

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2009**

**and**

**Independent Auditor's Report**

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2009**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Moultonborough, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moultonborough, New Hampshire (the Town) as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Moultonborough, New Hampshire as of December 31, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Moultonborough, New Hampshire as of December 31, 2009 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages i-vi and 20-22, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited

procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Moultonborough, New Hampshire's basic financial statements. The combining nonmajor fund and combining agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund and combining agency fund financial statements 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.

*Washon Cluckey & Company PC*

June 28, 2010

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2009**

Presented here is the Management Discussion & Analysis Report for the Town of Moultonborough, NH, for the year ending December 31, 2009. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with the Board of Selectmen. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. We report this data in a manner designed to present fairly the Town's financial position and the results of operations of the various Town funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

The Board of Selectmen are responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). The Board of Selectmen also strives to put these assets to good and effective use. We designed the Town's internal control structure to provide reasonable assurances that we attain these objectives.

### **Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the Town of Moultonborough using the integrated approach prescribed by GASB Statement 34.

It is our intention that this discussion and analysis serve as an introduction to the Town's financial statements. The financial statements are comprised of the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements

### ***Government-wide Financial Statements***

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

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 year. We take all of the current year's revenues and expenses into account regardless of when we receive cash in or pay cash out.

### ***Fund Financial Statements***

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. One can divide all the funds of the Town into two categories: governmental funds and fiduciary funds.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2009**

We use governmental funds to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town'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 the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Assets and Statement of Activities.

The Town maintains numerous individual governmental funds. We present information separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Capital Reserve Fund. We combine data from all other governmental funds into a single, aggregate presentation.

The Town adopts an annual appropriation budget for its governmental funds. We provide a budgetary comparison for the General Fund to demonstrate compliance with this budget. The Town's only major governmental fund for 2009, with an adopted budget, is the General Fund.

Fiduciary funds are used to account for resources held for the benefit of parties other than the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Moultonborough. The Town's fiduciary funds consist of private-purpose trust funds and agency funds.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, the Town's only major governmental fund with an adopted budget, and includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements.

***Other Supplementary Information***

Other supplementary information includes combining financial statements for nonmajor governmental funds and fiduciary funds.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2009**

**Government-Wide Financial Analysis**

*Statement of Net Assets*

Net Assets of the Town of Moultonborough as of December 31, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Capital assets, net	\$ 10,372,908	\$ 10,021,257
Other assets	11,228,527	10,677,129
Total assets	<u>\$ 21,601,435</u>	<u>\$ 20,698,386</u>
Long-term liabilities	\$ 166,675	\$ -
Other liabilities	6,467,214	6,355,308
Total liabilities	<u>\$ 6,633,889</u>	<u>\$ 6,355,308</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 10,165,342	\$ 9,556,971
Restricted	1,890,810	1,663,565
Unrestricted	2,911,394	3,122,542
Total net assets	<u>\$ 14,967,546</u>	<u>\$ 14,343,078</u>

*Statement of Activities*

Changes in net assets for the year ending December 31, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for services	\$ 514,888	\$ 542,123
Operating grants and contributions	231,650	236,895
Capital grants and contributions	-	-
General revenues:		
Property and other taxes	6,279,746	6,620,206
Licenses and permits	1,124,700	1,147,441
Grants and contributions	220,561	239,775
Interest and investment earnings	87,073	136,972
Miscellaneous	266,932	860,308
Total revenues	<u>8,725,550</u>	<u>9,783,720</u>

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2009**

Expenses		
General government	1,814,740	1,801,979
Public safety	2,439,393	2,487,055
Highways and streets	1,784,051	1,797,487
Health and welfare	546,847	496,374
Sanitation	641,111	649,074
Culture and recreation	862,754	856,157
Interest and fiscal charges	12,786	24,565
Total expenses	<u>8,101,682</u>	<u>8,112,691</u>
Increase in net assets before contributions to permanent fund principal	623,868	1,671,029
Contributions to permanent fund principal	<u>600</u>	<u>2,065</u>
Increase in net assets	624,468	1,673,094
Net assets, beginning of year	<u>14,343,078</u>	<u>12,669,984</u>
Net assets, end of year	<u>\$ 14,967,546</u>	<u>\$ 14,343,078</u>

**Town of Moultonborough Activities**

As shown in the above statement, there was an increase in net assets of \$624,468. This increase is primarily due to the increase in Capital Assets of \$351,651. The Town also made its final principal payment of \$464,286 on its General Obligation Bonds. The elimination of bonds payable more than offset the new capital lease agreement for a grader in the amount of \$207,566.

The general fund ended the year with an unreserved fund balance of \$2,197,340 or 25 percent of total general fund expenditures. This is a decrease of \$163,792 from the prior year. This decrease was less than anticipated, because the Town applied \$1,000,000 of its 2008 unreserved fund balance to reduce taxes in the 2009 budget year. Also, the Town under expended its final budget by \$810,782

The fund balances of the Capital Reserve Funds decreased by a total of four dollars from the prior year.

