

**CITY OF SOMERSWORTH, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 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](http://www.melansonheath.com)

### INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Somersworth, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somersworth, New Hampshire, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Somersworth'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somersworth, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Additional Offices:*

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

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
January 20, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Somersworth, we offer readers this narrative overview and analysis of the financial activities of the City of Somersworth for the fiscal year ended June 30, 2008. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

### **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, health and welfare, culture and recreation, and education. The business-type activities include water, sewer, and solid waste activities.

**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 three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 and debt service funds. A budgetary comparison statement has been provided for the general and debt service funds to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, and solid waste operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and solid waste operations, all of which are considered to be major funds.

**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 City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that are 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 \$ 16,273,506 (i.e., net assets), a change of \$ 439,569 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,853,653, a change of \$ (3,861,257) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 616,105, a change of \$ (423,990) in comparison with the prior year.
- Total long-term debt at the close of the current fiscal year was \$ 33,563,108, a change of \$ 391,780 in comparison to 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. All amounts are presented in thousands.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 11,947	\$ 13,243	\$ 1,581	\$ 3,126	\$ 13,528	\$ 16,369
Capital assets	<u>21,852</u>	<u>18,197</u>	<u>25,431</u>	<u>25,350</u>	<u>47,283</u>	<u>43,547</u>
Total assets	33,799	31,440	27,012	28,476	60,811	59,916
Long-term liabilities outstanding	13,583	15,240	19,980	17,931	33,563	33,171
Other liabilities	<u>9,851</u>	<u>7,195</u>	<u>1,124</u>	<u>3,716</u>	<u>10,975</u>	<u>10,911</u>
Total liabilities	23,434	22,435	21,104	21,647	44,538	44,082
Net assets:						
Invested in capital assets, net	11,021	10,543	7,570	8,634	18,591	19,177
Restricted	17	97	-	-	17	97
Unrestricted	( 673)	( 1,635)	( 1,662)	( 1,805)	( 2,335)	( 3,440)
Total net assets	\$ <u>10,365</u>	\$ <u>9,005</u>	\$ <u>5,908</u>	\$ <u>6,829</u>	\$ <u>16,273</u>	\$ <u>15,834</u>

## CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,104	\$ 1,175	\$ 3,151	\$ 2,856	\$ 4,255	\$ 4,031
Operating grants and contributions	10,329	10,058	-	-	10,329	10,058
Capital grants and contributions	199	206	-	-	199	206
General revenues:						
Taxes	19,628	18,213	-	-	19,628	18,213
Motor vehicle registration fees	1,393	1,434	-	-	1,393	1,434
Intergovernmental	944	899	131	497	1,075	1,396
Interest	299	520	80	64	379	584
Miscellaneous	<u>166</u>	<u>157</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>157</u>
Total revenues	<u>34,062</u>	<u>32,662</u>	<u>3,362</u>	<u>3,417</u>	<u>37,424</u>	<u>36,079</u>
Expenses:						
General government	1,514	1,459	-	-	1,514	1,459
Public safety	1,360	4,120	-	-	1,360	4,120
Highways and streets	5,115	2,279	-	-	5,115	2,279
Health and welfare	221	235	-	-	221	235
Culture and recreation	575	627	-	-	575	627
School department	21,373	20,114	-	-	21,373	20,114
Interest	752	557	-	-	752	557
Other	12	128	-	-	12	128
County assessment	1,979	1,851	-	-	1,979	1,851
Water operations	-	-	1,509	1,842	1,509	1,842
Sewer operations	-	-	2,242	2,426	2,242	2,426
Solid waste operations	<u>-</u>	<u>-</u>	<u>378</u>	<u>382</u>	<u>378</u>	<u>382</u>
Total expenses	<u>32,901</u>	<u>31,370</u>	<u>4,129</u>	<u>4,650</u>	<u>37,030</u>	<u>36,020</u>
Change in net assets before transfers	1,161	1,292	( 767)	(1,233)	394	59
Transfers in (out)	<u>199</u>	<u>346</u>	<u>( 154)</u>	<u>( 346)</u>	<u>45</u>	<u>-</u>
Change in net assets	1,360	1,638	( 921)	(1,579)	439	59
Net assets - beginning of year, as restated	<u>9,005</u>	<u>7,367</u>	<u>6,829</u>	<u>8,408</u>	<u>15,834</u>	<u>15,775</u>
Net assets - end of year	<u>\$ 10,365</u>	<u>\$ 9,005</u>	<u>\$ 5,908</u>	<u>\$ 6,829</u>	<u>\$ 16,273</u>	<u>\$ 15,834</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 \$ 16,273,506, a change of \$ 439,569 from the prior year.

