Town’s name. Category 2 includes amounts which are collateralized with securities held by the pledging financial institution’s trust department or agent in the Town’s name. Category 3 includes amounts which are uninsured and uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Town’s name.

At June 30, 2007, the carrying amount of the Town’s cash deposits (such as checking and savings accounts) was \$4,236,286 and the bank balance was \$4,504,723. Of the bank balance, \$300,000 was covered by federal depository or private insurance (Category 1) and \$4,204,723 was uninsured and uncollateralized (Category 3). However, all such deposits were in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank’s risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The level of the Town’s deposits varied significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were substantially higher than at year-end.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Investments

In accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board, the Town's investments must be categorized to give an indication of the level of risk assumed at year-end. Category 1 includes securities that are insured or registered in the Town's name or are held by the Town or by its agent in the Town's name. Category 2 includes uninsured and unregistered securities, which are held by the counterparty's trust department or by its agent in the Town's name. Category 3 includes uninsured and unregistered securities, which are held by the counterparty, its trust department or its agent, but not held in the Town's name.

State statutes authorize the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The pension and other trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

	Category			Total
	1	2	3	
U.S. Government Agencies	\$ -	\$ -	\$ 667,541	\$ 667,541
Corporate Bonds	-	-	-	
Corporate Stocks	-	74,611	-	74,611
Totals	\$ -	\$ 74,611	\$ 667,541	742,152

Non-Categorized Investments - Pool
Accounts*

Pension Trust Fund	958,352
Short Term Investment Funds	28,777
Berkshire Taconic Foundation	<u>1,036,173</u>

TOTAL \$ 2,765,454

* Categorization is not applicable since the Town does not own identifiable securities, but invests as a shareholder of the investment pool.

The State Treasurer's Short-Term Investment Fund is operated by the State Treasurer's Office. The value of the pool shares is the same as the fair value of the Town's position in the pool

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 – RECEIVABLES

Receivables at June 30, 2007 for individual major funds and all other funds in the aggregate, including the applicable allowance for collection losses, are as follows:

	<u>General Fund</u>	<u>Transfer Station Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Enterprise Fund</u>	<u>Total</u>
Property Tax	\$ 217,133	\$ -	\$ -	\$ -	\$ 217,133
Accrued interest and fees on property tax	86,480	-	-	-	86,480
Sewer user fees	-	-	-	12,389	12,389
State of CT	151,712	-	2,668	-	154,380
CT school construction	346,084	-	-	-	346,084
Other	138,831	17,270	-	-	156,101
	<u>\$ 940,240</u>	<u>\$ 17,270</u>	<u>\$ 2,668</u>	<u>\$ 12,389</u>	<u>\$ 972,567</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 7,007	\$ -
Special Revenue Funds		
Unemployment Compensation	-	2,577
Capital Projects Funds:		
Building Capital	-	4,430
	<u>\$ 7,007</u>	<u>\$ 7,007</u>

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 437,539	\$ -	\$ -	\$ 437,539
Capital assets being depreciated:				
Buildings and improvements	9,191,489	200,953	-	9,392,442
Machinery and Equipment	1,906,989	12,450	-	1,919,439
Infrastructure	3,556,733	-	-	3,556,733
Vehicles	1,493,676	114,205	-	1,607,881
Total capital assets being depreciated	<u>16,148,887</u>	<u>327,608</u>	<u>-</u>	<u>16,476,495</u>
Less accumulated depreciation for:				
Buildings and improvements	4,191,463	203,296	-	4,394,759
Machinery and Equipment	1,188,885	105,897	-	1,294,782
Infrastructure	243,101	70,815	-	313,916
Vehicles	1,209,975	91,737	-	1,301,712
Total accumulated depreciation	<u>6,833,424</u>	<u>471,745</u>	<u>-</u>	<u>7,305,169</u>
Total capital assets being depreciated, net	<u>9,315,463</u>	<u>(144,137)</u>	<u>-</u>	<u>9,171,326</u>
Governmental activities, capital assets, net	<u>\$9,753,002</u>	<u>(144,137)</u>	<u>\$ -</u>	<u>\$9,608,865</u>
Business-Type Activities				
Capital assets being depreciated:				
Buildings and improvements	\$ 574,000	\$ -	\$ -	\$ 574,000
Machinery and Equipment	146,128	-	-	146,128
Vehicles	20,000	26,350	20,000	26,350
Total capital assets being depreciated	<u>740,128</u>	<u>-</u>	<u>20,000</u>	<u>746,478</u>
Less accumulated depreciation for:				
Buildings and improvements	550,459	5,338	-	555,797
Machinery and Equipment	81,522	11,484	-	93,006
Vehicles	20,000	1,318	20,000	1,318
Total accumulated depreciation	<u>651,981</u>	<u>18,140</u>	<u>20,000</u>	<u>650,121</u>
Business –type activities, capital assets, net	<u>\$ 88,147</u>	<u>\$ 8,210</u>	<u>\$ -</u>	<u>\$ 96,357</u>

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

Governmental activities:	
Administration	\$ 32,339
Public Safety	3,153
Recreation	1,533
Sanitation	50,600
Highways	204,986
Education	179,134
Total depreciation expenses governmental activities	<u>\$ 471,745</u>
Business-type activities	
Sewer	<u>\$ 18,140</u>

NOTE 7 - DEFICIT FUND BALANCES

As of June 30, 2007 no funds reported deficit fund balances.

NOTE 8 - POST EMPLOYMENT AND HEALTHCARE BENEFITS

The Town does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the act, and no direct costs are incurred by the Town.

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks and any claims have not exceeded commercial coverage.

NOTE 10 - CONTINGENCIES

There are legal actions pending in which the Town is involved. The Town Officials are of the opinion that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the Town.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 11 - GENERAL OBLIGATION BONDS

The following is a summary of changes in general obligation bonds during the fiscal year.

	<u>Balance</u> <u>July 1, 2006</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u> <u>June 30, 2006</u>
School renovations	\$ 1,395,000	\$	-	\$	310,000	\$	1,085,000
<u>Totals</u>	<u>\$ 1,395,000</u>	\$	<u>-</u>	\$	<u>310,000</u>	\$	<u>1,085,000</u>

The following is a summary of debt service requirements to maturity by year:

Debt Service for Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$300,000	\$ 33,438	\$333,438
2009	\$290,000	\$ 24,438	\$314,438
2010	\$280,000	\$ 15,738	\$295,738
2011	\$215,000	\$ 6,988	\$221,988
Total	<u>\$1,085,000</u>	<u>\$80,602</u>	<u>\$ 1,165,602</u>

The Town is subject to a limitation by the State of Connecticut for indebtedness payable principally from receipts of taxation. At June 30, 2007, the overall limit was \$71,177,526. The direct and indirect long-term debt was \$2,388,965 leaving a legal debt margin of \$68,788,561.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 12 – NOTE PAYABLE

The Town financed the purchase of various vehicles and equipment with local banks. As of June 30, 2007 the total balance of the three outstanding loans was \$100,433. The total monthly payment for the three notes is \$4,179, with interest at 4.25%. Principal retirement is scheduled as follows:

<u>Year Ended</u>	<u>Principal</u>
June 30, 2008	46,838
June 30, 2009	30,620
June 30, 2010	18,288
June 30, 2011	4,687
	<u>\$ 100,433</u>

NOTE 13 - PENSION PLAN

Plan Description

The Town has a single employer, noncontributory defined benefit pension plan administered by The Town of Salisbury for eligible employees except certified personnel of the Board of Education who are covered by the State of Connecticut Teachers Retirement System. The Plan is funded through a trust with the Travelers Life and Annuity Company, and a trust with U. S. Trust Company who have authority and discretion to invest the funds of the plan. The Town has the authority to amend benefit provisions. The plan is considered to be a part of the Town's financial reporting entity and is included in the Town's financial statements as a Pension Trust Fund.