The fund balances of the five Non-major Governmental Funds increased by a total \$97,236 from the prior year.

**General Fund Budgetary Highlights**

During the year, the original budget for appropriations decreased by \$1,025,824. This decrease is the result of approved appropriations of \$1,071,914 being carried forward to 2010 less an increase of \$46,090 to recognize funds as unanticipated revenues per NH RSA 31:95b. This RSA allows the funds to be added to both the Town's revenue and expenditure budgets, and be expended, without being charged to the original budget. These unanticipated revenues were not carried forward as they were spent for the voted purposes of the Selectmen in the current year.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2009**

The Town under expended its total 2009 budget by \$810,782. This resulted from conservative spending within the departments and lower costs, than projected, for contracted services. The Town also had a number of key positions that were vacant during the year.

**Capital Assets**

The Town of Moultonborough considers a capital asset to be an asset whose cost exceeds \$5,000 and which has a useful life of greater than one (1) year. The Town depreciates its assets using the straight-line method over the course of their useful life beginning in the year after acquisition.

The total investment in capital assets for governmental activities at year end amounted to \$10,372,908 (net of accumulated depreciation), a change of \$351,651 from the previous year. This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park facilities and roads.

Major capital asset events during the current fiscal year included completion of the Ossipee Park Road reconstruction, the purchase of a John Deere 772G motor grader, and the replacement of the roof at Town Hall.

Capital Assets (net of depreciation)		
<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>
Land and improvements	\$2,046,553	\$2,091,926
Buildings and improvements	5,194,481	5,314,896
Vehicles and equipment	1,547,948	1,369,010
Infrastructure	1,362,250	505,807
Construction in progress	<u>221,676</u>	<u>739,618</u>
Total	<u>\$10,372,908</u>	<u>\$10,021,257</u>

Additional information on capital assets can be found in Note 7 of the Basic Financial Statements.

**Long-Term Obligations**

At the end of the current fiscal year, total bonded debt outstanding was zero and capital leases payable was \$207,566. During 2009, the Town made its final principal payment of \$464,286 on its general obligation bonds for landfill reclamation and construction of the Life Safety Building. The Town entered into a capital lease for a 2009 John Deere 772G AWD grader. The Town has no long-term obligations for compensated absences.

Outstanding Debt Governmental Activities		
<u>General Obligation Bonds and Capital Lease Payable</u>		
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ -	\$464,286
Capital lease	<u>207,566</u>	-
Total	<u>\$207,566</u>	<u>\$464,286</u>

See Note 10, of the Basic Financial Statements, for a summary of all outstanding long-term obligations.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2009**

**Economic Factors, Rates and 2009 Budget**

The NH Department of Revenue Administration (DRA) sets the Annual Tax Rate for the Town of Moultonborough. They do so based on the Annual Budget approved at Town Meeting adjusted for actual revenues and expenditures throughout the year. The Town collects property taxes to fund its own operations and that of School Administrative Unit #45. The property tax also pays the levy placed on the Town by Carroll County and the State of New Hampshire in the Statewide Property Tax for Education. The Town bills for property taxes semi-annually. Tax billing occurs according to the laws of the State of New Hampshire, under the supervision of the DRA. The first billing is an estimate based on the previous year's tax rate applied to the current year's assessments. The second billing utilizes the correct tax rate for the year as established by the New Hampshire DRA applied to the current year's assessment.

Following is a comparison of the 2009 to the 2008 tax rates:

	<u>2009</u>	<u>2008</u>
Town rate	\$2.22	\$2.32
Local school rate	2.14	2.16
State school rate	2.31	2.21
County rate	<u>1.03</u>	<u>.97</u>
Total rate	<u>\$7.70</u>	<u>\$7.66</u>
Assessed value (in thousands)	\$2,833,023	\$2,835,244

The Town of Moultonborough works to a 10-year Building Plan. The plan first received approval at the 1994 Town Meeting and contains current needs projections through the year 2010. The Municipal Building Needs Committee periodically reviews, adjusts and updates this plan. The resulting plan receives final review and approval through the presentation and discussion of proposed projects at subsequent Public Hearings and Town Meetings.

The Board of Selectmen created a list of road construction projects that includes approximately ten years of prioritized projects. The list comprises the recommendations of the Highway/Road Agent regarding work needed to improve and maintain Town roads. The Board of Selectmen makes their recommendations known through a Public Hearing before including recommendations in the creation of the annual budget.

**Contacting the Town of Moultonborough's Board of Selectmen or Staff**

This financial report provides our citizens and creditors with a general overview of the Town of Moultonborough's finances. It demonstrates accountability for the funds the Town receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Department, or the Board of Selectmen, at P.O. Box 139, Moultonborough, NH 03896. You may also call them at (603) 476-2347, stop by Town Hall at 6 Holland Street, or visit our website @ [www.moultonborough.org](http://www.moultonborough.org) and click on *Departments and Boards*.

