

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Financial Statements

December 31, 2008

and

Independent Auditor's Report

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2008**

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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, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moultonborough, New Hampshire as of December 31, 2008 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 20-21, 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 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor 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.

Vachon, Clukay & Co., PC

July 27, 2009

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2008**

Presented here is the Management Discussion & Analysis Report for the Town of Moultonborough, NH, for the year ending December 31, 2008. 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 revenue 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, 2008**

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 Balance 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 Balance 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 2008, 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 a 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, 2008**

Government-Wide Financial Analysis

Statement of Net Assets

Net Assets of the Town of Moultonborough as of December 31, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Capital assets, net	\$ 10,021,257	\$ 9,596,451
Other assets	10,677,129	10,641,126
Total assets	<u>\$ 20,698,386</u>	<u>\$ 20,237,577</u>
Long-term bonds and capital leases payable	\$ -	\$ 464,286
Other liabilities	6,355,308	7,103,307
Total liabilities	<u>\$ 6,355,308</u>	<u>\$ 7,567,593</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 9,556,971	\$ 8,775,022
Restricted	1,663,565	1,015,004
Unrestricted	3,122,542	2,879,958
Total net assets	<u>\$ 14,343,078</u>	<u>\$ 12,669,984</u>

Statement of Activities

Changes in net assets for the year ending December 31, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	\$ 542,123	\$ 555,133
Operating grants and contributions	236,895	250,414
Capital grants and contributions	-	387,442
General revenues:		
Property and other taxes	6,620,206	5,878,334
Licenses and permits	1,147,441	1,215,942
Grants and contributions	239,775	227,053
Interest and investment earnings	136,972	220,124
Miscellaneous	860,308	174,622
Total revenues	<u>9,783,720</u>	<u>8,909,064</u>

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2008**

Expenses		
General government	1,801,979	1,471,009
Public safety	2,487,055	2,616,293
Highways and streets	1,797,487	1,486,882
Health and welfare	496,374	477,525
Sanitation	649,074	645,002
Culture and recreation	856,157	813,103
Interest and fiscal charges	24,565	48,683
Total expenses	<u>8,112,691</u>	<u>7,558,497</u>
Increase in net assets before contributions to permanent fund principal	1,671,029	1,350,567
Contributions to permanent fund principal	<u>2,065</u>	<u>1,865</u>
Increase in net assets	1,673,094	1,352,432
Net assets, beginning of year	<u>12,669,984</u>	<u>11,317,552</u>
Net assets, end of year	<u>\$ 14,343,078</u>	<u>\$ 12,669,984</u>

Town of Moultonborough Activities

As shown in the above statement, there was an increase in net assets of \$1,673,094. This increase is primarily due to the increase in Capital Assets of \$424,806, the realization of Deferred Revenue of \$610,000 and the reduction of the long-term bond and capital lease obligations of \$357,143.

The General Fund ended the year with a fund balance of \$2,374,979. This is a decrease of \$5,891 from the prior year. This decrease was less than anticipated, because the Town applied \$666,000 of its unappropriated fund balance to reduce taxes in the 2008 budget year. One reason for the smaller decrease was that the Town under expended its total budget by \$718,116.

The fund balance of the Capital Reserve Funds increased by \$618,458 from the prior year. The authorized deposits into the Capital Reserve Fund exceeded the authorized withdrawals per the annual Town meeting during the year ended December 31, 2008.

The fund balances of the other governmental funds increased by \$97,049.

General Fund Budgetary Highlights

During the year, the original budget for appropriations decreased by \$232,525. This decrease is the result of approved appropriations being carried forward to 2009.

The Town under expended its total 2008 budget by \$718,116. This resulted from conservative spending within the departments and lower costs, than projected, for contracted services.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2008**

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. There were no capital additions to the building physical plant.

The Town budgeted \$992,000 for the reconstruction of Ossipee Park Road of which \$600,000 was from deferred revenue received in 2007 from CG Roxane to offset the cost of construction. There was also an additional \$290,910 budgeted which was used to reconstruct portions of Kona Farm and Hanson Mill Roads and to resurface Shaker Jerry Road.

