

TOWN OF ENFIELD, NEW HAMPSHIRE

Annual Financial Statement

For the Year Ended December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Enfield, 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 Enfield, New Hampshire, 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 of Enfield's management. Our responsibility is to express an opinion 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 Enfield, New Hampshire, as of December 31, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

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.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
October 7, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Enfield, we offer readers this narrative overview and analysis of the financial activities of the Town of Enfield, New Hampshire for the year ended December 31, 2009.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, water distribution and treatment, sanitation, welfare, culture and recreation, and economic development.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 7,827,817 (i.e., net assets), a change of \$ (121,312) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,976,472, a change of \$ 98,104 in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 140,190 a change of \$ 7,916 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 465,610, a change of \$ (130,255) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data comparing current and prior fiscal year.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 6,090,945	\$ 6,021,185
Capital assets	<u>5,882,794</u>	<u>6,056,104</u>
Total assets	11,973,739	12,077,289
Long-term liabilities outstanding	569,020	684,108
Other liabilities	<u>3,576,902</u>	<u>3,444,142</u>
Total liabilities	4,145,922	4,128,250
Net assets:		
Invested in capital assets, net	5,417,184	5,460,239
Restricted	581,452	425,935
Unrestricted	<u>1,829,181</u>	<u>2,062,955</u>
Total net assets	<u>\$ 7,827,817</u>	<u>\$ 7,949,129</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 532,743	\$ 580,412
Operating grants and contributions	11,148	17,388
General revenues:		
Property taxes	2,907,862	2,890,559
Motor vehicle permits	703,412	766,726
Penalties and interest on taxes	140,739	157,743
Grants and contributions not restricted to specific programs	369,129	423,855
Investment income	54,118	114,321
Miscellaneous	<u>25,997</u>	<u>3,802</u>
Total revenues	4,745,148	4,954,806

(continued)

(continued)

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Expenses:		
General government	1,663,808	1,707,084
Public safety	989,191	830,222
Highway and streets	1,356,357	1,471,273
Water distribution and treatment	129,060	139,066
Sanitation	344,254	445,043
Welfare	41,929	60,893
Culture and recreation	205,429	194,961
Conservation	1,350	1,921
Economic development	9,000	14,105
Interest on long-term debt	27,062	33,832
Miscellaneous	103,710	72,854
Total expenses	<u>4,871,150</u>	<u>4,971,254</u>
Change in net assets before permanent fund contributions	(126,002)	(16,448)
Permanent fund contributions	<u>4,690</u>	<u>4,152</u>
Increase in net assets	(121,312)	(12,296)
Net assets - beginning of year	<u>7,949,129</u>	<u>7,961,425</u>
Net assets - end of year	<u>\$ 7,827,817</u>	<u>\$ 7,949,129</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 7,827,817, a change of \$ (121,312) from the prior year.

The largest portion of net assets \$ 5,417,184 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 581,452 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 1,829,181 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (121,312). Key elements of this change are as follows:

General fund operations, discussed further in section D	\$ 241
Non major fund revenues exceed expenditures	97,863
Excess depreciation over principal debt service	(210,308)
Other	(9,108)
Total	<u>\$ (121,312)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,976,472, a change of \$ 98,104 in comparison to the prior year. Key elements of this change are as follows:

General fund operations, discussed further in section D	\$ 241
Non major fund revenues exceed expenditures	97,863
Total	<u>\$ 98,104</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 140,190, while total fund balance was \$ 169,650. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.27 percent of total general fund expenditures, while total fund balance represents 3.96 percent of that same amount.