The largest portion of net assets, \$ 18,591,976 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), 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, \$ 17,126, represents resources that are subject to external restrictions on how they may be used. The remaining balance represents an unrestricted net asset deficit of \$ (2,335,596).

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 1,359,893. Key elements of this change are as follows:

	<u>Governmental Activities</u>
General fund operating results, as disclosed in Section D	\$ 665,514
Nonmajor funds - accrual basis	113,455
Excess bond principal maturities over depreciation	245,955
Investment in capital assets, funded through tax levy	144,833
Other GAAP accruals	<u>190,136</u>
Total	\$ <u>1,359,893</u>

**Business-Type Activities.** Business-type activities for the year resulted in a change in net assets of \$ (920,324). Key elements of this change are as follows:

Water Fund	\$ ( 7,789)
Sewer Fund	(913,536)
Solid Waste Fund	<u>1,001</u>
Total	\$ <u>(920,324)</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 \$ 1,853,653 , a change of \$ (3,861,257) in comparison with the prior year. Key elements of this change is as follows:

	Governmental Funds
General fund operating results, as disclosed below	\$ 665,514
Nonmajor fund deficit	(4,526,771)
Total	\$ (3,861,257)

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 616,105, while total fund balance was \$ 2,752,697. 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 2.0% of total general fund expenditures, while total fund balance represents 8.8% percent of that same amount.

The fund balance of the general fund changed by \$ 665,514 during the current fiscal year. Key factors in this change are as follows:

	General Fund
Revenues in excess of budget	\$ 281,102
Budget expenditures in excess of actual	431,314
Property tax collections exceeding (less than) net tax levy	( 51,377)
Use of fund balance as funding source	(200,000)
Excess of current year encumbrances over prior year	204,475
Total	\$ 665,514

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to a deficit of \$ (1,662,417), a change of \$ 142,727 in comparison with the prior year. This deficit was caused by the impact of increased costs due to financing major capital and operational improvements, mandated by State and Federal agencies of appropriate jurisdictions overseeing the permitting of the Water and Sewer Treatment Facilities. To that end, the City Council enacted a series of rate increases on the Water rates, effective July 1, 2007, that will more than double rates over the next 4 (four) years, and approved a plan to increase the Sewer rates over the next 4 (four) years starting in July of 2008.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget consisted of reappropriations between budget lines, but did not change the overall original appropriation amount.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 47,283,690 (net of accumulated depreciation), a change of \$ 3,735,753 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

**Long-term debt.** At the end of the current fiscal year, total bonded and leased debt outstanding was \$ 27,618,076, 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 City of Somersworth'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 Finance Director  
City of Somersworth  
One Government Way  
Somersworth, New Hampshire 03878