See Note 6 in the Basic Financial Statements for a summary of all capital assets and the activity.

Long-Term Obligations

During 2008, the Town showed a decline in general bond obligations of \$464,294 through \$357,143 in principal payments made during the year and a \$107,151 restatement of 2007 general long-term debt. The Town has no long-term obligations for compensated absences. See Note 9, in the Basic Financial Statements, for a summary of all outstanding long-term obligations.

Economic Factors, Rates and 2008 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.

The Town of Moultonborough works to a 10-year Building Plan. The plan first received approval at the 1994 Town Meeting. The building plan 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 recommendation of the Highway 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 as they create the annual budget.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2008**

Comparative Analysis

This is the Town's fifth year of implementation of the Governmental Accounting Standards Board's Statement No. 34 (GASB 34). Therefore, comparative information from the government-wide statements is available.

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. Or, you may call them at (603) 476-2347, stop by Town Hall at 6 Holland Street, or visit our website @ www.moultonborough.org and click on *Departments and Boards*.

EXHIBIT A
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2008

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 9,125,972
Investments	123,364
Taxes receivable, net	1,144,854
Accounts receivable	63,989
Due from other governments	218,950
Total Current Assets	<u>10,677,129</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,794,957
Depreciable capital assets, net	8,226,300
Total Noncurrent Assets	<u>10,021,257</u>
Total Assets	<u>\$ 20,698,386</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 152,679
Accrued expenses	6,088
Deferred revenue	560
Due to other governments	5,731,695
Current portion of bonds payable	464,286
Total Current Liabilities	<u>6,355,308</u>
Total Liabilities	<u>6,355,308</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,556,971
Restricted	1,663,565
Unrestricted	3,122,542
Total Net Assets	<u>14,343,078</u>
Total Liabilities and Net Assets	<u>\$ 20,698,386</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, 2008

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>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 1,801,979	\$ 17,022		\$ (1,784,957)
Public safety	2,487,055	49,243	\$ 60,288	(2,377,524)
Highways and streets	1,797,487		122,007	(1,675,480)
Health and welfare	496,374	288,100		(208,274)
Sanitation	649,074	128,127		(520,947)
Culture and recreation	856,157	59,631		(796,526)
Interest and fiscal charges	24,565		54,600	30,035
Total governmental activities	<u>\$ 8,112,691</u>	<u>\$ 542,123</u>	<u>\$ 236,895</u>	<u>(7,333,673)</u>
General revenues:				
Property and other taxes				6,620,206
Licenses and permits				1,147,441
Grants and contributions:				
State shared revenues				20,825
Rooms and meals tax distribution				218,950
Interest and investment earnings				136,972
Miscellaneous				860,308
Contributions to permanent fund principal				<u>2,065</u>
Total general revenues and contributions to permanent fund principal				<u>9,006,767</u>
Change in net assets				1,673,094
Net assets - beginning, as restated				<u>12,669,984</u>
Net assets - ending				<u>\$ 14,343,078</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2008

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Reserve</u> <u>Funds</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,302,340	\$ 1,395,345	\$ 428,287	\$ 9,125,972
Investments			123,364	123,364
Taxes receivable, net	1,144,854			1,144,854
Accounts receivable	63,989			63,989
Due from other governments	218,950			218,950
Due from other funds	162,799		36,398	199,197
Total Assets	<u>\$ 8,892,932</u>	<u>\$ 1,395,345</u>	<u>\$ 588,049</u>	<u>\$ 10,876,326</u>
LIABILITIES				
Accounts payable	\$ 152,679			\$ 152,679
Accrued expenses	1,113			1,113
Deferred revenue	598,473			598,473
Due to other governments	5,731,695			5,731,695
Due to other funds	33,993	\$ 159,945	\$ 5,259	199,197
Total Liabilities	<u>6,517,953</u>	<u>159,945</u>	<u>5,259</u>	<u>6,683,157</u>
FUND BALANCES				
Reserved for endowments			88,582	88,582
Unreserved, reported in:				
General fund	2,374,979			2,374,979
Special revenue funds		1,235,400	479,254	1,714,654
Permanent funds			14,954	14,954
Total Fund Balances	<u>2,374,979</u>	<u>1,235,400</u>	<u>582,790</u>	<u>4,193,169</u>
Total Liabilities and Fund Balances	<u>\$ 8,892,932</u>	<u>\$ 1,395,345</u>	<u>\$ 588,049</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 10,021,257