The financial statements of the Town of Salisbury's pension plan are prepared on the accrual basis of accounting. Investment income is recognized as earned by the pension plan and investments are valued at current market prices.

All eligible employees hired before January 1, 1997 who have completed one year of service with a minimum of 20 hours per week or 5 months during the year are eligible for inclusion in the plan. The plan provides that effective January 1, 1994 benefits are fully vested after five years of credited service. Prior to that ten years was required. Normal retirement from Town Services is at the earlier of (1) age 60 with 30 years of credited service or (2) age 65.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 - PENSION PLANS (Continued)

Pension benefits for normal retirement under the Town's pension plan are calculated at 1.5% of Average Compensation multiplied by the number of years of credited service, less the annual annuity, if any, under Travelers Group annuity contract GR-562. The Pension Plan also contains provisions covering early retirement and pre-retirement death and disability benefits. Any participant who made an election prior to March 31, 1998 to participate in the Town's Defined Contribution Plan had his benefit in this plan frozen as of December 31, 1997. Effective December 31, 2000, a one-time irrevocable election was offered allowing the transfer of the present value of this frozen benefit to the Defined Contribution Plan.

The Town's current pension cost is calculated to reflect the upcoming year's service accrual and to amortize the current unfunded employer past service liability over 3 years. As of the latest available actuarial valuation date of January 1, 2006 PERS membership consisted of the following:

Terminated employees with vested benefits	3
Current employees:	
Vested with non-frozen benefits	7
Vested with frozen benefits	2
Non-vested with frozen benefits	0

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town. Town employees are not required to contribute to the plan. The Town is required to contribute to the plan at an actuarially determined rate. The current rate is 21.7% of annual covered payroll.

Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual Required Contribution	\$ 64,696
Interest on Net Pension Obligation	(47)
Adjustment to annual required contribution	223
Annual Pension Cost	<u>64,872</u>
Contributions Made	<u>64,696</u>
Increase in Net Pension Obligation	176
Net Pension Obligation Beginning of Year	(624)
Net Pension Obligation End of Year	<u><u>\$(448)</u></u>

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 - PENSION PLANS (Continued)

The following is a summary of certain significant actuarial assumptions and other plan information:

Actuarial Valuation Date	January 1, 2006
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Dollar Amount over a closed period
Remaining Amortization Period	3 Years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	5.50%
Mortality	1983 Group Annuity Male Mortality Table with ages set back 6 years for females
Expenses	3% of annual cost

Historical Trend Information

For the years ended June 30, 2007, June 30, 2006, June 30, 2005 and June 30, 2004, the annual pension costs (APC) were \$64,872, \$34,151, \$57,125 and \$64,407, respectively. Respectively, the annual contributions represented 99.7%, 99.3%, 99.4% and 99.7% of the APC for the same period. The net pension obligation for the same period was \$(448), \$(624), \$(871) and \$(1,214).

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
1/1/2002	1,353,281	1,362,560	9,279	99.32 %	446,039	2.08%
1/1/2003	1,396,362	1,504,725	108,363	92.80 %	422,286	25.66%
1/1/2004	1,354,209	1,424,673	70,464	95.05 %	403,581	17.46%
1/1/2005	1,248,036	1,228,885	(19,151)	100.00 %	329,676	-
1/1/2006	1,006,181	1,094,155	87,975	91.96 %	298,477	29.47%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/03	42,841	100 %
6/30/04	64,185	100 %
6/30/05	56,782	100 %
6/30/06	33,904	100 %
6/30/07	64,696	100 %

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 - PENSION PLANS (Continued)

Defined Contribution Plan

Effective January 1, 1997, the Town established a defined contribution pension plan for eligible employees except certified personnel of the Board of Education who are covered by the State of Connecticut Teachers Retirement System.

Eligible employees means all employees of the Town of Salisbury hired on and after January 1, 1997, and all non-certified employees of the Salisbury Board of Education hired on and after January 1, 1997, and any employees of the Town and any non-certified employees of the Board of Education hired prior to January 1, 1997, who irrevocably elect, no later than May 5, 1997, or during the period beginning January 1, 1998 and ending March 31, 1998, to cease participation in the defined benefit plan described above, with the accrued benefit earned pursuant to the defined benefit plan (if any) frozen subject to the vesting provisions of that plan) as of the later of the effective date of this plan, or the first day of the plan year of that plan in which such election becomes effective.

Employees who have completed one year of service and have attained age 21 shall be eligible to participate under the plan as of the January 1 or July 1 following the date they have satisfied such requirements. The plan provides that benefits are 100% vested after five years of service with respect to all of the amounts allocated to employee's accounts.

The Town will contribute an amount equal to 9% of each eligible employee's annual compensation. The plan operates on a calendar year basis. For the fiscal year ended June 30, 2007, actual contributions by the Town were \$ 106,809. As of June 30, 2007 there were no securities of the Town or other related parties held in the plan. Due to the nature of the plan there is no unfunded liability.

Teachers Retirement System

Teachers participate in a contributory retirement plan administrated by the State of Connecticut Teachers Retirement Board. Neither the Board of Education nor the Town has a legal obligation to contribute to the retirement fund.

The Teachers' Retirement System is administered under the provisions of Chapter 167a of the Connecticut General Statutes. Participation in the plan is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units. Participation in the plan is mandatory for certified personnel of local boards of education who were employed for an average of at least one-half of a school day. Members of professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the state Employees' Retirement System, or the Alternate Retirement Plan (TIAA-CREF). A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60.

TOWN OF SALISBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 - PENSION PLANS (Continued)

The pension contributions made by the State are determined on an actuarial reserve basis described in sections 10-1831 and 10-183z, C.G.S. For the fiscal year ended June 30, 2007, the sum of \$412,101,958 was expended to meet the state's funding requirements. The result of the State's actuarial valuation does not contain information which would show the development of the state's actuarial cost by local districts. The estimated total state covered payroll for the year ended June 30, 2007 was \$3,281,061,109. The state's appropriation represented 12.56% of the total estimated payroll.