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 9,811,533	\$ 238,574	\$ 10,050,107
Investments	135,626	-	135,626
Receivables, net of allowance for uncollectibles:			
Property taxes	677,905	-	677,905
Departmental	136,232	170,654	306,886
Special assessments	31,047	-	31,047
Intergovernmental	120,822	1,073,769	1,194,591
Inventory	-	98,191	98,191
Other assets	16,318	-	16,318
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Special assessments	1,259	-	1,259
Advance to other funds	1,015,881	-	1,015,881
Capital assets:			
Land and construction in progress	7,125,323	8,051,338	15,176,661
Other capital assets, net of accumulated depreciation	14,727,144	17,379,885	32,107,029
<b>TOTAL ASSETS</b>	<b>33,799,090</b>	<b>27,012,411</b>	<b>60,811,501</b>
<b>LIABILITIES</b>			
Current:			
Manifest payable	603,610	104,867	708,477
Accounts payable	503,982	133,149	637,131
Accrued liabilities	338,259	351,163	689,422
Prepaid taxes	7,358,302	-	7,358,302
Internal balances	(529,427)	529,427	-
Due to fiduciary funds	142,777	-	142,777
Notes payable	1,433,060	-	1,433,060
Other current liabilities	-	5,718	5,718
Current portion of long-term liabilities:			
Bonds payable	1,240,000	958,001	2,198,001
Lease payable	19,659	-	19,659
Other liabilities	143,341	-	143,341
Noncurrent:			
Notes payable	-	1,836,616	1,836,616
Advance from other funds	-	1,015,881	1,015,881
Bonds payable, net of current portion	9,239,900	16,139,780	25,379,680
Lease payable, net of current portion	20,736	-	20,736
Other liabilities, net of current portion	2,919,573	29,621	2,949,194
<b>TOTAL LIABILITIES</b>	<b>23,433,772</b>	<b>21,104,223</b>	<b>44,537,995</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,021,371	7,570,605	18,591,976
Restricted for:			
State and federal grants	(164,508)	-	(164,508)
Permanent funds:			
Nonexpendable	168,725	-	168,725
Expendable	12,909	-	12,909
Unrestricted	(673,179)	(1,662,417)	(2,335,596)
<b>TOTAL NET ASSETS</b>	<b>\$ 10,365,318</b>	<b>\$ 5,908,188</b>	<b>\$ 16,273,506</b>

See notes to financial statements.

CITY OF SOMERSWORTH, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Expenses					Total
<b>Governmental Activities:</b>					
General government	\$ 1,514,045	\$ 54,610	\$ -	\$ (1,344,667)	\$ (1,344,667)
Public safety	4,310,828	113,985	-	(4,113,114)	(4,113,114)
Highways and streets	2,163,031	311,483	27,240	(1,466,522)	(1,466,522)
Health and welfare	220,726	-	-	(209,799)	(209,799)
Culture and recreation	576,785	3,261	-	(435,920)	(435,920)
School department	21,372,526	9,845,563	171,462	(10,956,056)	(10,956,056)
Interest	751,845	-	-	(751,845)	(751,845)
County assessments	1,979,358	-	-	(1,979,358)	(1,979,358)
Other	12,000	-	-	(12,000)	(12,000)
Total Governmental Activities	32,901,144	10,328,902	198,702	(21,269,281)	(21,269,281)
<b>Business-Type Activities:</b>					
Water services	1,509,392	-	-	(80,942)	(80,942)
Sewer services	2,241,750	-	-	(897,035)	(897,035)
Solid waste services	377,750	-	-	1,001	1,001
Total Business-Type Activities	4,128,892	-	-	(976,976)	(976,976)
Total	\$ 37,030,036	\$ 10,328,902	\$ 198,702	(21,269,281)	(22,246,257)
General Revenues and Transfers:					
Taxes				19,627,720	19,627,720
Other revenues not restricted to specific programs:					
Motor vehicle registration fees				1,392,304	1,392,304
Intergovernmental				943,832	1,075,042
Interest				299,389	379,281
Miscellaneous				166,479	166,479
Transfers, net				199,450	45,000
Total general revenues and transfers				22,629,174	22,685,826
Change in Net Assets				1,359,893	439,569
Net Assets:					
Beginning of year				9,005,425	15,833,937
End of year				\$ 10,365,318	\$ 16,273,506