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 597,913

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:

Bonds payable (464,286)
Accrued interest on long-term obligations (4,975)

Net assets of governmental activities \$ 14,343,078

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, 2008

	General Fund	Capital Reserve Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 6,443,834			\$ 6,443,834
Licenses and permits	1,147,441			1,147,441
Intergovernmental	476,670			476,670
Charges for services	532,491		\$ 9,632	542,123
Interest and investment income	102,731	\$ 23,416	10,825	136,972
Miscellaneous	809,016		56,458	865,474
Total Revenues	<u>9,512,183</u>	<u>23,416</u>	<u>76,915</u>	<u>9,612,514</u>
Expenditures:				
Current operations:				
General government	1,542,353		100	1,542,453
Public safety	2,229,789			2,229,789
Highways and streets	2,426,612			2,426,612
Health and welfare	496,374			496,374
Sanitation	633,577			633,577
Culture and recreation	672,727		129,124	801,851
Capital outlay	374,900		10,477	385,377
Debt service:				
Principal retirement	357,143			357,143
Interest and fiscal charges	29,722			29,722
Total Expenditures	<u>8,763,197</u>	<u>-</u>	<u>139,701</u>	<u>8,902,898</u>
Excess of revenues over (under) expenditures	<u>748,986</u>	<u>23,416</u>	<u>(62,786)</u>	<u>709,616</u>
Other financing sources (uses):				
Transfers in	52,969	643,024	167,227	863,220
Transfers out	(807,846)	(47,982)	(7,392)	(863,220)
Total other financing sources (uses)	<u>(754,877)</u>	<u>595,042</u>	<u>159,835</u>	<u>-</u>
Net change in fund balances	(5,891)	618,458	97,049	709,616
Fund balances at beginning of year	2,380,870	616,942	485,741	3,483,553
Fund balances at end of year	<u>\$ 2,374,979</u>	<u>\$ 1,235,400</u>	<u>\$ 582,790</u>	<u>\$ 4,193,169</u>

Net Change in Fund Balances-- Total Governmental Funds \$ 709,616

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. 429,988

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss on the disposal of capital assets reduced by the actual proceeds received from the sale of capital assets. (5,182)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 176,372

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 357,143

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 5,157

Change in Net Assets of Governmental Activities \$ 1,673,094

EXHIBIT E
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 72,283	\$ 748,438
Total assets	<u>\$ 72,283</u>	<u>\$ 748,438</u>
LIABILITIES		
Deposits		\$ 58,072
Due to other governments		690,366
Total liabilities	<u>\$ -</u>	<u>\$ 748,438</u>
NET ASSETS		
Held in trust	72,283	
Total net assets	<u>\$ 72,283</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, 2008

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 4,156
Total Contributions	<u>4,156</u>
Investment earnings:	
Interest and investment income	<u>1,989</u>
Total Investment earnings	<u>1,989</u>
Total Additions	<u>6,145</u>
DEDUCTIONS:	
Benefits	<u>4,423</u>
Total Deductions	<u>4,423</u>
Change in Net Assets	1,722
Net assets - beginning of year	<u>70,561</u>
Net assets - end of year	<u><u>\$ 72,283</u></u>

See accompanying notes to the basic financial statements

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

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, 2008

Fund Accounting

The Town uses funds to maintain its financial records during the fiscal 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 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, 2008

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 fund is 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 2). 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, 2008

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, 2008, the Town applied \$666,000 of its unappropriated fund balance to reduce taxes.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

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, 2008 are recorded as receivables net of reserves for estimated uncollectibles of \$25,000.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

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 fixed 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 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	10-25
	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

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

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

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.