The Town of Salisbury Board of Education's total certified and covered payroll is approximately \$2,070,880 with teacher's contributions for the year ended June 30, 2007 totaling \$150,139. Teachers are required to contribute 7.25% of their annual salary to the system with the State of Connecticut funding the remaining cost benefits as established under the authority of Section 10-183 of the Connecticut General Statutes.

As required under Governmental Accounting Standards Board (GASB) Statement Number 24, the Town of Salisbury has included the estimated portion of the State of Connecticut contribution to the Teachers' Retirement System for the year ended June 30, 2007 in its financial statements in the amount of \$260,103. This contribution is considered an on-behalf payment which is reflected as both revenue and expenditure in the financial statements. The amount calculated is based on the allocation methodology provided under GASB Statement #24.

NOTE 14 – SUBSEQUENT EVENT

At a Town Meeting on March 20, 2007 the Town voted to appropriate \$1,050,000 for roof repairs and fuel tank replacements at the local elementary school. This appropriation will be financed with the issuance of bonds or notes in the following fiscal year.

TOWN OF SALISBURY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
3010 Property Taxes	\$ 9,968,443	\$ 9,968,443	\$ 9,982,929	\$ 14,486
State and Federal Grants for General Purposes:				
2170 STEAP Grant	-	-	76,895	76,895
3120 Elderly Property Tax Exemption	14,000	14,000	15,033	1,033
LOCIP	-	-	151,712	151,712
3150 In Lieu of Taxes on State Owned Property	8,994	8,994	12,706	3,712
3155 In Lieu of Taxes for Federal Property	3,300	3,300	3,045	(255)
3160 Telephone Access Tax	54,000	54,000	39,481	(14,519)
3220 Miscellaneous Grants	33,265	33,265	88,488	55,223
Total State and Federal Grants For General Purposes	113,559	113,559	387,360	273,801
State Grants for Education:				
3230 Transportation	2,797	2,797	2,445	(352)
3250 Educational Cost Sharing	133,664	133,664	133,549	(115)
3260 Miscellaneous Grants	-	-	1,053	1,053
3270 SCS Bonding Reimbursement	106,680	106,680	106,680	-
Total State Grants for Education	243,141	243,141	243,727	586
Miscellaneous Revenues:				
3505 Interest and Lien Fees From Property Taxes	65,000	65,000	91,966	26,966
3550 Dividends	1,000	1,000	1,293	293
3555 Miscellaneous Interest	30,000	30,000	96,897	66,897
3610 Donation - Hotchkiss School	75,000	75,000	77,500	2,500
3630 Donation - Salisbury School	12,000	12,000	15,000	3,000
3650 Donation - Indian Mountain School	4,000	4,000	4,750	750
3680 Miscellaneous Donations	10,000	10,000	24,161	14,161
3700 Use of Copy Machine	3,000	3,000	2,487	(513)
3730 Town Grove Receipts	80,000	80,000	83,708	3,708
3740 Real Estate Conveyance Tax	130,000	130,000	171,635	41,635
3750 Recording Fees - Town Clerk	57,800	57,800	51,315	(6,485)
3760 Fees for Building Permits	275,000	275,000	370,377	95,377
3770 Fees for Zoning	6,000	6,000	6,732	732
3780 State Fees	-	-	5,330	5,330
3810 Recreation Commission	9,000	9,000	19,561	10,561
3820 Rent - Town Buildings	2,500	2,500	2,685	185
3840 Insurance Refunds and Reimbursements	-	-	25,065	25,065
3890 Miscellaneous	3,000	3,000	9,521	6,521
Cell Tower Rent	-	-	11,026	11,026
Long Pond Dam	-	-	23,615	-
8210 Railroad Station Rent	12,000	12,000	11,258	(742)
Total Miscellaneous Revenues	775,300	775,300	1,105,882	330,582
TOTAL REVENUES	11,100,443	11,100,443	11,719,898	619,455
OTHER FINANCING SOURCES:				
Operating Transfers In	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 11,100,443	\$ 11,100,443	\$ 11,719,898	\$ 619,455

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget (Over) Under
	Original	Final		
GENERAL GOVERNMENT				
Administration:				
1005 Salaries and Expenses of Selectmen	\$ 75,156	\$ 75,156	\$ 72,906	\$ 2,250
1008 Secretary to Selectmen	35,742	35,742	40,950	(5,208)
1011 Probate Court	3,700	3,700	10,087	(6,387)
1014 Election Expenses	16,575	16,575	20,538	(3,963)
1017 Expenses - Board of Finance	26,500	26,500	23,773	2,727
1020 Auditing and Accounting	8,000	8,000	6,750	1,250
1026 Salary and Expenses of Assessor	82,988	82,988	71,213	11,775
1029 Salaries and Expenses of Board Tax Review	2,750	2,750	-	2,750
1032 Salary and Expenses of Tax Collector	50,582	50,582	46,449	4,133
1035 Tax Refunds	4,000	4,000	1,580	2,420
1038 Salary and Expenses of Town Treasurer	66,823	66,823	65,732	1,091
1041 Legal Fees	17,000	17,000	19,437	(2,437)
1043 Salary and Expenses of Town Clerk	81,690	81,690	79,215	2,475
1049 Expenses - Town Planning and Zoning Com.	33,856	33,856	32,348	1,508
1052 Expenses - Zoning Board of Appeals	2,400	2,400	1,890	510
1055 Operations of Town Hall	55,100	55,100	57,479	(2,379)
1056 Town Hall Office Expenses	44,800	44,800	36,514	8,286
1058 Employees Retirement Plan	102,000	102,000	108,255	(6,255)
1061 Social Security Taxes	97,000	97,000	91,439	5,561
1064 Employees' Hospital Insurance	279,349	279,349	268,555	10,794
1067 Workers Compensation	36,000	36,000	34,744	1,256
1070 Employees' Life and Disability Insurance	10,000	10,000	8,125	1,875
1073 Unemployment Compensation	2,500	2,500	1,217	1,283
1080 Miscellaneous Insurance	71,500	71,500	72,069	(569)
1082 Council of Small Towns	725	725	725	-
1083 CT Conference of Municipalities	2,600	2,600	2,641	(41)
1085 Northwest Region Council of Government	9,300	9,300	9,742	(442)
1088 Housatonic River Commission	350	350	350	-
1091 Street Lighting	27,000	27,000	26,350	650
8590 Conservation Commission	3,904	3,904	3,723	181
Total Administration	1,249,890	1,249,890	1,214,796	35,094