The fund balance of the general fund changed by \$ 241 during the current fiscal year. Key factors in this change are as follows:

Property tax revenues in excess of net tax warrant	\$ 53,741
State and local revenues in excess of budget	46,280
Expenditures less than budget	5,833
Use of fund balance as a funding source	(57,100)
Other	(48,513)
Total	<u>\$ 241</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 5,882,794 (net of accumulated depreciation), a change of \$ (173,309) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

The following major capital assets were purchased during the current fiscal year:

2009 Ford F-150 for Water Department in the amount of \$ 17,971
2009 Ford Crown Victoria for Police Department in the amount of \$ 22,819
2009 GMC Pick Up for Public Works in the amount of \$ 22,320
Rescue Truck for Fire Department in the amount of \$ 12,525
Design /Pre Construction for New Library in the amount of \$ 20,991
Design/Pre Construction for Shaker Bridge Sewer Main for \$ 69,889

The following major capital assets were disposed of during the current fiscal year:

2003 Ford Crown Victoria for Police Department in the amount of \$ 24,000

The remaining change resulted from depreciation expense.

Additional information on capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 465,610, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Enfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Town Manager
23 Main Street, P.O. Box 373
Enfield, New Hampshire 03748

TOWN OF ENFIELD, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

DECEMBER 31, 2009

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 3,594,919
Receivables, net of allowance for uncollectibles:	
Property taxes	2,430,376
User fees	38,038
Intergovernmental	2,510
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental	25,102
Land and construction in progress	1,899,475
Other capital assets, net of accumulated depreciation	<u>3,983,319</u>
TOTAL ASSETS	11,973,739
LIABILITIES	
Current:	
Accounts payable	234,053
Accrued liabilities	46,936
Due to school district	3,294,251
Due to other governments	163
Other	1,499
Current portion of long-term liabilities:	
Bonds payable	130,046
Compensated absences	10,341
Noncurrent:	
Bonds payable, net of current portion	335,564
Compensated absences, net of current portion	<u>93,069</u>
TOTAL LIABILITIES	4,145,922
NET ASSETS	
Invested in capital assets, net of related debt	5,417,184
Restricted for:	
Grants	330,756
Permanent funds:	
Nonexpendable	230,737
Expendable	19,959
Unrestricted	<u>1,829,181</u>
TOTAL NET ASSETS	<u><u>\$ 7,827,817</u></u>

See notes to financial statements.

TOWN OF ENFIELD, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

		Program Revenues			Total Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
Governmental Activities:					
General government	\$ 1,663,808	\$ 49,844	\$ -	\$ -	\$ (1,613,964)
Public safety	989,191	5,001	11,148	-	(973,042)
Highway and streets	1,356,357	1,867	-	-	(1,354,490)
Water distribution and treatment	129,060	211,097	-	-	82,037
Sanitation	344,254	261,384	-	-	(82,870)
Welfare	41,929	-	-	-	(41,929)
Culture and recreation	205,429	3,535	-	-	(201,894)
Conservation	1,350	15	-	-	(1,335)
Economic development	9,000	-	-	-	(9,000)
Interest expense	27,062	-	-	-	(27,062)
Miscellaneous	103,710	-	-	-	(103,710)
Total Governmental Activities	<u>\$ 4,871,150</u>	<u>\$ 532,743</u>	<u>\$ 11,148</u>	<u>\$ -</u>	(4,327,259)
		General Revenues and Contributions:			
					2,907,862
					703,412
					140,739
					369,129
					54,118
					25,997
					4,690
					4,205,947
					(121,312)
		Net Assets:			
					7,949,129
					\$ 7,827,817

See notes to financial statements.

TOWN OF ENFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2009

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 1,950,263	\$ 1,644,656	\$ 3,594,919
Receivables:			
Property taxes	2,736,155	-	2,736,155
User fees	-	42,264	42,264
Due from other funds	<u>142,774</u>	<u>307,466</u>	<u>450,240</u>
TOTAL ASSETS	<u>\$ 4,829,192</u>	<u>\$ 1,994,386</u>	<u>\$ 6,823,578</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 234,053	\$ -	\$ 234,053
Accrued liabilities	40,838	2,526	43,364
Due to school district	3,294,251	-	3,294,251
Due to other governments	163	-	163
Due to other funds	307,466	142,774	450,240
Deferred revenues	781,272	42,264	823,536
Other liabilities	<u>1,499</u>	<u>-</u>	<u>1,499</u>
TOTAL LIABILITIES	4,659,542	187,564	4,847,106
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	29,460	1,000	30,460
Perpetual (nonexpendable) permanent funds	-	230,737	230,737
Unreserved:			
Undesignated, reported in:			
General fund	140,190	-	140,190
Special revenue funds	-	1,626,990	1,626,990
Capital project funds	-	(71,864)	(71,864)
Permanent funds	<u>-</u>	<u>19,959</u>	<u>19,959</u>
TOTAL FUND BALANCES	<u>169,650</u>	<u>1,806,822</u>	<u>1,976,472</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,829,192</u>	<u>\$ 1,994,386</u>	<u>\$ 6,823,578</u>

