

TOWN OF LITCHFIELD, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2008

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

102 Perimeter Road
Nashua, NH 03063-1301
Tel (603) 882-1111 • Fax (603) 882-9456
www.melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Litchfield, 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 Litchfield, New Hampshire, 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 of Litchfield'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 Litchfield, as of December 31, 2008, 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries

Additional Offices:

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

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
June 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Litchfield, we offer readers this narrative overview and analysis of the financial activities of the Town of Litchfield for the fiscal year ended December 31, 2008.

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 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).

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

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.

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 accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 9,151,088 (i.e., net assets), a change of \$ 255,022 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,931,894, a change of \$ (96,533) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,083,687, a change of \$ 61,059 in comparison with the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 7,736	\$ 6,727
Capital assets	5,917	5,661
Total assets	<u>13,653</u>	<u>12,388</u>
Long-term liabilities outstanding	89	109
Other liabilities	4,413	3,383
Total liabilities	<u>4,502</u>	<u>3,492</u>
Net assets:		
Invested in capital assets, net	6,263	5,480
Restricted	1,566	1,367
Unrestricted	1,322	2,049
Total net assets	<u>\$ 9,151</u>	<u>\$ 8,896</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues		
Charges for services	\$ 106	\$ 142
Operating grants	1	-
General revenues:		
Property taxes	2,490	2,238
Penalties and interest on taxes	256	-
Licenses and permits	1,501	1,463
Grants and contributions not restricted to specific programs	-	671
Investment income	71	235
Intergovernmental	799	-
Other	52	2
Total revenues	<u>5,276</u>	<u>4,751</u>
Expenses:		
General government	1,230	1,010
Public safety	1,840	1,839
Highways and streets	1,158	581
Sanitation	424	387
Health and welfare	58	40
Culture and recreation	308	252
Conservation	3	-
Total expenses	<u>5,021</u>	<u>4,109</u>
Change in net assets	255	642
Net assets - beginning of year (as restated)	<u>8,896</u>	<u>8,254</u>
Net assets - end of year	<u>\$ 9,151</u>	<u>\$ 8,896</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 \$ 9,151,088, a change of \$ 255,022 from the prior year.

The largest portion of net assets \$ 6,262,673 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 \$ 1,566,644 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 1,321,771 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 \$ 255,022. Key elements of this change are as follows:

General fund operating results	\$ 133,654
Conservation fund surplus - accrual basis	191,102
Nonmajor funds deficit	(1,289)
Other GAAP accruals	<u>(68,445)</u>
Total	<u>\$ 255,022</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 \$ 2,931,894, a change of \$ (96,533) in comparison with the prior year. Key elements of this change are as follows:

General fund operating results	\$ 133,654
Conservation fund deficit	(228,898)
Nonmajor funds deficit	<u>(1,289)</u>
Total	<u>\$ (96,533)</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 \$ 1,083,687, while total fund balance was \$ 1,227,890. 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 22 percent of total general fund expenditures, while total fund balance represents 25 percent of that same amount.

The fund balance of the general fund changed by \$ 133,654 during the current fiscal year. Key factors in this change are as follows:

State and local revenues deficit over budget	\$ 560,424
Budgetary appropriation turnbacks	(12,470)
Excess tax collections over budget	66,179
Excess of prior year encumbrances spent in the current year over current year encumbered appropriations to be spent in the subsequent year	<u>(480,479)</u>
Total	<u>\$ 133,654</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were 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 \$ 5,917,303 (net of accumulated depreciation), a change of \$ 256,381 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Conservation commission land purchase \$ 420,000

Additional information on capital assets 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 Litchfield'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:

Board of Selectmen
Town of Litchfield
2 Liberty Way, Suite 2
Litchfield, New Hampshire 03052