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND - Continued
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget (Over) Under
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Public Safety:				
2005 Volunteer Pension	\$ 18,000	\$ 18,000	\$ 22,350	\$ (4,350)
2010 Fire Protection	164,050	164,050	164,050	-
2020 Litchfield County Dispatch	41,000	41,000	40,509	491
2030 Building Official Expenses	67,962	67,962	66,632	1,330
2035 Fire Marshal	41,872	41,872	40,033	1,839
2040 Police Protection	135,003	135,003	138,462	(3,459)
2050 Civil Defense	5	5	-	5
2060 SARA	100	100	-	100
2080 Dog Warden	11,528	11,528	10,323	1,205
2090 Water Patrol - Twin Lakes	9,700	9,700	7,279	2,421
Total Public Safety	489,220	489,220	489,638	(418)
Highways:				
3010 General Maintenance	512,727	512,727	500,388	12,339
3020 Engineering Studies	5,000	5,000	-	5,000
3030 Snow and Ice Removal - Sanding	135,000	135,000	90,786	44,214
3040 Highway Materials	5,700	5,700	2,064	3,636
3050 Town Garage Maintenance	24,750	24,750	27,493	(2,743)
3060 Road Work	-	-	-	-
3070 Expenses - Tree Care Program	14,000	14,000	5,951	8,049
3071 Blasting	2,000	2,000	-	2,000
3080 Paint Building	2,500	2,500	2,094	406
3090 Salt Shed Maintenance	2,000	2,000	760	1,240
Total Highways	703,677	703,677	629,536	74,141
Sanitation and Waste Removal:				
4010 Maintenance - Transfer Station	276,058	276,058	276,058	-
4030 Recycling Coordinator	3,000	3,000	2,915	85
Total Sanitation and Waste Removal	279,058	279,058	278,973	85
Conservation of Health:				
5010 Public Health Nursing Association	95,680	95,680	95,680	-
5020 Housatonic Mental Health Center	13,500	13,500	13,500	-
5030 NWRMH	446	446	446	-
5040 TAHD Screening	22,230	22,230	22,230	-
5060 Elderly Services	24,280	24,280	22,073	2,207
5070 Drug and Alcohol Tests	500	500	-	500
Total Conservation of Health	156,636	156,636	153,929	2,707

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND - Continued
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget (Over) Under
	Original	Final		
GENERAL GOVERNMENT (Continued):				
Welfare:				
6010 Youth Services Bureau	\$ 12,175	\$ 12,175	\$ 12,175	\$ -
6020 General Assistance	22,176	22,176	21,873	303
6022 Susan B. Anthony	1,500	1,500	1,500	-
6025 Women's Emergency Services	1,200	1,200	1,200	-
6035 Extras	5	5	-	5
6040 Northwest Transportation District	2,060	2,060	2,060	-
6060 Housatonic Day Care Center	36,000	36,000	36,000	-
6070 Geer Adult Care	11,700	11,700	11,700	-
6080 NE Chore	1,000	1,000	1,000	-
6090 Housatonic Valley Association	150	150	150	-
6095 NW CT Reg Housing	100	100	100	-
Total Welfare	88,066	88,066	87,758	308
Recreation:				
7010 Scoville Memorial Library	155,000	170,000	170,000	-
7020 Water Management	88,732	88,732	74,429	14,303
7030 Weed Harvesting	-	-	-	-
7040 Ball Field	11,500	11,500	13,004	(1,504)
7050 Recreation Commission	70,515	70,515	76,875	(6,360)
7060 Town Grove - Expenses	166,469	166,469	179,769	(13,300)
7070 Recreation Building - Town Grove	-	-	-	-
7090 Christmas Lighting	500	500	500	-
7095 Memorial Day	1,500	1,500	1,532	(32)
Total Recreation	494,216	509,216	516,109	(6,893)
General Obligation Notes:				
8010 Payments - General Obligation Notes	352,000	352,000	351,963	37
Total General Obligation Notes	352,000	352,000	351,963	37
Miscellaneous:				
8510 Cemeteries	2,000	2,000	249	1,751
8515 Historic District Commission	1,250	1,250	888	362
8520 Sundries	7,500	7,500	5,551	1,949
8530 Community Information	10,500	10,500	6,580	3,920
8540 Municipal Development	14,000	14,000	6,950	7,050
Total Miscellaneous	35,250	35,250	20,218	15,032
Other:				
8640 Railroad Station	1,000	1,000	846	154
Total Other	1,000	1,000	846	154
Other				
9210 Other	-	-	76,557	(76,557)
LOCIP	-	-	151,712	(151,712)
STEAP Expenditures	-	-	29,042	(29,042)
Expenditure of Prior Year Appropriations	-	-	-	-
Total Other	-	-	257,311	(257,311)
TOTAL GENERAL GOVERNMENT EXPENDITURES	\$ 3,849,013	\$ 3,864,013	\$ 4,001,077	\$ (137,064)

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND - Continued
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget (Over) Under
	Original	Final		
EDUCATION:				
111 Certified Personnel:				
(2400) Principal	\$ 100,246	\$ 100,246	\$ 106,496	\$ (6,250)
(1100) Teachers	2,054,577	2,054,577	2,014,340	40,237
(1100) Substitutes	30,529	30,529	26,237	4,292
(1100) Extra Duty	11,487	11,487	11,487	-
(1200) Enrichment Salary	-	-	-	-
(2210) Librarian Salary	-	-	-	-
Other - ESL	500	500	-	500
Total Certified Salaries	2,197,339	2,197,339	2,158,560	38,779
112 Non-Certified Personnel:				
(2410) Secretaries/Board Clerk	128,643	128,643	130,613	(1,970)
(1100) Teacher Aides	93,665	93,665	99,967	(6,302)
(2600) Custodians	175,795	175,795	175,590	205
Over-time	3,372	3,372	2,909	463
(1100) Coaching	12,748	12,748	11,214	1,534
(1100) Computer Technician	52,530	52,530	51,004	1,526
(2200) Engineer	-	-	1,777	(1,777)
Total Non-Certified Salaries	466,753	466,753	473,074	(6,321)
Total Salaries	2,664,092	2,664,092	2,631,634	32,458
Employee Benefits:				
210 Insurances	600,182	571,372	525,195	46,177
220 Social Security	75,740	75,740	64,957	10,783
230 Pensions	39,009	39,009	52,140	(13,131)
250 Unemployment Compensation	5,000	5,000	67	4,933
260 Compensation - Workman's	10,442	10,442	9,847	595
Total Employee Benefits	730,373	701,563	652,206	49,357
Purchased Services:				
321 (1100) Instructional	10,650	10,650	9,304	1,346
322 (2210) Curriculum Dev. & In Service	3,000	3,000	4,600	(1,600)
323 Technology	1,500	1,500	1,912	(412)
331 Legal Fees/Negotiations	2,000	2,000	-	2,000
332 (2130) Nurse Services	46,079	46,079	46,079	-
333 Physicals	900	900	750	150
334 (1100) Testing	5,000	5,000	2,480	2,520
335 (2312) Board Clerical	700	700	850	(150)
336 (4300) Consulting	2,000	2,000	-	2,000
337 (2500) Legal Fees/Audits	2,500	2,500	2,500	-
338 (2500) Fees - Section 125	2,600	2,600	1,572	1,028
Total Purchased Services	76,929	76,929	70,047	6,882