EXHIBIT A  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Statement of Net Assets**  
December 31, 2009

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 9,678,980
Investments	127,706
Taxes receivable, net	1,127,039
Accounts receivable	60,394
Due from other governments	220,561
Prepaid expenses	13,847
Total Current Assets	<u>11,228,527</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,277,015
Depreciable capital assets, net	<u>9,095,893</u>
Total Noncurrent Assets	<u>10,372,908</u>
Total Assets	<u>\$ 21,601,435</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 166,124
Accrued expenses	37,133
Deferred revenue	560
Deposits payable	1,459
Due to other governments	6,221,047
Current portion of capital leases payable	40,891
Total Current Liabilities	<u>6,467,214</u>
Noncurrent Liabilities:	
Capital leases payable	<u>166,675</u>
Total Noncurrent Liabilities	<u>166,675</u>
Total Liabilities	<u>6,633,889</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,165,342
Restricted	1,890,810
Unrestricted	<u>2,911,394</u>
Total Net Assets	<u>14,967,546</u>
Total Liabilities and Net Assets	<u>\$ 21,601,435</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Statement of Activities**  
For the Year Ended December 31, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 1,814,740	\$ 19,122		\$ (1,795,618)
Public safety	2,439,393	60,237	\$ 52,325	(2,326,831)
Highways and streets	1,784,051		127,025	(1,657,026)
Health and welfare	546,847	222,925		(323,922)
Sanitation	641,111	137,803		(503,308)
Culture and recreation	862,754	74,801		(787,953)
Interest and fiscal charges	12,786		52,300	39,514
Total governmental activities	<u>\$ 8,101,682</u>	<u>\$ 514,888</u>	<u>\$ 231,650</u>	<u>(7,355,144)</u>
General revenues:				
Property and other taxes				6,279,746
Licenses and permits				1,124,700
Grants and contributions:				
Rooms and meals tax distribution				220,561
Interest and investment earnings				87,073
Miscellaneous				266,932
Contributions to permanent fund principal				600
Total general revenues and contributions to permanent fund principal				<u>7,979,612</u>
Change in net assets				624,468
Net assets - beginning				<u>14,343,078</u>
Net assets - ending				<u>\$ 14,967,546</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2009

	<u>General Fund</u>	<u>Capital Reserve Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,936,857	\$ 1,243,230	\$ 498,893	\$ 9,678,980
Investments			127,706	127,706
Taxes receivable, net	1,127,039			1,127,039
Accounts receivable	60,394			60,394
Due from other governments	220,561			220,561
Due from other funds	8,451		55,213	63,664
Prepaid expenses	13,847			13,847
<b>Total Assets</b>	<u>\$ 9,367,149</u>	<u>\$ 1,243,230</u>	<u>\$ 681,812</u>	<u>\$ 11,292,191</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 166,124			\$ 166,124
Accrued expenses	37,133			37,133
Deferred revenue	676,155			676,155
Deposits payable	1,459			1,459
Due to other governments	6,221,047			6,221,047
Due to other funds	54,044	\$ 7,834	\$ 1,786	63,664
<b>Total Liabilities</b>	<u>7,155,962</u>	<u>7,834</u>	<u>1,786</u>	<u>7,165,582</u>
<b>FUND BALANCES</b>				
Reserved for endowments			87,497	87,497
Reserved for prepaid expenses	13,847			13,847
Unreserved, reported in:				
General fund	2,197,340			2,197,340
Special revenue funds		1,235,396	575,890	1,811,286
Permanent funds			16,639	16,639
<b>Total Fund Balances</b>	<u>2,211,187</u>	<u>1,235,396</u>	<u>680,026</u>	<u>4,126,609</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,367,149</u>	<u>\$ 1,243,230</u>	<u>\$ 681,812</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 10,372,908

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 675,595

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

    Capital leases payable (207,566)  
Net assets of governmental activities \$ 14,967,546