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.

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—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$2,835,244,439 as of April 1, 2008) and are due in two installments on July 2, 2008 and December 19, 2008. 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 deeded 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 also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$12,381,272 and \$2,746,353 for the Moultonborough

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

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 3—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, 2008, 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, 2008.

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, 2008, 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 4—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2008 are classified in the accompanying financial statements as follows:

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Statement of Net Assets:	
Cash and cash equivalents	\$ 9,125,972
Investments	123,364
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	<u>820,721</u>
	<u>\$ 10,070,057</u>

Deposits and investments at December 31, 2008 consist of the following:

Deposits with financial institutions	<u>\$ 10,070,057</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 demand deposits, money market accounts, 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, the entire balance was either federally insured or collateralized by securities held by the bank in the bank's name.

NOTE 5—DUE FROM OTHER GOVERNMENTS

The receivable from other governments at December 31, 2008 consists of the State of New Hampshire rooms and meals tax distribution in the amount of \$218,950 and is considered collectible in full and will be received within one year.

NOTE 6—CAPITAL ASSETS

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

	<u>Balance</u> <u>01/01/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/08</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,055,339			\$ 1,055,339
Construction in progress	<u>72,610</u>	\$ 739,618	\$ (72,610)	<u>739,618</u>
Total capital assets not being depreciated	<u>1,127,949</u>	<u>739,618</u>	<u>(72,610)</u>	<u>1,794,957</u>

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Other capital assets:			
Infrastructure	618,197		618,197
Land improvements	1,061,707	72,610	1,134,317
Buildings and improvements	6,062,557		6,062,557
Vehicles and equipment	2,999,445	92,251	(48,732)
Total other capital assets at historical cost	<u>10,741,906</u>	<u>164,861</u>	<u>(48,732)</u>
Less accumulated depreciation for:			
Infrastructure	(80,224)	(32,166)	(112,390)
Land improvements	(52,357)	(45,373)	(97,730)
Buildings and improvements	(627,245)	(120,416)	(747,661)
Vehicles and equipment	<u>(1,513,578)</u>	<u>(203,926)</u>	<u>43,550</u>
Total accumulated depreciation	<u>(2,273,404)</u>	<u>(401,881)</u>	<u>43,550</u>
Total other capital assets, net	<u>8,468,502</u>	<u>(237,020)</u>	<u>(5,182)</u>
Total capital assets, net	<u>\$ 9,596,451</u>	<u>\$ 502,598</u>	<u>\$ (77,792)</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 65,758
Public safety	167,820
Highways and streets	107,988
Sanitation	15,497
Culture and recreation	44,818
Total governmental activities depreciation expense	<u>\$ 401,881</u>

NOTE 7—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, 2008, the balance of the property tax appropriation due to the Moultonborough School District is \$5,731,695.

NOTE 8—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.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

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. The Town contributes 65% of the employer cost for police officers and fire employees, and the State contributes the remaining 35% of the employer cost. 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 \$60,288 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, 2008, 2007, and 2006 were \$242,214, \$228,352, and \$156,762, respectively, equal to the required contributions for each year.

NOTE 9—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2008 are as follows:

	Balance <u>01/01/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/08</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 821,429	\$ -	\$ (357,143)	\$ 464,286	\$ 464,286

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

General Obligation Bonds

Bonds payable at December 31, 2008 are comprised of the following individual issues:

\$2,500,000 Landfill Reclamation Bonds payable in annual installments of \$250,000 through July 2009; interest at 4.60%	\$ 250,000
\$1,500,000 Life Safety Building Bonds payable in semi-annual installments of \$107,142 through January 2009 and \$107,144 in July 2009; interest at 4.10%	214,286
	<u>\$ 464,286</u>

Debt service requirements to retire general obligation bonds outstanding at December 31, 2008 are as follows:

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Year Ending December 31,	Principal	Interest	Totals
2009	<u>\$ 464,286</u>	<u>\$ 18,090</u>	<u>\$ 482,376</u>

The State of New Hampshire annually reimburses the Town for its share of landfill related debt service payments. For the year ended December 31, 2008, the landfill closure reimbursement was \$54,600.