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 8,557,021	\$ 1,254,512	\$ 9,811,533
Investments	-	135,626	135,626
Receivables:			
Property taxes	832,382	-	832,382
Departmental	133,883	8,107	141,990
Intergovernmental	-	120,822	120,822
Due from other funds	743,241	115,847	859,088
Advance from other funds	1,845,494	-	1,845,494
Other assets	16,318	-	16,318
<b>TOTAL ASSETS</b>	<b>\$ 12,128,339</b>	<b>\$ 1,634,914</b>	<b>\$ 13,763,253</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Manifest payable	\$ 417,469	\$ 186,141	\$ 603,610
Accounts payable	503,982	-	503,982
Deferred revenues	704,788	3,807	708,595
Due to other funds	391,101	81,337	472,438
Notes payable	-	1,433,060	1,433,060
Advance to other funds	-	829,613	829,613
Taxes collected in advance	7,358,302	-	7,358,302
<b>TOTAL LIABILITIES</b>	<b>9,375,642</b>	<b>2,533,958</b>	<b>11,909,600</b>
Fund Balances:			
Reserved for:			
Encumbrances	291,098	13,527	304,625
Perpetual permanent funds	-	168,725	168,725
Advance	1,845,494	-	1,845,494
Unreserved:			
Undesignated, reported in:			
General fund	616,105	-	616,105
Special revenue funds	-	302,859	302,859
Capital project funds	-	(701,953)	(701,953)
Debt service funds	-	(695,111)	(695,111)
Permanent Funds	-	12,909	12,909
<b>TOTAL FUND BALANCES</b>	<b>2,752,697</b>	<b>(899,044)</b>	<b>1,853,653</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,128,339</b>	<b>\$ 1,634,914</b>	<b>\$ 13,763,253</b>

See notes to financial statements.

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

JUNE 30, 2008

<b>Total governmental fund balances</b>	<b>\$ 1,853,653</b>
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	21,852,467
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	580,666
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(338,259)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(13,583,209)</u>
<b>Net assets of governmental activities</b>	<b>\$ <u>10,365,318</u></b>

See notes to financial statements.

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 19,522,829	\$ -	\$ 19,522,829
Licenses and permits	1,555,301	-	1,555,301
Intergovernmental	10,182,257	1,188,639	11,370,896
Charges for services	531,493	435,621	967,114
Interest income	189,936	109,453	299,389
Other revenues:			
Contributions	13,286	87,254	100,540
Other	129,878	36,601	166,479
Total Revenues	<u>32,124,980</u>	<u>1,857,568</u>	<u>33,982,548</u>
<b>Expenditures:</b>			
Current:			
General government	1,438,247	579	1,438,826
Public safety	4,132,143	2,950,811	7,082,954
Highways and streets	2,055,234	442,806	2,498,040
Health and welfare	221,332	-	221,332
Culture and recreation	546,009	4,896	550,905
School department	19,296,528	3,005,525	22,302,053
Other	-	12,000	12,000
Debt service:			
Principal	1,086,127	290,000	1,376,127
Interest	550,724	30,936	581,660
Intergovernmental:			
Assessments	1,979,358	-	1,979,358
Total Expenditures	<u>31,305,702</u>	<u>6,737,553</u>	<u>38,043,255</u>
Excess (deficiency) of revenues over expenditures	819,278	(4,879,985)	(4,060,707)
<b>Other Financing Sources (Uses):</b>			
Transfers in	45,000	371,968	416,968
Transfers out	(198,764)	(18,754)	(217,518)
Total Other Financing Sources (Uses)	<u>(153,764)</u>	<u>353,214</u>	<u>199,450</u>
Net change in fund balances	665,514	(4,526,771)	(3,861,257)
Fund Balances, at Beginning of Year	<u>2,087,183</u>	<u>3,627,727</u>	<u>5,714,910</u>
Fund Balances, at End of Year	<u>\$ 2,752,697</u>	<u>\$ (899,044)</u>	<u>\$ 1,853,653</u>

See notes to financial statements.



CITY OF SOMERSWORTH, 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 JUNE 30, 2008

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ (3,861,257)**

- 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, net of disposals 4,785,059

Depreciation (1,130,172)

- 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.

104,955

- 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 bonded debt 1,376,127

Repayments of leased debt 18,637

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

(170,185)

- 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.

236,729

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 1,359,893**

See notes to financial statements.