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND - Continued
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget (Over) Under</u>
	<u>Original</u>	<u>Final</u>		
EDUCATION (Continued):				
<u>Purchased Property Services:</u>				
410 (2600) Water & Sewer	\$ 6,500	\$ 6,500	\$ 5,698	\$ 802
420 (2600) Cleaning	2,000	2,000	1,867	133
421 (2600) Rubbish Removal	4,623	4,623	4,059	564
424 (2600) Playground	17,850	17,850	17,850	-
430 (2600) Cleaning, Repairs & Maint.	78,577	100,577	104,299	(3,722)
450 (2600) Snow Removal & Other Prop.	7,000	7,000	4,253	2,747
Total Purchased Property Services	116,550	138,550	138,026	524
<u>Other Purchased Services:</u>				
511 (2700) Buses	257,040	257,040	257,040	-
512 (2700) Oliver Wolcott	23,730	23,730	21,303	2,427
513 (2790) Field Trips	17,263	17,263	17,939	(676)
514 (2790) Athletic Trips	2,100	2,100	1,643	457
515 (2790) Middle School	900	900	195	705
520 (2620) Property Insurance	14,420	14,420	13,768	652
521 (2620) Liability Insurance	7,725	7,725	7,417	308
522 (2310) Board Indemnity Insurance	3,484	3,484	-	3,484
523 (2620) Deductible	10	10	-	10
524 (1100) Sports Insurance	1,050	1,050	542	508
530 Postage	3,000	3,000	2,694	306
531 (2600) Telephone, Service & Repair	8,000	8,000	5,455	2,545
532 Internet	500	500	380	120
540 Classified Advertising, Office/Board	750	750	2,823	(2,073)
552 Printing	2,000	2,000	396	1,604
567 Summer School Tuition	4,125	4,125	3,254	871
568 (6110) Chapter 1 Tuition	11,069	11,069	10,619	450
569 Education Connection	750	750	315	435
581/82 Staff/ Principal	1,500	1,500	1,144	356
583/84 Board of Education /Clerk	500	500	890	(390)
590 Board Approved Programs	2,500	2,500	2,340	160
591 Miscellaneous Services	4,000	4,000	12,700	(8,700)
592 (2310) Enumerator	1,041	1,041	1,041	-
593 (2510) Inventory Control	1,836	1,836	1,836	-
594 (1100) Referees/ Interschool	2,900	2,900	2,857	43
595 (2210) Tuition Reimbursement	1,500	1,500	-	1,500
Total Other Purchased Services	373,693	373,693	368,591	5,102

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND - Continued
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget (Over) Under
	Original	Final		
EDUCATION (Continued):				
Supplies:				
611 (1100) Enrichment/Science	\$ -	\$ -	\$ -	\$ -
611 (2222) Audio / Visual Library	6,600	6,600	6,415	185
611 (1100) Teaching	38,547	38,957	48,142	(9,185)
611 (1100) Technology	6,484	6,484	6,896	(412)
611 (2490) Graduation	1,368	1,368	1,547	(179)
611 (2400) Office	2,000	2,000	2,430	(430)
611 (2130) Nurse	1,600	1,600	1,813	(213)
611 (2510) School Board	1,090	1,090	1,111	(21)
611 Replacement Computers	67,000	67,000	72,305	(5,305)
613 Custodial Maintenance	29,484	29,484	28,139	1,345
615 (2006) Code Compliance	50	50	-	50
622 (2620) Electricity	56,222	56,222	67,989	(11,767)
623 (3100) Cooking Gas	2,472	2,472	1,872	600
624 (2600) Heating Fuel	87,500	87,500	62,580	24,920
641 (1100) Textbooks	7,867	7,867	7,552	315
642 (2222) Library Books	6,000	6,000	6,156	(156)
643 (2222) Magazines and Periodicals	1,285	1,285	1,115	170
645 (2210) Professional Materials	1,165	1,165	1,164	1
692 (1100) Special / Innovative	1,750	1,750	1,666	84
Total Supplies	318,484	318,894	318,892	2
Capital Outlay:				
710 (2600) Site Improvement	5,000	5,000	-	5,000
730 New Equipment	-	-	878	(878)
731 (2600) Replacement Equipment	-	-	4,882	(4,882)
732 (2600) Technology	-	-	-	-
733 (2600) Furniture & Fixtures	12,330	12,330	16,013	(3,683)
734 (1100) New Educational	1,300	1,300	1,070	230
735 (1100) Replacement Educational	5,600	5,600	2,820	2,780
736 Computer/Classroom	-	-	-	-
737 Furniture / Fixtures	1,200	1,200	-	1,200
739 Other Capital Outlay	1,650	1,650	977	673
Total Capital Outlay	27,080	27,080	26,640	440
Other Objects:				
810 (2300) Dues & Fees	2,475	2,475	1,636	839
890 (2322) School / Community Meeting	1,875	3,775	4,574	(799)
Total Other Objects	4,350	6,250	6,210	40

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND - Continued
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget (Over) Under
	Original	Final		
EDUCATION (Continued):				
Other Uses of funds:				
930 Transfers	\$ 10	\$ 10	\$ -	\$ 10
Reserve Fund For Lunch Program	3,000	7,500	7,412	88
Total Other Uses of Funds	3,010	7,510	7,412	98
Total Salisbury Central School Budget	4,314,561	4,314,561	4,219,658	94,903
Regional Tuition and Other:				
564 (6110) H.V.R.H.S.	2,051,634	2,051,634	2,036,829	14,805
565 (6110) Pupil Services	621,904	621,904	612,636	9,268
566 (6110) R.S.S.C.	127,854	127,854	125,021	2,833
Board of Education Unbudgeted	-	-	41,379	(41,379)
Total Regional Tuition's and Other	2,801,392	2,801,392	2,815,865	(14,473)
TOTAL TOWN OF SALISBURY EDUCATION BUDGET	7,115,953	7,115,953	7,035,523	80,430
TOTAL EXPENDITURES	10,964,966	\$ 10,979,966	\$ 11,036,600	\$ (56,634)
OTHER FINANCING USES				
Transfer to Other Funds:				
Special Revenue Funds:				
3060 Road Improved/Unimproved	240,000	240,000	240,000	-
Capital Projects Funds:				
9010 Highway Replacement Fund	60,000	60,000	60,000	-
9030 Bridge Repairs	30,000	30,000	30,000	-
9050 Municipal Building Maintenance	30,000	30,000	30,000	-
9070 Municipal Improvements	100,000	100,000	100,000	-
Education Transfer to Capital Fund	111,800	111,800	181,783	(69,983)
TOTAL OTHER FINANCING USES	571,800	571,800	641,783	(69,983)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 11,536,766	\$ 11,551,766	\$ 11,678,383	\$ (126,617)