See accompanying notes to the basic financial statements

EXHIBIT D  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2009

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended December 31, 2009

	General Fund	Capital Reserve Funds	Nonmajor Governmental Funds	Total Governmental Funds	
Revenues:					
Taxes	\$ 6,202,064			\$ 6,202,064	
Licenses and permits	1,124,700			1,124,700	
Intergovernmental	452,211			452,211	
Charges for services	485,205		\$ 29,683	514,888	
Interest and investment income	61,166	\$ 18,463	7,444	87,073	
Miscellaneous	168,434		62,098	230,532	
Total Revenues	<u>8,493,780</u>	<u>18,463</u>	<u>99,225</u>	<u>8,611,468</u>	
Expenditures:					
Current operations:					
General government	1,666,662			1,666,662	
Public safety	2,196,814			2,196,814	
Highways and streets	1,555,050			1,555,050	
Health and welfare	537,547			537,547	
Sanitation	574,080			574,080	
Culture and recreation	695,332		118,896	814,228	
Capital outlay	1,049,081	10,085		1,059,166	
Debt service:					
Principal retirement	464,286			464,286	
Interest and fiscal charges	17,761			17,761	
Total Expenditures	<u>8,756,613</u>	<u>10,085</u>	<u>118,896</u>	<u>8,885,594</u>	
Excess of revenues over (under) expenditures	<u>(262,833)</u>	<u>8,378</u>	<u>(19,671)</u>	<u>(274,126)</u>	
Other financing sources (uses):					
Proceeds from capital leases	207,566			207,566	
Transfers in	124,307	115,682	118,319	358,308	
Transfers out	(232,832)	(124,064)	(1,412)	(358,308)	
Total other financing sources (uses)	<u>99,041</u>	<u>(8,382)</u>	<u>116,907</u>	<u>207,566</u>	
Net change in fund balances	<u>(163,792)</u>	<u>(4)</u>	<u>97,236</u>	<u>(66,560)</u>	
Fund balances at beginning of year	<u>2,374,979</u>	<u>1,235,400</u>	<u>582,790</u>	<u>4,193,169</u>	
Fund balances at end of year	<u>\$ 2,211,187</u>	<u>\$ 1,235,396</u>	<u>\$ 680,026</u>	<u>\$ 4,126,609</u>	
					\$ (66,560)
					314,651
					114,682
					464,286
					(207,566)
					4,975
					\$ 624,468

Net Change in Fund Balances--Total Governmental Funds

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds from capital lease issues are an other financing source in the funds, but a capital lease issue increases long-term liabilities in the statement of net assets.

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Change in Net Assets of Governmental Activities

**EXHIBIT E**  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2009**

	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 82,003	\$ 675,077
Total assets	<u>\$ 82,003</u>	<u>\$ 675,077</u>
<b>LIABILITIES</b>		
Deposits		\$ 23,289
Due to other governments		651,788
Total liabilities	<u>\$ -</u>	<u>\$ 675,077</u>
<b>NET ASSETS</b>		
Held in trust	82,003	
Total net assets	<u>\$ 82,003</u>	

*See accompanying notes to the basic financial statements*

**EXHIBIT F**  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
 For the Year Ended December 31, 2009

	<u>Private- Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Contributions:	
Private donations	\$ 33,387
Total Contributions	<u>33,387</u>
Investment earnings:	
Interest and investment income	<u>1,059</u>
Total Investment earnings	<u>1,059</u>
Total Additions	<u>34,446</u>
<b>DEDUCTIONS:</b>	
Benefits	<u>24,726</u>
Total Deductions	<u>24,726</u>
Change in Net Assets	9,720
Net assets - beginning of year	<u>72,283</u>
Net assets - end of year	<u><u>\$ 82,003</u></u>

*See accompanying notes to the basic financial statements*

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Moultonborough, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

The Town of Moultonborough, New Hampshire (the Town) operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

***Basis of Presentation***

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements:**

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

**2. Fund Financial Statements:**

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

***Fund Accounting***

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of two categories of funds: governmental and fiduciary.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Reserve Funds* account for all the financial resources of the various trust arrangements held by the Trustees of Trust Funds in which the principal and income benefit the various departments of the Town.

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains private purpose trust funds which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve funds of the Moultonborough School District, which are held by the Town as required by State law. Other agency funds consist of developer's performance bonds.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the Statement of Net Assets.

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses)

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust funds are reported using the economic resources measurement focus.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In the government-wide financial statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow the FASB pronouncements issued subsequent to November 30, 1989.

**1. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes and interest on investments.

Licenses and permits, charges for services, and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2009**

**2. Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

***Budgetary Data***

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2009, the Town applied \$1,000,000 of its unappropriated fund balance to reduce taxes.

***Investments***

Investments are stated at their fair value in all funds. Certificates of deposit with a maturity of greater than ninety days from the date of issuance are included in investments.

***Taxes Receivable***

Taxes levied during the current year and prior and uncollected at December 31, 2009 are recorded as receivables net of reserves for estimated uncollectibles of \$25,000.

***Capital Assets***

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town's infrastructure consists of roads, bridges, sidewalks, and similar items. Improvements are capitalized; the costs of

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges, and sidewalks). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	10-30
	Land improvements	25
	Buildings and improvements	50
	Vehicles and equipment	3-25

***Compensated Absences***

Dependent on length of service, employees earn vacation at five to twenty-five days per year. Vacation leave must be taken prior to the end of the calendar year in which it is earned. All permanent full-time and part-time employees accrue one sick leave day per month. Employees may bank the unused sick leave days up to a total of sixty days. No payment for unused sick leave is made upon termination.

***Accrued Liabilities and Long-Term Obligations***

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

***Fund Balance Reserves***

The Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for endowments and prepaid expenses.

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense and the allowance for uncollectible taxes.

**NOTE 2— STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Other Post-Employment Benefits**

The Town did not implement GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

**NOTE 3—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$2,833,023,218 as of April 1, 2009) and are due in two installments on July 1, 2009 and December 16, 2009. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax dedeed to the Town.