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues and other sources:</b>				
Taxes	\$ 19,483,232	\$ 19,483,232	\$ 19,574,206	\$ 90,974
Licenses and permits	1,647,750	1,647,750	1,555,301	(92,449)
Intergovernmental	9,382,094	9,382,094	9,641,452	259,358
Charges for services	496,660	496,660	496,200	(460)
Interest income	205,000	205,000	187,934	(17,066)
Other revenues	282,086	282,086.00	320,829	38,743
Transfers in	45,000	45,000	45,000	-
Bond proceeds	-	-	2,002	2,002
Use of fund balance	200,000	200,000	200,000	-
<b>Total Revenues and Other Sources</b>	<b>31,741,822</b>	<b>31,741,822</b>	<b>32,022,924</b>	<b>281,102</b>
<b>Expenditures and other uses:</b>				
Current:				
Elected leadership	137,409	137,409	130,154	7,255
City management	312,869	312,869	293,675	19,194
Development services	885,249	885,249	848,096	37,153
Police	2,599,945	2,481,270	2,373,449	107,821
Fire	1,465,875	1,518,129	1,517,937	192
Finance and administration	1,063,283	1,063,283	998,177	65,106
Public works & utilities	1,944,622	2,090,159	2,051,806	38,353
School	19,737,005	19,737,005	19,653,788	83,217
Other	2,119,358	2,040,242	1,979,358	60,884
Capital outlay	215,988	215,988	211,387	4,601
Debt service	1,061,455	1,061,455	1,053,917	7,538
Other financing uses:				
Transfers out	198,764	198,764	198,764	-
<b>Total Expenditures and Other Uses</b>	<b>31,741,822</b>	<b>31,741,822</b>	<b>31,310,508</b>	<b>431,314</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 712,416</b>	<b>\$ 712,416</b>

See notes to financial statements.

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 238,574	\$ -	\$ -	\$ 238,574
User fees, net of allowance for uncollectibles	71,838	78,908	19,908	170,654
Intergovernmental receivables	-	1,073,769	-	1,073,769
Inventory	77,495	-	20,696	98,191
Due from other funds	-	-	7,748	7,748
Total current assets	387,907	1,152,677	48,352	1,588,936
Noncurrent:				
Land and construction in progress	6,972,343	1,078,995	-	8,051,338
Other capital assets, net of accumulated depreciation	1,843,849	15,536,036	-	17,379,885
Total noncurrent assets	8,816,192	16,615,031	-	25,431,223
<b>TOTAL ASSETS</b>	<b>9,204,099</b>	<b>17,767,708</b>	<b>48,352</b>	<b>27,020,159</b>
<b><u>LIABILITIES</u></b>				
Current:				
Manifest payable	19,903	31,367	53,597	104,867
Accounts payable	133,149	-	-	133,149
Due to other funds	529,946	-	7,229	537,175
Accrued and other liabilities	176,307	174,856	-	351,163
Other liabilities	5,718	-	-	5,718
Current portion of long-term liabilities:				
Bonds payable	441,770	516,231	-	958,001
Total current liabilities	1,306,793	722,454	60,826	2,090,073
Noncurrent:				
Notes payable	-	1,836,616	-	1,836,616
Advance from other funds	-	967,529	48,352	1,015,881
Bonds payable, net of current portion	7,363,848	8,775,932	-	16,139,780
Other	29,621	-	-	29,621
Total noncurrent liabilities	7,393,469	11,580,077	48,352	19,021,898
<b>TOTAL LIABILITIES</b>	<b>8,700,262</b>	<b>12,302,531</b>	<b>109,178</b>	<b>21,111,971</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	1,010,574	6,560,031	-	7,570,605
Unrestricted	(506,737)	(1,094,854)	(60,826)	(1,662,417)
<b>TOTAL NET ASSETS</b>	<b>\$ 503,837</b>	<b>\$ 5,465,177</b>	<b>\$ (60,826)</b>	<b>\$ 5,908,188</b>

See notes to financial statements.