As included on the Statement of Activities (Exhibit B), interest for the year ended December 31, 2008 was \$24,565 on general obligation debt for governmental activities.

NOTE 10—INTERFUND BALANCES AND TRANSFERS

The General Fund paid for various items that are to be reimbursed from the Capital Reserve 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 other Nonmajor Governmental Funds is also reflected as an interfund balance. In addition, the charges for service 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, 2008 are as follows:

	General Fund	Due from		Totals
		Capital Reserve Funds	Nonmajor Governmental Funds	
Due to				
General Fund		\$ 159,945	\$ 2,854	\$ 162,799
Nonmajor Governmental Funds	\$ 33,993		2,405	36,398
	<u>\$ 33,993</u>	<u>\$ 159,945</u>	<u>\$ 5,259</u>	<u>\$ 199,197</u>

During the year, several interfund transactions occurred between funds. The various transfers between the General Fund, Capital Reserve 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 other Nonmajor Governmental Funds 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, 2008 are as follows:

	General Fund	Transfer from		Totals
		Capital Reserve Funds	Nonmajor Governmental Funds	
Transfer to				
General Fund		\$ 47,982	\$ 4,987	\$ 52,969
Capital Reserve Funds	\$ 643,024			643,024
Nonmajor Governmental Funds	164,822		2,405	167,227
	<u>\$ 807,846</u>	<u>\$ 47,982</u>	<u>\$ 7,392</u>	<u>\$ 863,220</u>

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 11—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, 2008 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	\$ 9,897	\$ 6,464	\$ 16,361
Library Funds	78,685	8,490	87,175
	<u>\$ 88,582</u>	<u>\$ 14,954</u>	<u>\$ 103,536</u>

NOTE 12—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes at December 31, 2008 as follows:

Endowments	\$ 88,582
Recreation	93,406
Conservation	24,361
Capital reserves	1,235,400
Maintenance expendable trusts	221,816
	<u>\$ 1,663,565</u>

NOTE 13—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 total contract price for the period April 1, 2008 through March 31, 2009 is \$518,908. The contract amount applicable to the Town of Moultonborough for the period April 1, 2008 through March 31, 2009 is \$160,317.

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, 2008, the Town expended \$146,106 under the terms of the new emergency ambulance service agreements.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

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 until 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 1st for the duration of the five year agreement. For the year ended December 31, 2008, the Town expended \$206,050 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.

NOTE 14—RESTATEMENT OF NET ASSETS

Government-Wide Statements

During the year ended December 31, 2008, it was determined that the general obligation debt of the governmental activities was overstated by \$107,151.

Net assets of the Governmental Activities as of January 1, 2007 have been restated as follows:

Net Assets, January 1 - as previously reported	\$ 12,562,833
Amount of restatement due to:	
Overstatement of general obligation debt	<u>107,151</u>
Net assets, January 1 - as restated	<u>\$ 12,669,984</u>