TOWN OF SALISBURY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

SPECIAL REVENUE

	Summer Work Program	School Lunch	Town Aid Road	Dog	Recreation	Extras Program	Dare Program	Herbert Scoville Fund	Coffing Sunday School Fund
ASSETS									
Cash and cash equivalents	\$ 19,434	\$ 1,819	\$ 134,906	\$ 10,610	\$ 321	\$ 39,656	\$ 2,236	\$ 48,526	\$ 482
Investments	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-
Due From Other Funds	-	2,668	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 19,434	\$ 4,487	\$ 134,906	\$ 10,610	\$ 321	\$ 39,656	\$ 2,236	\$ 48,526	\$ 482
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	-	-	-	-	-	\$ 4,027	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-
Due to State	-	-	-	2,425	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	1,718	-	-	-
Total Liabilities	-	-	-	2,425	-	5,745	-	-	-
Fund Balances:									
Reserved	-	-	-	-	-	-	-	-	-
Undesignated	19,434	4,487	134,906	8,185	321	33,911	2,236	48,526	482
Total Fund Balances	19,434	4,487	134,906	8,185	321	33,911	2,236	48,526	482
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,434	\$ 4,487	\$ 134,906	\$ 10,610	\$ 321	\$ 39,656	\$ 2,236	\$ 48,526	\$ 482

TOWN OF SALISBURY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - Continued
JUNE 30, 2007

	SPECIAL REVENUE				PERMANENT		
	School Society Fund	Mary E. Landon Fund	SCS Brown	Unemployment Compensation Fund	Coffing Support of Poor Fund	Salisbury Cemetery Fund	James H. Barnum Cemetery Fund
<u>ASSETS</u>							
Cash and cash equivalents	\$ 3,655	\$ 994	\$ 34,052	\$ 17,072	\$ 122,280	\$ 8,637	\$ 804
Investments	-	-	-	-	307,045	-	-
Accounts Receivable	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 3,655</u>	<u>\$ 994</u>	<u>\$ 34,052</u>	<u>\$ 17,072</u>	<u>\$ 429,325</u>	<u>\$ 8,637</u>	<u>\$ 804</u>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities:</u>							
Accounts Payable	-	-	\$ -	-	-	-	-
Due to Other Funds	-	-	-	2,577	-	-	-
Due to State	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances:</u>							
Reserved	-	-	-	-	429,325	8,637	804
Undesignated	3,655	994	34,052	14,495	-	-	-
<u>Total Fund Balances</u>	<u>3,655</u>	<u>994</u>	<u>34,052</u>	<u>14,495</u>	<u>429,325</u>	<u>8,637</u>	<u>804</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 3,655</u>	<u>\$ 994</u>	<u>\$ 34,052</u>	<u>\$ 17,072</u>	<u>\$ 429,325</u>	<u>\$ 8,637</u>	<u>\$ 804</u>

TOWN OF SALISBURY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS -Continued
JUNE 30, 2007

	CAPITAL PROJECTS							Total	
	Bridge Repair	WPCA/ Sewer Equip.	Highway Equipment Replacement	Transfer Station Capital	Board of Education Capital	Grove Capital	Other Capital Projects		Belcher Town Grove
Cash and cash equivalents	\$ 140,375	\$ 126,332	\$ 72,596	\$ 8,441	\$ 286,960	\$ 176,355	\$ 7,923	\$ 156,844	\$ 1,421,310
Investments	-	-	-	-	-	-	-	-	307,045
Accounts Receivable	-	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	-	-	-	-	-	2,668
TOTAL ASSETS	\$ 140,375	\$ 126,332	\$ 72,596	\$ 8,441	\$ 286,960	\$ 176,355	\$ 7,923	\$ 156,844	\$ 1,731,023
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ 10,554	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,581
Due to Other Funds	-	-	-	-	-	-	-	-	2,577
Due to State	-	-	-	-	-	-	-	-	2,425
Deferred Revenue	-	-	-	-	-	-	-	-	1,718
Total Liabilities	10,554	-	-	-	-	-	-	-	21,301
Fund Balances:									
Reserved	129,821	126,332	72,596	8,441	286,960	176,355	7,923	156,844	1,404,038
Undesignated	-	-	-	-	-	-	-	-	305,684
Total Fund Balances	129,821	126,332	72,596	8,441	286,960	176,355	7,923	156,844	1,709,722
TOTAL LIABILITIES AND FUND BALANCES	\$ 140,375	\$ 126,332	\$ 72,596	\$ 8,441	\$ 286,960	\$ 176,355	\$ 7,923	\$ 156,844	\$ 1,731,023

TOWN OF SALISBURY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Summer Work Program	School Lunch	Town Aid Road	Dog	Recreation	Extras Program	Dare Program	Herbert Scoville Fund	Coffing Sunday School Fund
<u>Revenues:</u>									
Sales and Services	\$ -	\$ 41,337	\$ -	\$ 14,572	\$ -	\$ 51,135	\$ -	\$ -	\$ -
Governmental Revenues	-	15,738	143,897	-	-	-	-	-	-
Interest and Dividends	682	-	329	48	16	1,001	-	2,411	29
Donations	13,488	6,000	-	-	-	21,725	2,938	-	-
<u>Total Revenues</u>	<u>14,170</u>	<u>63,075</u>	<u>144,226</u>	<u>14,620</u>	<u>16</u>	<u>73,861</u>	<u>2,938</u>	<u>2,411</u>	<u>29</u>
<u>Expenditures:</u>									
Purchases	-	48,199	-	-	-	-	-	-	-
Materials	-	2,502	223,226	-	-	2,471	1,578	-	-
Wages and Benefits	21,077	11,423	-	7,397	-	55,968	-	-	-
Taxes	1,601	874	-	-	-	-	-	-	-
General assistance	-	-	-	-	-	-	-	-	-
State Fees and Repayments	-	-	-	2,425	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Operating Expenses	-	230	-	3,884	-	5,482	-	-	-
<u>Total Expenditures</u>	<u>22,678</u>	<u>63,228</u>	<u>223,226</u>	<u>13,706</u>	<u>-</u>	<u>63,921</u>	<u>1,578</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(8,508)	(153)	(79,000)	914	16	9,940	1,360	2,411	29
<u>Other Financing Sources (Uses):</u>									
Operating Transfers In	-	-	240,000	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>(8,508)</u>	<u>(153)</u>	<u>161,000</u>	<u>914</u>	<u>16</u>	<u>9,940</u>	<u>1,360</u>	<u>2,411</u>	<u>29</u>
<u>Fund Balances, July 1, 2006</u>	<u>27,942</u>	<u>4,640</u>	<u>(26,094)</u>	<u>7,271</u>	<u>305</u>	<u>23,971</u>	<u>876</u>	<u>46,115</u>	<u>453</u>
<u>Fund Balances, June 30, 2007</u>	<u>\$ 19,434</u>	<u>\$ 4,487</u>	<u>\$ 134,906</u>	<u>\$ 8,185</u>	<u>\$ 321</u>	<u>\$ 33,911</u>	<u>\$ 2,236</u>	<u>\$ 48,526</u>	<u>\$ 482</u>