In accordance with State law, the Town collects taxes for the Moultonborough School District and Carroll County, both independent governmental units, which are remitted to them as required by law. The Town

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$12,581,878 and \$2,904,495 for the Moultonborough School District and Carroll County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

**NOTE 4—RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2009, the Town was a member of the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. The Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2009.

***Property and Liability Insurance***

PRIMEX provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of PRIMEX, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. For the year ended December 31, 2009, the Trust retained \$500,000 of each loss, up to an aggregate of \$2,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

PRIMEX provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

**NOTE 5—DEPOSITS AND INVESTMENTS**

Deposits and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

Statement of Net Assets:	
Cash and cash equivalents	\$ 9,678,980
Investments	127,706
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	757,080
	<u>\$ 10,563,766</u>

Deposits and investments at December 31, 2009 consist of the following:

Cash on hand	\$ 13,000
Deposits with financial institutions	<u>10,550,766</u>
	<u>\$ 10,563,766</u>

The Town's investment policy for governmental fund types requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to United States obligations, savings banks deposits, and certificates of deposit or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law. Responsibility for the investments of the Trust Funds is with the Board of Trustees.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. For assurance against custodial credit risk, the Town's investment policy requires that all deposits with financial institutions be collateralized with pledged securities that shall be equal or in excess of the amount of the public funds deposited, less any portion thereof covered by federal deposit insurance.

Of the Town's deposits with financial institutions at year end, \$9,851,987 was collateralized by securities held by the bank in the bank's name.

**NOTE 6—DUE FROM OTHER GOVERNMENTS**

The receivable from other governments at December 31, 2009 consists of the State of New Hampshire rooms and meals tax distribution in the amount of \$220,561 and is considered collectible in full and will be received within one year.

**NOTE 7—CAPITAL ASSETS**

The following is a summary of changes in capital assets in the governmental funds:

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

	<u>Balance</u> <u>01/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/09</u>
<b>Governmental activities:</b>				
<b>Capital assets not depreciated:</b>				
Land	\$ 1,055,339			\$ 1,055,339
Construction in progress	<u>739,618</u>	<u>\$ 219,171</u>	<u>\$ (737,113)</u>	<u>221,676</u>
Total capital assets not being depreciated	<u>1,794,957</u>	<u>219,171</u>	<u>(737,113)</u>	<u>1,277,015</u>
<b>Other capital assets:</b>				
Infrastructure	618,197	896,077		1,514,274
Land improvements	1,134,317			1,134,317
Buildings and improvements	6,062,557			6,062,557
Vehicles and equipment	<u>3,042,964</u>	<u>394,176</u>	<u>(125,000)</u>	<u>3,312,140</u>
Total other capital assets at historical cost	<u>10,858,035</u>	<u>1,290,253</u>	<u>(125,000)</u>	<u>12,023,288</u>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(112,390)	(39,634)		(152,024)
Land improvements	(97,730)	(45,373)		(143,103)
Buildings and improvements	(747,661)	(120,415)		(868,076)
Vehicles and equipment	<u>(1,673,954)</u>	<u>(215,238)</u>	<u>125,000</u>	<u>(1,764,192)</u>
Total accumulated depreciation	<u>(2,631,735)</u>	<u>(420,660)</u>	<u>125,000</u>	<u>(2,927,395)</u>
Total other capital assets, net	<u>8,226,300</u>	<u>869,593</u>	<u>-</u>	<u>9,095,893</u>
Total capital assets, net	<u>\$10,021,257</u>	<u>\$ 1,088,764</u>	<u>\$ (737,113)</u>	<u>\$ 10,372,908</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 66,061
Public safety	169,476
Highways and streets	122,393
Sanitation	17,504
Culture and recreation	45,226
Total governmental activities depreciation expense	<u>\$ 420,660</u>

The balance of assets acquired through capital lease issuances as of December 31, 2009 is as follows:

Vehicles and equipment	\$ 258,621
Less: Accumulated depreciation	<u>(4,310)</u>
	<u>\$ 254,311</u>

**NOTE 8—DUE TO OTHER GOVERNMENTS**

In accordance with State law, the Town collects taxes for the Moultonborough School District, Carroll County, and the State of New Hampshire, all independent governmental units, which are remitted to them as required by law. At December 31, 2009, the balance of the property tax appropriation due to the Moultonborough School District is \$6,221,047.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 December 31, 2009**

**NOTE 9—DEFINED BENEFIT PLAN**

*Plan Description*

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

*Funding Policy*

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas general employees are required to contribute 5.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 11.84%, 15.92% and 8.74%, respectively through June 30, 2009 and 13.66%, 17.28% and 9.16%, respectively, thereafter. The Town contributes 65% of the employer cost for public safety officers employed by the Town, and the State contributes the remaining 35% of the employer cost, through June 30, 2009 and the Town contributes 70% of the cost and the State contributes the remaining 30%, respectively, thereafter. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$52,325 have been reported as a revenue and expenditure in the General Fund in these financial statements.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2009, 2008, and 2007 were \$248,692, \$242,214, and \$228,352, respectively, equal to the required contributions for each year.