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 1,185,141	\$ 1,332,595	\$ 378,751	\$ 2,896,487
Other	<u>243,309</u>	<u>12,120</u>	<u>-</u>	<u>255,429</u>
Total Operating Revenues	1,428,450	1,344,715	378,751	3,151,916
<b>Operating Expenses:</b>				
Operating expenses	904,887	1,265,245	377,750	2,547,882
Depreciation	241,717	615,304	-	857,021
Other	<u>167,865</u>	<u>20,336</u>	<u>-</u>	<u>188,201</u>
Total Operating Expenses	<u>1,314,469</u>	<u>1,900,885</u>	<u>377,750</u>	<u>3,593,104</u>
Operating Income (Loss)	113,981	(556,170)	1,001	(441,188)
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental revenue	32,461	98,749	-	131,210
Interest income	23,392	-	-	23,392
Premium on bond issuance	56,500	-	-	56,500
Interest expense	<u>(194,923)</u>	<u>(340,865)</u>	<u>-</u>	<u>(535,788)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(82,570)</u>	<u>(242,116)</u>	<u>-</u>	<u>(324,686)</u>
Income (Loss) Before Transfers	31,411	(798,286)	1,001	(765,874)
<b>Transfers:</b>				
Transfers out	<u>(39,200)</u>	<u>(115,250)</u>	<u>-</u>	<u>(154,450)</u>
Change in Net Assets	(7,789)	(913,536)	1,001	(920,324)
Net Assets at Beginning of Year	<u>511,626</u>	<u>6,378,713</u>	<u>(61,827)</u>	<u>6,828,512</u>
Net Assets at End of Year	<u>\$ 503,837</u>	<u>\$ 5,465,177</u>	<u>\$ (60,826)</u>	<u>\$ 5,908,188</u>

See notes to financial statements.

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 1,589,406	\$ 1,362,678	\$ 426,406	\$ 3,378,490
Payments to vendors and employees	(1,271,332)	(1,454,835)	(426,406)	(3,152,573)
Net Cash Provided By (Used For) Operating Activities	318,074	(92,157)	-	225,917
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Due to other funds	1,667,580	816,660	-	2,484,240
Transfers to other funds	(39,200)	(115,250)	-	(154,450)
Intergovernmental subsidy	(183,781)	98,749	-	(85,032)
Net Cash (Used For) Noncapital Financing Activities	1,444,599	800,159	-	2,244,758
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition and construction of capital assets	(897,494)	(40,393)	-	(937,887)
Principal payments on bonds and notes	(24,360)	(516,232)	-	(540,592)
Payment of anticipation notes	(1,900,000)	-	-	(1,900,000)
Interest expense	(194,923)	(340,865)	-	(535,788)
Proceeds from state revolving loan	-	49,400	-	49,400
Premium on bond	56,500	-	-	56,500
Net Cash (Used For) Capital and Related Financing Activities	(2,960,277)	(848,090)	-	(3,808,367)
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	23,392	-	-	23,392
Net Cash (Used For) Investing Activities	23,392	-	-	23,392
Net Change in Cash and Short-Term Investments	(1,174,212)	(140,088)	-	(1,314,300)
Cash and Short Term Investments, Beginning of Year	1,412,786	140,088	-	1,552,874
Cash and Short Term Investments, End of Year	\$ 238,574	\$ -	\$ -	\$ 238,574
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>				
Operating income (loss)	\$ 113,981	\$ (556,170)	\$ 1,001	\$ (441,188)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	241,717	615,304	-	857,021
Changes in assets and liabilities:				
User fees	160,956	17,963	(5,367)	173,552
Inventory	21,836	-	(15,008)	6,828
Due from other funds	-	-	54,079	54,079
Accounts payable	168	(27,917)	27,122	(627)
Accrued liabilities	105,987	(1,252)	-	104,735
Advance from other funds	-	-	(13,475)	(13,475)
Other	(326,571)	(140,085)	(48,352)	(515,008)
Net Cash Provided By (Used For) Operating Activities	\$ 318,074	\$ (92,157)	\$ -	\$ 225,917

See notes to financial statements.