TOWN OF SALISBURY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE					PERMANENT		
	School Society Fund	Mary E. Landon Fund	SCS Brown	Unemployment Compensation Fund	Coffing Support of Poor Fund	Salisbury Cemetery Fund	James H. Barnum Cemetery Fund	
<u>Revenues:</u>								
Sales and Services	-	-	-	-	-	-	-	-
Governmental Revenues	-	-	-	-	-	-	-	-
Interest and Dividends	257	56	1,523	969	43,192	405	44	-
Donations	-	-	-	-	-	-	-	-
<u>Total Revenues</u>	<u>257</u>	<u>56</u>	<u>1,523</u>	<u>969</u>	<u>43,192</u>	<u>405</u>	<u>44</u>	<u>-</u>
<u>Expenditures:</u>								
Purchases	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-
Wages and Benefits	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
General assistance	-	-	-	-	6,000	-	-	-
State Fees and Repayments	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Operating Expenses	257	-	702	-	1,520	74	-	-
<u>Total Expenditures</u>	<u>257</u>	<u>-</u>	<u>702</u>	<u>-</u>	<u>7,520</u>	<u>74</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>56</u>	<u>821</u>	<u>969</u>	<u>35,672</u>	<u>331</u>	<u>44</u>	<u>-</u>
<u>Other Financing Sources (Uses):</u>								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>-</u>	<u>56</u>	<u>821</u>	<u>969</u>	<u>35,672</u>	<u>331</u>	<u>44</u>	<u>-</u>
<u>Fund Balances, July 1, 2006</u>	<u>3,655</u>	<u>938</u>	<u>33,231</u>	<u>13,526</u>	<u>393,653</u>	<u>8,306</u>	<u>760</u>	<u>-</u>
<u>Fund Balances, June 30, 2007</u>	<u>\$ 3,655</u>	<u>\$ 994</u>	<u>\$ 34,052</u>	<u>\$ 14,495</u>	<u>\$ 429,325</u>	<u>\$ 8,637</u>	<u>\$ 804</u>	<u>-</u>

TOWN OF SALISBURY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	CAPITAL PROJECTS								
	Bridge Repair	WPCA/ Sewer Equip.	Highway Equipment Replacement	Transfer Station Capital	Board of Education Capital	Grove Capital	Other Capital Projects	Belcher Town Grove	Total
<u>Revenues:</u>									
Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	107,044
Governmental Revenues	-	-	-	-	-	-	-	-	159,635
Interest and Dividends	7,771	9,756	8,128	440	11,979	7,730	410	3,137	100,313
Donations	-	-	-	-	-	-	-	-	44,151
<u>Total Revenues</u>	<u>7,771</u>	<u>9,756</u>	<u>8,128</u>	<u>440</u>	<u>11,979</u>	<u>7,730</u>	<u>410</u>	<u>3,137</u>	<u>411,143</u>
<u>Expenditures:</u>									
Purchases	-	-	-	-	-	-	-	-	48,199
Materials	-	-	-	-	-	-	-	-	229,777
Wages and Benefits	-	-	-	-	-	-	-	-	95,865
Taxes	-	-	-	-	-	-	-	-	2,475
General assistance	-	-	-	-	-	-	-	-	6,000
State Fees and Repayments	-	-	-	-	-	-	-	-	2,425
Capital Outlay	4,998	20,453	118,153	6,825	44,589	-	-	-	195,018
Operating Expenses	-	-	-	-	-	-	-	-	15,286
<u>Total Expenditures</u>	<u>4,998</u>	<u>20,453</u>	<u>118,153</u>	<u>6,825</u>	<u>44,589</u>	<u>-</u>	<u>-</u>	<u>3,137</u>	<u>595,045</u>
Excess of Revenues Over (Under) Expenditures	2,773	(10,697)	(110,025)	(6,385)	(32,610)	7,730	410	-	(183,902)
<u>Other Financing Sources (Uses):</u>									
Operating Transfers In	30,000	45,000	60,000	-	181,783	-	-	-	556,783
Operating Transfers Out	-	(26,350)	-	-	-	-	-	-	(26,350)
<u>Total Other Financing Sources (Uses)</u>	<u>30,000</u>	<u>18,650</u>	<u>60,000</u>	<u>-</u>	<u>181,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,433</u>
<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>32,773</u>	<u>7,953</u>	<u>(50,025)</u>	<u>(6,385)</u>	<u>149,173</u>	<u>7,730</u>	<u>410</u>	<u>-</u>	<u>346,531</u>
<u>Fund Balances, July 1, 2006</u>	<u>97,048</u>	<u>118,379</u>	<u>122,621</u>	<u>14,826</u>	<u>137,787</u>	<u>168,625</u>	<u>7,513</u>	<u>156,844</u>	<u>1,363,191</u>
<u>Fund Balances, June 30, 2007</u>	<u>\$ 129,821</u>	<u>\$ 126,332</u>	<u>\$ 72,596</u>	<u>\$ 8,441</u>	<u>\$ 286,960</u>	<u>\$ 176,355</u>	<u>\$ 7,923</u>	<u>\$ 156,844</u>	<u>\$ 1,709,722</u>

TOWN OF SALISBURY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>AGENCY FUNDS</u>		
	<u>School Activities Fund</u>	<u>Security Deposits</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,753	\$ 45,609	\$ 52,362
Due From Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>\$ 6,753</u>	<u>\$ 45,609</u>	<u>\$ 52,362</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities:</u>			
Due to beneficiaries	6,753	45,609	52,362
<u>Total Liabilities</u>	<u>6,753</u>	<u>45,609</u>	<u>52,362</u>
<u>Net Assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 6,753</u>	<u>\$ 45,609</u>	<u>\$ 52,362</u>

TOWN OF SALISBURY
STATEMENT OF DEBT LIMITATION
JUNE 30, 2007

Base:		
Total Taxes, Interest and Lien Fees Collected		\$ 10,153,185
Reimbursement for Revenue Loss on:		
Tax Relief for Elderly		<u>15,033</u>
TOTAL		<u><u>\$ 10,168,218</u></u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>
Debt Limitation:				
2 1/4 times base	\$ 22,878,491	\$ -	\$ -	\$ -
4 1/2 times base	-	45,756,981	-	-
3 3/4 times base	-	-	38,130,818	-
3 1/4 times base	-	-	-	33,046,709
	<u>22,878,491</u>	<u>45,756,981</u>	<u>38,130,818</u>	<u>33,046,709</u>
Indebtedness:				
School Renovation Bond	-	1,085,000	-	-
Note Payable	100,433	-	-	-
Town's Share Regional Bond	-	1,203,532	-	-
Total Indebtedness	<u>100,433</u>	<u>2,288,532</u>	<u>-</u>	<u>-</u>
Less State Grant Commitments	<u>-</u>	<u>346,084</u>	<u>-</u>	<u>-</u>
Total Net Indebtedness	<u>100,433</u>	<u>2,634,616</u>	<u>-</u>	<u>-</u>
Debt Limitations in Excess of Outstanding Debt	<u><u>\$ 22,778,058</u></u>	<u><u>\$ 43,122,365</u></u>	<u><u>\$ 38,130,818</u></u>	<u><u>\$ 33,046,709</u></u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation.
As of June 30, 2007 this amount would be \$ 71,177,526.