**NOTE 10—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the Town's long-term obligations for the year ended December 31, 2009 are as follows:

	Balance <u>01/01/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/09</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 464,286		\$ (464,286)	\$ -	
Capital leases payable		\$ 207,566		207,566	\$ 40,891
	<u>\$ 464,286</u>	<u>\$ 207,566</u>	<u>\$ (464,286)</u>	<u>\$ 207,566</u>	<u>\$ 40,891</u>

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

Payments made on the general obligation bonds payable and capital leases are paid out of the General Fund.

The State of New Hampshire annually reimburses the Town for its share of landfill related debt service payments. For the year ended December 31, 2009, the landfill closure reimbursement was \$52,300.

As included on the Statement of Activities (Exhibit B), interest for the year ended December 31, 2009 was \$12,786 on general obligation debt for governmental activities.

***Capital Lease Obligations***

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following is the individual capital lease obligation at December 31, 2009:

John Deere Motor Grader, due in monthly installments of \$4,116, including interest at 4.50%, through September 2014	<u>\$ 207,566</u>
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Debt service requirements to retire capital lease obligations outstanding at December 31, 2009 are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 40,891	\$ 8,504	\$ 49,395
2011	42,770	6,625	49,395
2012	44,734	4,661	49,395
2013	46,789	2,605	49,394
2014	32,382	549	32,931
	<u>\$ 207,566</u>	<u>\$ 22,944</u>	<u>\$ 230,510</u>

**NOTE 11—INTERFUND BALANCES AND TRANSFERS**

The General Fund paid for various items that are to be reimbursed from the Capital Reserve Funds and Nonmajor Governmental Funds. The balance of expenditure reimbursements due to the General Fund are reflected as an interfund receivable. The current year's earned income in the Permanent Funds, a Nonmajor Governmental Fund, that is to be distributed to the General Fund and the Library Fund, a Nonmajor Governmental Fund, is also reflected as an interfund balance. In addition, the charges for services from the recreation department in excess of the General Fund's budgeted revenue is payable to the Recreation Fund, a Nonmajor Governmental Fund.

Interfund balances at December 31, 2009 are as follows:

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

		Due from		
		General	Capital	Nonmajor
		Fund	Reserve	Governmental
			Funds	Funds
Due to				Totals
	General Fund		\$ 7,834	\$ 617
	Nonmajor Governmental Funds	\$ 54,044		1,169
		<u>\$ 54,044</u>	<u>\$ 7,834</u>	<u>\$ 1,786</u>
				<u>\$ 8,451</u>
				<u>\$ 55,213</u>
				<u>\$ 63,664</u>

During the year, several interfund transactions occurred between funds. The various transfers between the General Fund, Capital Reserve Funds and the Nonmajor Governmental Funds were made in accordance with budgetary authorizations. Transfers out of the Permanent Funds, a Nonmajor Governmental Fund, to the General Fund and the Library Fund, a Nonmajor Governmental Fund, were to distribute the income earned on investments during the year to support the Town's programs.

Interfund transfers for the year ended December 31, 2009 are as follows:

		Transfers out		
		General	Capital	Nonmajor
		Fund	Reserve	Governmental
			Funds	Funds
Transfers in				Totals
	General Fund		\$ 124,064	\$ 243
	Capital Reserve Funds	\$ 115,682		
	Nonmajor Governmental Funds	117,150		1,169
		<u>\$ 232,832</u>	<u>\$ 124,064</u>	<u>\$ 1,412</u>
				<u>\$ 124,307</u>
				<u>115,682</u>
				<u>118,319</u>
				<u>\$ 358,308</u>

**NOTE 12—PERMANENT FUNDS**

Permanent funds account for 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. Principal and income balances at December 31, 2009 are as follows:

	Principal	Income	Total
Cemetery Funds	\$ 8,212	\$ 8,149	\$ 16,361
Library Funds	79,285	8,490	87,775
	<u>\$ 87,497</u>	<u>\$ 16,639</u>	<u>\$ 104,136</u>

**NOTE 13—RESTRICTED NET ASSETS**

Net assets are restricted for specific purposes at December 31, 2009 as follows:

Endowments	\$ 87,497
Recreation	123,704
Conservation	24,361
Capital reserves	1,235,396
Maintenance expendable trusts	241,433
Non-lapsing continuing appropriations	178,419
	<u>\$ 1,890,810</u>

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2009**

**NOTE 14—COMMITMENTS AND CONTINGENCIES**

*Ambulance Contract*

During January 2006, the Town of Moultonborough and several neighboring towns entered into a long-term contract with an independent company to provide emergency ambulance services. The agreement shall be in effect from April 1, 2006 through March 31, 2011, with an automatic five year renewal until March 31, 2016.