TOWN OF LITCHFIELD, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 6,848,922
Investments	82,120
Receivables, net of allowance for uncollectibles:	
Taxes	582,987
Departmental and other	45,229
Intergovernmental	2,977
Due from fiduciary funds	53,342
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	119,982
Capital Assets	
Land and construction in progress	3,500,534
Other capital assets, net of accumulated depreciation	<u>2,416,769</u>
TOTAL ASSETS	13,652,862
LIABILITIES	
Current:	
Accounts payable	219,730
Accrued liabilities	35,643
Due to school districts	4,071,633
Current portion of long-term liabilities:	
Capital lease payable	82,941
Compensated absence	2,528
Noncurrent:	
Capital lease payable, net of current portion	41,271
Compensated absence, net of current portion	<u>48,028</u>
TOTAL LIABILITIES	4,501,774
NET ASSETS	
Invested in capital assets, net of related debt	6,262,673
Restricted for:	
Grants and other statutory restrictions	1,392,294
Permanent funds:	
Nonexpendable	133,279
Expendable	41,071
Unrestricted	<u>1,321,771</u>
TOTAL NET ASSETS	\$ <u>9,151,088</u>

See notes to financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
General government	\$ 1,230,200	\$ -	\$ -	\$ (1,212,545)
Public safety	1,840,031	-	-	(1,808,021)
Highways and streets	1,157,723	793	-	(1,156,930)
Sanitation	424,446	-	-	(371,250)
Health and welfare	58,064	-	-	(58,064)
Culture and recreation	308,226	1,446	-	(304,288)
Conservation	<u>2,529</u>	-	-	<u>(2,449)</u>
Total Governmental Activities	\$ 5,021,219	\$ 1,446	\$ -	(4,913,547)
General Revenues and Contributions:				
Taxes				2,489,841
Penalties, interest and other taxes				256,132
Licenses and permits				1,500,936
Investment income				71,449
Intergovernmental				798,610
Miscellaneous				<u>51,602</u>
Total general revenues				5,168,569
Change in Net Assets				255,022
Net Assets:				
Beginning of year, as restated				<u>8,896,066</u>
End of year				<u>\$ 9,151,088</u>

See notes to financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2008

ASSETS	<u>General</u>	<u>Conservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 5,309,759	\$ 736,415	\$ 802,747	\$ 6,848,921
Investments	-	-	82,120	82,120
Receivables:				
Property taxes	727,969	-	-	727,969
Departmental and other	33,572	-	11,658	45,230
Intergovernmental	2,977	-	-	2,977
Due from other funds	<u>66,489</u>	<u>78,000</u>	<u>6,211</u>	<u>150,700</u>
TOTAL ASSETS	<u>\$ 6,140,766</u>	<u>814,415</u>	<u>\$ 902,736</u>	<u>\$ 7,857,917</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 219,730	\$ -	\$ -	\$ 219,730
Accrued liabilities	86,199	-	-	86,199
Deferred revenues	451,103	-	-	451,103
Due to other funds	84,211	-	13,147	97,358
Due to school districts	<u>4,071,633</u>	<u>-</u>	<u>-</u>	<u>4,071,633</u>
TOTAL LIABILITIES	4,912,876	-	13,147	4,926,023
Fund Balances:				
Reserved for:				
Encumbrances	144,203	-	-	144,203
Perpetual (non-expendable) permanent funds	-	-	133,279	133,279
Unreserved:				
Undesignated, reported in:				
General fund	1,083,687	-	-	1,083,687
Special revenue funds	-	814,415	245,657	1,060,072
Capital project funds	-	-	469,582	469,582
Permanent funds	<u>-</u>	<u>-</u>	<u>41,071</u>	<u>41,071</u>
TOTAL FUND BALANCES	<u>1,227,890</u>	<u>814,415</u>	<u>889,589</u>	<u>2,931,894</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,140,766</u>	<u>\$ 814,415</u>	<u>\$ 902,736</u>	<u>\$ 7,857,917</u>

See notes to financial statements.