See notes to financial statements.

TOWN OF ENFIELD, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

DECEMBER 31, 2009

Total governmental fund balances	\$ 1,976,472
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,882,794
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	541,143
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(3,572)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(569,020)</u>
Net assets of governmental activities	<u><u>\$ 7,827,817</u></u>

See notes to financial statements.

TOWN OF ENFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 2,889,739	\$ 163,612	\$ 3,053,351
Penalties, interest, and other taxes	140,739	-	140,739
Charges for services	31,856	472,176	504,032
Intergovernmental	369,129	13,659	382,788
Licenses and permits	745,728	-	745,728
Investment income	22,941	31,177	54,118
Contributions	-	4,690	4,690
Miscellaneous	20,364	15,233	35,597
Total Revenues	<u>4,220,496</u>	<u>700,547</u>	<u>4,921,043</u>
Expenditures:			
Current:			
General government	1,585,721	2,860	1,588,581
Public safety	922,480	21,937	944,417
Highway and streets	1,269,024	-	1,269,024
Water	-	129,526	129,526
Sanitation	88,935	255,319	344,254
Welfare	41,929	-	41,929
Culture and recreation	211,348	9,457	220,805
Conservation	1,350	-	1,350
Economic development	9,000	-	9,000
Capital outlay	24,387	91,848	116,235
Debt service	132,884	24,934	157,818
Total Expenditures	<u>4,287,058</u>	<u>535,881</u>	<u>4,822,939</u>
Excess (deficiency) of revenues over expenditures	(66,562)	164,666	98,104
Other Financing Sources (Uses):			
Transfers in	68,903	2,100	71,003
Transfers out	(2,100)	(68,903)	(71,003)
Total Other Financing Sources (Uses)	<u>66,803</u>	<u>(66,803)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	241	97,863	98,104
Fund Equity, at Beginning of Year	<u>169,409</u>	<u>1,708,959</u>	<u>1,878,368</u>
Fund Equity, at End of Year	<u>\$ 169,650</u>	<u>\$ 1,806,822</u>	<u>\$ 1,976,472</u>

See notes to financial statements.

TOWN OF ENFIELD, 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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 98,104
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital asset purchases, net of disposals	167,254
Depreciation	(340,563)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 	(161,604)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Repayments of debt	130,255
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	502
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	<u>(15,260)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(121,312)</u>

See notes to financial statements.

TOWN OF ENFIELD, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 2,835,998	\$ 2,835,998	\$ 2,835,998	\$ -
Licenses, permits, and fees	769,625	769,625	745,728	(23,897)
Intergovernmental	345,666	345,666	345,666	-
Charges for services	24,000	24,000	31,856	7,856
Investment income	12,000	12,000	22,941	10,941
Penalties, interest, and other taxes	101,800	101,800	140,739	38,939
Miscellaneous	36,000	36,000	20,364	(15,636)
Transfers in	40,826	40,826	68,903	28,077
Use of fund balance	<u>57,100</u>	<u>57,100</u>	<u>57,100</u>	<u>-</u>
Total Revenues and Other Sources	4,223,015	4,223,015	4,269,295	46,280
Expenditures and Other Uses:				
General government	1,570,033	1,570,033	1,556,873	13,160
Public safety	897,149	897,149	900,281	(3,132)
Highway and streets	1,262,046	1,262,046	1,255,157	6,889
Sanitation	85,240	85,240	86,816	(1,576)
Welfare	46,525	46,525	41,399	5,126
Culture and recreation	216,679	216,679	206,935	9,744
Conservation	1,350	1,350	1,350	-
Economic development	9,000	9,000	9,000	-
Capital outlay	-	-	24,387	(24,387)
Debt service	132,893	132,893	132,884	9
Transfers out	<u>2,100</u>	<u>2,100</u>	<u>2,100</u>	<u>-</u>
Total Expenditures and Other Uses	<u>4,223,015</u>	<u>4,223,015</u>	<u>4,217,182</u>	<u>5,833</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,113</u>	<u>\$ 52,113</u>