Terms of the agreement provide for monthly payments from each town based on a distribution formula comprised of both fixed and variable costs. The fixed cost for each town is based on 20% of the total contract price equally allocated among the towns. This fixed cost will remain at 20% for the second year of the agreement and then increase to 25% of the total contract price during years three through five. The variable cost component will be based on the actual usage of services by each town. The usage will be recalculated each year based on the run volume during the period of October 1 through September 30 of the preceding year. The contract amount applicable to the Town of Moultonborough for the period April 1, 2009 through March 31, 2010 is \$166,164.

The annual contract price is subject to an annual cost of living adjustment in accordance with the State of New Hampshire Consumer Price Index (CPI) as referenced by the New Hampshire Employment Security, Consumer Price Index – Northeast Region CPI Components. Additionally, if the total run volume increases by 10% or more in a year, the contract price will increase by 10%.

For the year ended December 31, 2009, the Town expended \$164,703 under the terms of the new emergency ambulance service agreements.

*Solid Waste Contract*

During April 2008, the Town renewed its long-term contract with an independent company to collect and transport municipal solid waste from the transfer station through March 31, 2012. Yearly increases for transportation and disposal will be based on the Consumer Price Index for All Urban Consumers for the preceding calendar year from November to the previous November and implemented every April 1<sup>st</sup> for the duration of the five year agreement. For the year ended December 31, 2009, the Town expended \$212,604 under the terms of the agreement.

*Litigation*

The Town's general counsel estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

SCHEDULE 1  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 6,300,513	\$ 6,300,513	\$ 6,279,746	\$ (20,767)
Licenses and permits	1,198,500	1,198,500	1,124,700	(73,800)
Intergovernmental	663,562	402,186	399,886	(2,300)
Charges for services	520,000	520,000	485,205	(34,795)
Interest and investment income	25,000	25,000	61,166	36,166
Miscellaneous	193,060	239,150	168,434	(70,716)
Total Revenues	<u>8,900,635</u>	<u>8,685,349</u>	<u>8,519,137</u>	<u>(166,212)</u>
Expenditures:				
Current:				
General government	1,849,044	1,839,842	1,666,662	173,180
Public safety	2,325,749	2,335,919	2,144,489	191,430
Highways and streets	1,727,624	1,569,513	1,347,484	222,029
Health and welfare	594,007	604,007	537,547	66,460
Sanitation	699,026	679,026	574,080	104,946
Culture and recreation	739,262	739,262	695,332	43,930
Capital outlay	1,916,130	1,057,449	1,049,081	8,368
Debt service:				
Principal retirement	464,286	464,286	464,286	-
Interest and fiscal charges	18,200	18,200	17,761	439
Total Expenditures	<u>10,333,328</u>	<u>9,307,504</u>	<u>8,496,722</u>	<u>810,782</u>
Excess of revenues over (under) expenditures	<u>(1,432,693)</u>	<u>(622,155)</u>	<u>22,415</u>	<u>644,570</u>
Other financing sources (uses):				
Transfers in	433,000	124,565	124,307	(258)
Transfers out	<u>(232,832)</u>	<u>(232,832)</u>	<u>(232,832)</u>	<u>-</u>
Total other financing sources (uses)	<u>200,168</u>	<u>(108,267)</u>	<u>(108,525)</u>	<u>(258)</u>
Net change in fund balance	(1,232,525)	(730,422)	(86,110)	644,312
Fund balance at beginning of year				
- Budgetary Basis	<u>2,972,892</u>	<u>2,972,892</u>	<u>2,972,892</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,740,367</u>	<u>\$ 2,242,470</u>	<u>\$ 2,886,782</u>	<u>\$ 644,312</u>

See accompanying notes to the required supplementary information

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2009**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and expenditures were adjusted for on-behalf payments for fringe benefits and capital lease proceeds.

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 8,825,653	\$ 8,989,445
Difference in property taxes meeting susceptible to accrual criteria	77,682	
On-behalf fringe benefits	(52,325)	(52,325)
Capital lease proceeds	<u>(207,566)</u>	<u>(207,566)</u>
Per Schedule 1	<u>\$ 8,643,444</u>	<u>\$ 8,729,554</u>

***Major Special Revenue Fund***

Budgetary information in these financial statements has been presented only for the General Fund as there is no adopted budget for the Capital Reserve Funds.