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

DECEMBER 31, 2008

Total governmental fund balances	\$ 2,931,894
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,917,303
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	426,103
<ul style="list-style-type: none">• Long-term liabilities, (net of prepaid debt service) including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(124,212)</u>
Net assets of governmental activities	<u>\$ 9,151,088</u>

See notes to financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Conservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 2,454,891	\$ -	\$ -	\$ 2,454,891
Penalties, interest and other taxes	96,501	159,631	-	256,132
Licenses and permits	1,500,935	-	-	1,500,935
Intergovernmental	798,610	-	-	798,610
Charges for services	78,901	-	27,325	106,226
Investment income	67,796	30,971	(27,318)	71,449
Contributions	-	-	1,446	1,446
Miscellaneous	3,421	-	48,180	51,601
Total Revenues	5,001,055	190,602	49,633	5,241,290
Expenditures:				
Current:				
General government	1,202,519	-	-	1,202,519
Public safety	1,792,220	-	34,322	1,826,542
Highways and streets	1,133,341	-	-	1,133,341
Sanitation	401,161	-	-	401,161
Health and welfare	58,064	-	-	58,064
Culture and recreation	277,067	-	16,600	293,667
Conservation	3,029	419,500	-	422,529
Total Expenditures	4,867,401	419,500	50,922	5,337,823
Excess (deficiency) of revenues over expenditures	133,654	(228,898)	(1,289)	(96,533)
Fund Equity, at Beginning of Year, as restated	<u>1,094,236</u>	<u>1,043,313</u>	<u>890,878</u>	<u>3,028,427</u>
Fund Equity, at End of Year	<u>\$ 1,227,890</u>	<u>814,415</u>	<u>\$ 889,589</u>	<u>\$ 2,931,894</u>

See notes to financial statements.

TOWN OF LITCHFIELD, 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, 2008

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (96,533)
<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 outlay purchases	448,920
Depreciation	(192,539)
<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 accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. 	
	34,951
<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. 	
	3,911
<ul style="list-style-type: none"> • The issuance of long-term debt 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	80,262
Capital lease additions	<u>(23,950)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>255,022</u></u>

See notes to financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 2,388,713	\$ 2,388,713	\$ 2,388,713	\$ -
Interest, penalties and other taxes	60,407	60,407	96,501	36,094
Licenses and permits	1,168,120	1,168,120	1,500,935	332,815
Intergovernmental	605,131	605,131	798,610	193,479
Charges for services	50,000	50,000	78,901	28,901
Investment income	95,000	95,000	67,796	(27,204)
Miscellaneous	7,081	7,081	3,421	(3,660)
Total Revenues	4,374,452	4,374,452	4,934,877	560,425
Expenditures and other uses:				
Current:				
General government	1,054,845	1,054,845	1,120,712	(65,867)
Public safety	1,773,752	1,773,752	1,793,348	(19,596)
Highways and streets	781,208	781,208	700,541	80,667
Sanitation	386,032	386,032	401,161	(15,129)
Health and welfare	62,797	62,797	58,064	4,733
Conservation	3,907	3,907	3,029	878
Culture and recreation	311,911	311,911	310,067	1,844
Total Expenditures	4,374,452	4,374,452	4,386,922	(12,470)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 547,955	\$ 547,955

See notes to financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 1,766,370
Due from/due to other funds	<u>(53,342)</u>
Total Assets	<u>\$ 1,713,028</u>
 <u>LIABILITIES</u>	
Due to other governments	\$ 104,281
Due to other funds	
Due to developers	<u>1,608,747</u>
Total Liabilities	<u>\$ 1,713,028</u>

See notes to financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Litchfield (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 2008, 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 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. Likewise, general revenues include all taxes.

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.
- The *Conservation Commission Fund* is used to account for 100% of the Land Use Change Tax (current use) revenue and expenditures incurred in the acquisition of conservation land including the maintenance of designated conservation properties within the Town's boundaries.

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.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

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.

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 are reported in the governmental 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.