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 6,520,960	\$ 6,520,960	\$ 6,620,206	\$ 99,246
Licenses and permits	1,221,000	1,221,000	1,147,441	(73,559)
Intergovernmental	412,202	412,202	416,382	4,180
Charges for services	517,000	517,000	532,491	15,491
Interest income	25,000	25,000	102,731	77,731
Miscellaneous	843,935	843,935	809,016	(34,919)
Total Revenues	<u>9,540,097</u>	<u>9,540,097</u>	<u>9,628,267</u>	<u>88,170</u>
Expenditures:				
Current:				
General government	1,733,432	1,728,487	1,542,353	186,134
Public safety	2,344,213	2,344,213	2,169,501	174,712
Highways and streets	2,694,820	2,502,435	2,426,612	75,823
Health and welfare	582,261	587,261	496,374	90,887
Sanitation	736,656	736,656	633,577	103,079
Culture and recreation	749,631	741,631	672,727	68,904
Capital outlay	438,403	406,208	374,900	31,308
Debt service:				
Principal retirement	357,143	357,143	357,143	-
Interest and fiscal charges	39,663	39,663	29,722	9,941
Total Expenditures	<u>9,676,222</u>	<u>9,443,697</u>	<u>8,702,909</u>	<u>740,788</u>
Excess of revenues over (under) expenditures	<u>(136,125)</u>	<u>96,400</u>	<u>925,358</u>	<u>828,958</u>
Other financing sources (uses):				
Transfers in	40,000	40,000	52,969	12,969
Transfers out	(785,174)	(785,174)	(807,846)	(22,672)
Total other financing sources (uses)	<u>(745,174)</u>	<u>(745,174)</u>	<u>(754,877)</u>	<u>(9,703)</u>
Net change in fund balances	(881,299)	(648,774)	170,481	819,255
Fund balance at beginning of year				
- Budgetary Basis	<u>2,802,411</u>	<u>2,802,411</u>	<u>2,802,411</u>	-
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,921,112</u>	<u>\$ 2,153,637</u>	<u>\$ 2,972,892</u>	<u>\$ 819,255</u>

See accompanying notes to the required supplementary information

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008

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). Budgetary information in these financial statements has been presented only for the General Fund as there is no adopted budget for the Capital Reserve Fund. Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for on-behalf payments for fringe benefits.

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 9,565,152	\$ 9,571,043
Difference in property taxes meeting susceptible to accrual criteria	176,372	
On-behalf fringe benefits	<u>(60,288)</u>	<u>(60,288)</u>
Per Schedule 1	<u>\$ 9,681,236</u>	<u>\$ 9,510,755</u>

NOTE 2—BUDGETARY FUND BALANCES

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

Unreserved:	
Designated for subsequent years' expenditures	\$ 232,525
Undesignated	<u>2,740,367</u>
	<u>\$ 2,972,892</u>

NOTE 3—UNRESERVED DESIGNATED FUND BALANCES

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:

Master Plan	\$ 7,945
Lee's Mills - Repairs	26,195
Police Department - Equipment	6,000
Highway Department - Well repairs	14,700
Road Projects	<u>177,685</u>
	<u>\$ 232,525</u>

SCHEDULE A
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2008

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 320,285	\$ 108,002	\$ 428,287
Investments	123,364		123,364
Due from other funds	36,398		36,398
Total Assets	<u>\$ 480,047</u>	<u>\$ 108,002</u>	<u>\$ 588,049</u>
LIABILITIES			
Due to other funds	<u>\$ 793</u>	<u>\$ 4,466</u>	<u>\$ 5,259</u>
Total Liabilities	<u>793</u>	<u>4,466</u>	<u>5,259</u>
FUND BALANCES			
Reserved for endowments		88,582	88,582
Unreserved, reported in:			
Special revenue funds	479,254		479,254
Permanent funds		14,954	14,954
Total Fund Balances	<u>479,254</u>	<u>103,536</u>	<u>582,790</u>
Total Liabilities and Fund Balances	<u>\$ 480,047</u>	<u>\$ 108,002</u>	<u>\$ 588,049</u>