TOWN OF SALISBURY
REPORT OF THE PROPERTY TAX COLLECTOR
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

List of 10/1:	Balances 06/30/2006	Current Levy	Lawful Corrections		Collectable Taxes	Collections		Lien	Total	Transfers To Suspend	Balances 06/30/2007
			Additions	Deductions		Taxes	Interest				
2005	\$ -	\$ 10,001,098	\$ 33,714	\$ 57,966	\$ 9,976,846	\$ 31,185	\$ -	\$ 9,911,724	\$ -	\$ 96,307	
2004	140,118	-	2,309	1,189	141,258	15,229	696	109,538	-	47,645	
2003	63,426	-	-	328	63,098	15,932	288	59,045	10,324	9,949	
2002	27,832	-	-	-	27,832	7,037	144	28,024	-	6,989	
2001	35,984	-	-	-	35,984	4,716	96	11,661	-	29,135	
2000	22,982	-	-	65	22,917	4,980	48	10,468	-	17,477	
1999	11,031	-	-	69	10,962	5,496	48	10,763	2,829	2,914	
1998	10,203	-	-	67	10,136	2,988	48	5,836	5,056	2,280	
1997	8,957	-	-	66	8,891	1,867	24	3,529	6,516	737	
1996	5,471	-	-	64	5,407	258	-	258	4,861	546	
1995	531	-	-	-	531	19	-	19	-	531	
1994	895	-	-	-	895	-	-	-	-	895	
1993	461	-	-	-	461	-	24	343	-	142	
1992	-	-	-	-	-	-	-	-	-	-	
1991	1,586	-	-	-	1,586	-	-	-	-	1,586	
	<u>\$ 329,477</u>	<u>\$ 10,001,098</u>	<u>\$ 36,023</u>	<u>\$ 59,794</u>	<u>\$ 10,306,804</u>	<u>\$ 89,707</u>	<u>\$ 1,416</u>	<u>\$ 10,151,208</u>	<u>\$ 29,586</u>	<u>\$ 217,133</u>	

Suspense Collections

2003	72	24	
2002	853	494	1,347
2001	139	105	244
2000	23	24	47
1999	26	32	58
1998	111	148	259
1992	6	16	22
	<u>1,230</u>	<u>843</u>	<u>1,977</u>
Total Collections	\$ 10,061,315	\$ 90,550	\$ 10,153,185

Ramunni & Bushka, LLC

CERTIFIED PUBLIC ACCOUNTANTS

A. Paul Ramunni, CPA
Mark B. Bushka, CPA

95 Main Street • P.O. Box 929 • Canaan, CT 06018

Tel: (860) 824-0781
Fax: (860) 824-5227
www.rbscpas.com

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

Board of Finance
Town of Salisbury
Salisbury, Connecticut 06068

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salisbury, Connecticut as of and for the year ended June 30, 2007, which collectively comprise the Town of Salisbury's basic financial statements and have issued our report thereon dated January 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Finance and management of the Town, the Office of Policy and Management, 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 black ink that reads "Ramunni & Bushka, LLC". The signature is written in a cursive, flowing style.

Ramunni & Bushka, LLC
Certified Public Accountants

January 3, 2008
Canaan, Connecticut

Ramunni & Bushka, LLC

CERTIFIED PUBLIC ACCOUNTANTS

A. Paul Ramunni, CPA
Mark B. Bushka, CPA

95 Main Street • P.O. Box 929 • Canaan, CT 06018

Tel: (860) 824-0781
Fax: (860) 824-5227
www.rbscpas.com

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

To the Board of Finance of the
Town of Salisbury
Salisbury, Connecticut 06068

COMPLIANCE

We have audited the compliance of the Town of Salisbury (the "Town") with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2007. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of state 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's management. Our responsibility is to express an opinion on compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and

material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

We have audited the financial statements of the Town as of and for the year ended June 30, 2007, and have issued our report thereon dated February 14, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance and management of the Town, the Office of Policy and Management, 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.



Ramunni & Bushka, LLC
Certified Public Accountants

Canaan, Connecticut
February 14, 2008

TOWN OF SALISBURY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2007

<u>State Grantor/Pass Through Grantor/Program Title</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
<u>Department of Transportation:</u>		
Town Aid Road Grants	12001-DOT57000-17036	\$ 143,897
<u>CT State Library</u>		
Historic Preservation	12060-CSL66094-35050	7,000
<u>State Department of Education:</u>		
Child Nutrition Program	11000-SDE64000-16072	1,210
<u>Office of Policy and Management:</u>		
Local Capital Improvement Program	11000-OPM20600-40254	75,000
Additional Veterans Exemption	11000-OPM20600-17024	999
Elderly Homeowner's Program	11000-OPM20600-17018	15,064
Relief For Disabled	11000-OPM20600-17011	61
Property Tax Relief	11000-OPM20600-17086	3,704
Tax Relief For Manufacturing	11000-OPM20600-17031	7,026
<u>Department of Economic Development</u>		
STEAP	12052-ECD46000-42411-075	252,147
<u>Office of State Treasurer:</u>		
Water Pollution Control Authority Grant		809
<u>Commission on Arts, Tourism, Culture, History & Film:</u>		
Arts in Education Grants	12060-CAT45200-16005-23	1,053
<u>Office of the State Comptroller:</u>		
PILOT on State Owned Property	11000-OSC15910-17004	9,002
Mashantucket Pequot Funds	11000-OPM20100-18010	18,474
Boat Grant	1202-1142-999-07010	<u>2,115</u>
<u>Total State Financial Assistance Before Exempt Programs</u>		<u>537,561</u>
<u>EXEMPT PROGRAMS</u>		
<u>Department of Education:</u>		
Education Cost Sharing	11000-SDE64000-17041	133,549
Transportation of School Children	11000-SDE64000-17027	2,445
Special Education - Agency Placements	11000-SDE64000-17047	1,035
School Construction Grants	13009-SDE64000-40896	<u>106,680</u>
<u>Total Exempt Programs</u>		<u>243,709</u>
<u>Total State Financial Assistance</u>		<u>\$ 781,270</u>

The accompanying note is an integral part of this schedule

TOWN OF SALISBURY

STATE FINANCIAL ASSISTANCE PROGRAMS

NOTES TO SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2007

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Salisbury through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including road repair and maintenance, capital improvements, tax relief, general assistance and education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Salisbury conform to generally accepted accounting principles as applicable to governments. 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 Salisbury's annual audit report are prepared on the accrual and modified accrual basis. The following is a summary of such basis:

- Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.
- Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is 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 SALISBURY
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2007

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	_x_ No
Reportable condition(s) identified that are not considered to be material weaknesses?	___ Yes	_x_ None Reported

Noncompliance material to financial statements noted? Yes _x_ No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	___ Yes	_x_ No
Reportable condition(s) identified that are not considered to be material weaknesses?	___ Yes	_x_ None Reported

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 x No

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

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u> Town Aid Road Grants	12001-DOT57000-17036	\$ 143,987
<u>Department of Economic Development</u> STEAP	12052-ECD46000-42411-075	\$ 252,147

II - SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

We issued reports, dated January 3, 2008, 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

Our report on compliance indicated no reportable instances of noncompliance

Our report on internal control over financial reporting indicated no reportable conditions

III - FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

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