See notes to financial statements.

TOWN OF ENFIELD, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2009

	Agency Funds
<u>ASSETS</u>	
Cash and short term investments	\$ <u>142,283</u>
Total Assets	142,283
 <u>LIABILITIES</u>	
Escrow deposits	<u>142,283</u>
Total Liabilities	\$ <u><u>142,283</u></u>

See notes to financial statements.

TOWN OF ENFIELD, NEW HAMPSHIRE

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Enfield (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2009, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The government reports the following major governmental funds:

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities.

J. Fund Equity

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

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Selectmen's office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 4,220,496	\$ 4,287,058
Other financing sources/uses (GAAP basis)	<u>68,903</u>	<u>2,100</u>
Subtotal (GAAP Basis)	4,289,399	4,289,158

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<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Adjust tax revenue to accrual basis	(53,741)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(37,135)
Add end of year appropriation carryforwards to expenditures	-	29,460
To reverse timing differences	-	(40,838)
To reverse the effect of non- budgeted State contributions for police and fire retirement	(23,463)	(23,463)
Recognize use of fund balance as funding source	<u>57,100</u>	<u>-</u>
Budgetary basis	<u>\$ 4,269,295</u>	<u>\$ 4,217,182</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2009, none of the Town's bank balance of \$ 3,922,460 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

4. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are lien by the Town will be reclassified from

property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2009 consist of the following:

Real Estate		
2009		\$ 2,399,170
Land Use		
2009		6,000
Timber Yield Tax		
2009		166
Excavation Tax		
2009		632
Deeded Property		4102
Tax Liens		
2008	\$ 204,892	
2007	107,385	
2006	2,662	
2005	11,146	
		<u>326,085</u>
Total		\$ <u>2,736,155</u>

Taxes Collected for Others

The Town collects property taxes for the State of New Hampshire, the Mascoma Valley Regional School District, the Village District of Eastman, and the County of Grafton. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

5. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

Property taxes	\$ 305,779
User fees	4,226

6. Intergovernmental Receivables

This balance represents a state subsidy from the New Hampshire Department of Environmental Services for a Drinking Water SRF loan.

7. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2009 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 142,774	\$ 307,466
Special Revenue Funds:		
Police grants	30,910	41,841
Water fund	18,005	2,425
Sewer fund	-	22,453
TIF fund	257,960	3,600
Capital Project Funds:		
Master plan update	591	72,455
Total	\$ <u>450,240</u>	\$ <u>450,240</u>

8. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,347,914	\$ -	\$ -	\$ 2,347,914
Machinery, equipment, and furnishings	3,298,715	85,974	(24,000)	3,360,689
Infrastructure	<u>1,354,946</u>	<u>-</u>	<u>-</u>	<u>1,354,946</u>
Total capital assets, being depreciated	7,001,575	85,974	(24,000)	7,063,549
Less accumulated depreciation for:				
Buildings and improvements	(449,218)	(43,551)	-	(492,769)
Machinery, equipment, and furnishings	(1,970,409)	(251,631)	14,400	(2,207,640)
Infrastructure	<u>(334,440)</u>	<u>(45,381)</u>	<u>-</u>	<u>(379,821)</u>
Total accumulated depreciation	<u>(2,754,067)</u>	<u>(340,563)</u>	<u>14,400</u>	<u>(3,080,230)</u>
Total capital assets, being depreciated, net	4,247,508	(254,589)	(9,600)	3,983,319
Capital assets, not being depreciated:				
Land	1,675,595	-	-	1,675,595
Construction in progress	<u>133,000</u>	<u>90,880</u>	<u>-</u>	<u>223,880</u>
Total capital assets, not being depreciated	<u>1,808,595</u>	<u>90,880</u>	<u>-</u>	<u>1,899,475</u>
Governmental activities capital assets, net	\$ <u>6,056,103</u>	\$ <u>(163,709)</u>	\$ <u>(9,600)</u>	\$ <u>5,882,794</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 69,555
Public safety	68,028
Highway and streets	197,398
Culture and recreation	<u>5,582</u>
Total depreciation expense - governmental activities	\$ <u><u>340,563</u></u>

9. **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued expenses represent additional 2009 expenditures paid after December 31, 2009.

10. **Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all December 31, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

11. **Long-Term Debt**

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>12/31/09</u>
Sewer	12/12/16	5.00%	\$ 90,740
DPW Facility	12/15/11	3.90%	200,000
Drinking Water SRF Loan	06/01/21	2.976 - 4.580%	<u>174,870</u>
Total Governmental Activities:			\$ <u><u>465,610</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 130,046	\$ 21,520	\$ 151,566
2010	129,817	15,478	145,295
2011	29,566	10,790	40,356
2012	29,288	10,129	39,417
2013	28,974	9,480	38,454
2014-2018	98,915	22,627	121,542
2019-2021	19,004	1,033	20,037
Total	<u>\$ 465,610</u>	<u>\$ 91,057</u>	<u>\$ 556,667</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2009:

General fund	\$ 290,740
Special revenue fund	<u>174,870</u>
Total	<u>\$ 465,610</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

	Total Balance 1/1/09	Additions	Reductions	Total Balance 12/31/09	Less Current Portion	Equals Long-Term Portion 12/31/09
<u>Governmental Activities</u>						
Bonds payable	\$ 595,865	\$ -	\$ (130,255)	\$ 465,610	\$ (130,046)	\$ 335,564
Other:						
Compensated absences	<u>88,153</u>	<u>15,257</u>	<u>-</u>	<u>103,410</u>	<u>(10,341)</u>	<u>93,069</u>
Totals	<u>\$ 684,018</u>	<u>\$ 15,257</u>	<u>\$ (130,255)</u>	<u>\$ 569,020</u>	<u>\$ (140,387)</u>	<u>\$ 428,633</u>

12. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

13. **Reserves of Fund Equity**

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at December 31, 2009:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

14. **General Fund Undesignated Fund Balance**

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 140,190
Deferred revenue	781,272
Allowance for doubtful accounts	<u>(99,041)</u>
Tax Rate Setting Balance	<u>\$ 822,421</u>

15. **Post-Employment Health Care and Life Insurance Benefits**

The Town implemented 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 effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time. However, the Town participates in a community-rated plan, which insurance premium rates reflect the health claim experience of all participating employers. As a result, it is appropriate to use the unadjusted premium as the basis for projecting retiree benefits. Since the Town does not provide a benefit to retirees and it is reasonable for the Town to project benefits using unadjusted premiums, the Town does not have an OPEB liability.

16. Commitments and Contingencies

Outstanding Lawsuits - There are pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

17. Retirement System

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions,

including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay annual contributions to the retirement system equal to the amount required by Revised Statutes Annotated 100-A:16, and ranges from 9.16% to 17.28% of covered compensation. The Town's contributions to the System for the years ended December 31, 2009, 2008, and 2007 were \$ 148,546, \$ 152,891, and \$ 117,501, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended December 31, 2009, was \$ 1,513,617. Contribution requirements for the year ended December 31, 2009, were as follows:

State of New Hampshire	\$ 23,463
Town of Enfield	148,546
Employees	<u>92,033</u>
Total	<u><u>\$ 264,042</u></u>

18. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.