SCHEDULE A-1
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2008

	Library <u>Fund</u>	Recreation <u>Fund</u>	Maintenance Trust <u>Funds</u>	Conservation <u>Fund</u>	Combining <u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 49,969	\$ 47,707	\$ 222,609		\$ 320,285
Investments	87,297	36,067			123,364
Due from other funds	2,405	9,632		\$ 24,361	36,398
Total Assets	<u>\$ 139,671</u>	<u>\$ 93,406</u>	<u>\$ 222,609</u>	<u>\$ 24,361</u>	<u>\$ 480,047</u>
LIABILITIES					
Due to other funds			\$ 793		\$ 793
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>793</u>	<u>\$ -</u>	<u>793</u>
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	139,671	93,406	221,816	24,361	479,254
Total Fund Balances	<u>139,671</u>	<u>93,406</u>	<u>221,816</u>	<u>24,361</u>	<u>479,254</u>
Total Liabilities and Fund Balances	<u>\$ 139,671</u>	<u>\$ 93,406</u>	<u>\$ 222,609</u>	<u>\$ 24,361</u>	<u>\$ 480,047</u>

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, 2008

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Charges for services	\$ 9,632		\$ 9,632
Interest and investment income	7,923	\$ 2,902	10,825
Miscellaneous	54,393	2,065	56,458
Total Revenues	<u>71,948</u>	<u>4,967</u>	<u>76,915</u>
Expenditures:			
Current operations:			
General government		100	100
Culture and recreation	129,124		129,124
Capital outlay	10,477		10,477
Total Expenditures	<u>139,601</u>	<u>100</u>	<u>139,701</u>
Excess of revenues over (under) expenditures	<u>(67,653)</u>	<u>4,867</u>	<u>(62,786)</u>
Other financing sources (uses):			
Transfers in	167,227		167,227
Transfers out	(4,490)	(2,902)	(7,392)
Total other financing sources (uses)	<u>162,737</u>	<u>(2,902)</u>	<u>159,835</u>
Net change in fund balances	95,084	1,965	97,049
Fund balances at beginning of year	<u>384,170</u>	<u>101,571</u>	<u>485,741</u>
Fund balances at end of year	<u>\$ 479,254</u>	<u>\$ 103,536</u>	<u>\$ 582,790</u>

SCHEDULE B-1

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2008

	Library <u>Fund</u>	Recreation <u>Fund</u>	Maintenance Trust <u>Funds</u>	Conservation <u>Fund</u>	Combining <u>Totals</u>
Revenues:					
Charges for services		\$ 9,632			\$ 9,632
Interest and investment income	\$ 2,386	530	\$ 5,007		7,923
Miscellaneous	54,393				54,393
Total Revenues	<u>56,779</u>	<u>10,162</u>	<u>5,007</u>	<u>\$ -</u>	<u>71,948</u>
Expenditures:					
Current operations:					
Culture and recreation	129,124				129,124
Capital outlay	10,477				10,477
Total Expenditures	<u>139,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,601</u>
Excess of revenues over (under) expenditures	<u>(82,822)</u>	<u>10,162</u>	<u>5,007</u>	<u>-</u>	<u>(67,653)</u>
Other financing sources (uses):					
Transfers in	102,905		41,650	22,672	167,227
Transfers out			(4,490)		(4,490)
Total other financing sources (uses)	<u>102,905</u>	<u>-</u>	<u>37,160</u>	<u>22,672</u>	<u>162,737</u>
Net change in fund balances	20,083	10,162	42,167	22,672	95,084
Fund balances at beginning of year	<u>119,588</u>	<u>83,244</u>	<u>179,649</u>	<u>1,689</u>	<u>384,170</u>
Fund balances at end of year	<u>\$ 139,671</u>	<u>\$ 93,406</u>	<u>\$ 221,816</u>	<u>\$ 24,361</u>	<u>\$ 479,254</u>

SCHEDULE C
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds - All Agency Funds
December 31, 2008

	School District Agency <u>Fund</u>	Escrow Agency <u>Fund</u>	Combining <u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 690,366	\$ 58,072	\$ 748,438
Total Assets	<u>\$ 690,366</u>	<u>\$ 58,072</u>	<u>\$ 748,438</u>
LIABILITIES			
Deposits		\$ 58,072	\$ 58,072
Due to other governments	\$ 690,366		690,366
Total Liabilities	<u>\$ 690,366</u>	<u>\$ 58,072</u>	<u>\$ 748,438</u>