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the Town's General Fund are as follows:

Reserved for prepaid expenses	\$ 13,847
Unreserved:	
Designated for subsequent years' expenditures	502,103
Undesignated	<u>2,370,832</u>
	<u>\$ 2,886,782</u>

**NOTE 3—UNRESERVED DESIGNATED FUND BALANCE**

Appropriations for certain projects and specific items not fully expended at year end are carried forward as continuing appropriations to the next year in which they supplement the appropriations of that year. At year end, continuing appropriations are reported as a component of the General Fund's unreserved fund balance and are detailed as follows:

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**December 31, 2009**

Highway Department - Repairs & Maintenance	\$ 47,484
Road Improvement Block Grant	110,627
Road Projects - Fox Hollow	147,669
SAR - State of NH	261,376
Lee's Mills	77,500
Highway Generator	9,582
Phase #1 Sign Replacement	15,000
Transfer Station Improvements	51,959
Telephone Audit	1,702
Playground Community Fields	284,526
Pathway Phase # 2 & 3	30,750
Emergency Management	9,830
Town Hall Roof	<u>23,909</u>
	1,071,914
Less: revenues not susceptible to accrual	<u>(569,811)</u>
	<u>\$ 502,103</u>

SCHEDULE A  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
December 31, 2009

	Special Revenue Funds				Total Special Revenue Funds	Permanent Funds	Combining Totals
	Library Fund	Recreation Fund	Maintenance Trust Funds	Conservation Fund			
<b>ASSETS</b>							
Cash and cash equivalents	\$ 93,998	\$ 57,540	\$ 241,433		\$ 392,971	\$ 105,922	\$ 498,893
Investments	91,225	36,481			127,706		127,706
Due from other funds	1,169	29,683		\$ 24,361	55,213		55,213
<b>Total Assets</b>	<b>\$ 186,392</b>	<b>\$ 123,704</b>	<b>\$ 241,433</b>	<b>\$ 24,361</b>	<b>\$ 575,890</b>	<b>\$ 105,922</b>	<b>\$ 681,812</b>
<b>LIABILITIES</b>							
Due to other funds						\$ 1,786	\$ 1,786
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,786</b>	<b>1,786</b>
<b>FUND BALANCES</b>							
Reserved for endowments						87,497	87,497
Unreserved, reported in:							
Special revenue funds	186,392	123,704	241,433	24,361	575,890		575,890
Permanent funds						16,639	16,639
<b>Total Fund Balances</b>	<b>186,392</b>	<b>123,704</b>	<b>241,433</b>	<b>24,361</b>	<b>575,890</b>	<b>104,136</b>	<b>680,026</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 186,392</b>	<b>\$ 123,704</b>	<b>\$ 241,433</b>	<b>\$ 24,361</b>	<b>\$ 575,890</b>	<b>\$ 105,922</b>	<b>\$ 681,812</b>

SCHEDULE B  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended December 31, 2009

	Special Revenue Funds					Permanent Funds	Combining Totals
	Library Fund	Recreation Fund	Maintenance Trust Funds	Conservation Fund	Total Special Revenue Funds		
Revenues:							
Charges for services		\$ 29,683			\$ 29,683		\$ 29,683
Interest and investment income	\$ 2,450	615	\$ 2,968		6,033	\$ 1,411	7,444
Miscellaneous	61,498				61,498	600	62,098
Total Revenues	<u>63,948</u>	<u>30,298</u>	<u>2,968</u>	<u>\$ -</u>	<u>97,214</u>	<u>2,011</u>	<u>99,225</u>
Expenditures:							
Current operations:							
Culture and recreation	118,896				118,896		118,896
Total Expenditures	<u>118,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,896</u>	<u>-</u>	<u>118,896</u>
Excess of revenues over (under) expenditures	<u>(54,948)</u>	<u>30,298</u>	<u>2,968</u>	<u>-</u>	<u>(21,682)</u>	<u>2,011</u>	<u>(19,671)</u>
Other financing sources (uses):							
Transfers in	101,669		16,650		118,319		118,319
Transfers out			(1)		(1)	(1,411)	(1,412)
Total other financing sources (uses)	<u>101,669</u>	<u>-</u>	<u>16,649</u>	<u>-</u>	<u>118,318</u>	<u>(1,411)</u>	<u>116,907</u>
Net change in fund balances	46,721	30,298	19,617	-	96,636	600	97,236
Fund balances at beginning of year	<u>139,671</u>	<u>93,406</u>	<u>221,816</u>	<u>24,361</u>	<u>479,254</u>	<u>103,536</u>	<u>582,790</u>
Fund balances at end of year	<u>\$ 186,392</u>	<u>\$ 123,704</u>	<u>\$ 241,433</u>	<u>\$ 24,361</u>	<u>\$ 575,890</u>	<u>\$ 104,136</u>	<u>\$ 680,026</u>

**SCHEDULE C**  
**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds - All Agency Funds**  
**December 31, 2009**

	School District Agency <u>Fund</u>	Escrow Agency <u>Fund</u>	Combining <u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 651,788</u>	<u>\$ 23,289</u>	<u>\$ 675,077</u>
Total Assets	<u>\$ 651,788</u>	<u>\$ 23,289</u>	<u>\$ 675,077</u>
<b>LIABILITIES</b>			
Deposits		\$ 23,289	\$ 23,289
Due to other governments	<u>\$ 651,788</u>		<u>651,788</u>
Total Liabilities	<u>\$ 651,788</u>	<u>\$ 23,289</u>	<u>\$ 675,077</u>