## CITY OF SOMERSWORTH, NEW HAMPSHIRE

## FIDUCIARY FUNDS

## STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short term investments	\$ 50,312	\$ 571,802
Investments	148,348	-
Due from other funds	<u>-</u>	<u>142,777</u>
Total Assets	198,660	714,579
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities:		
Escrow deposits held	<u>-</u>	<u>714,579</u>
Total Liabilities	<u>-</u>	<u>714,579</u>
<b><u>NET ASSETS</u></b>		
Total net assets held in trust	<u>\$ 198,660</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF SOMERSWORTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment income (loss)	\$ 1,194
Contributions and donations	<u>500</u>
Total additions	1,694
<b>Deductions:</b>	
Miscellaneous:	
Bequests and expenses	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease)	1,694
<b>Net assets:</b>	
Beginning of year	<u>196,966</u>
End of year	<u>\$ 198,660</u>

See notes to financial statements.

# CITY OF SOMERSWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Somersworth, New Hampshire (the City) 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 Mayor and City Council. 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



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

General Fund - To account for 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales

and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

Water Enterprise Fund - To account for the operation of a water treatment plant, City wells and water system.

Sewer Enterprise Fund - To account for the operation of a sewer treatment plant, pumping station and sewer lines.

Solid Waste Enterprise Fund - To account for the sale of City trash bags which pay for the costs of solid waste collection and disposal in the City.

A single private-purpose trust fund is used to account for educational scholarship trust arrangements, under which principal and investment income exclusively benefit individuals. Agency funds are used to account for funds held for others, specifically performance deposits, and other miscellaneous deposits held.

#### *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, proprietary, 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.

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. Investments are carried at fair 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).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

*G. Inventories*

Inventories are valued at average cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

*H. 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 \$ 1,000 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 of the primary government 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

*I. 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, proprietary and fiduciary fund 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.

*J. 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, business-type activities, or proprietary fund type statement of net assets.

*K. 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.

*L. 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 City legally adopts a formal budget for the general, debt service and enterprise funds. The budget is originally compiled from requests of the various City departments. These requests are scrutinized and amended

by the City Manager, residents at a budgetary public hearing, and the Mayor and City Council. The final version of the budget is approved by the City Council.

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 City cannot expend beyond the total annual appropriation. Each department has the authority to transfer budgetary items within their department, if necessary. However, only the City Council may approve transfers of budgetary items between departments and funds, as well as approve any additional appropriations during the year. Unencumbered appropriations lapse at year-end.

**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 transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

The budgetary data for the General and Proprietary Funds 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 with budgetary data. Adjustments to the general fund are shown below. Adjustments to the proprietary fund are mainly for the omission of depreciation expense which is not budgeted, and the inclusion of principal debt service and capital expenses which are budgeted expenses.

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)	\$ 32,124,980	\$ 31,305,702
Other financing sources/uses (GAAP basis)	<u>45,000</u>	<u>198,764</u>
Subtotal (GAAP Basis)	32,169,980	31,504,466

(continued)

(continued)

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Adjust tax revenue to accrual basis	51,377	-
To record use of fund balance	200,000	-
To reverse the effect of non- budgeted state contributions for police and fire retirement	( 398,433)	( 398,433)
Reverse prior year appropriations carryforwards	-	( 86,623)
Add end of year appropriation carryforwards to expenditures	<u>-</u>	<u>291,098</u>
Budgetary basis	<u>\$ 32,022.924</u>	<u>\$ 31,310.508</u>

**D. Deficit Fund Equity**

The following funds had deficits as of June 30, 2008:

Special Revenue:

School Categorical Revenue	\$ ( 26,199)
School Food Services	\$ ( 134,502)
State Grants	\$ ( 3,807)

Capital Project:

School Land Purchase	\$ (1,421,209)
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Enterprise Funds:

Solid Waste	\$ ( 60,826)
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Debt Service:

High Street Sewer Improvement	\$ ( 53,208)
Route 108 Sewer Improvement	\$ ( 641,902)

Some of these deficits will be reduced by future grant revenue and bonding.

**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 City's deposits may not be returned to it. RSA 48:16 limits "deposit in any on bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a city 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 City's deposit policy for custodial credit risk requires all deposits to be secured through a third party collateralization agreement at least equal to 102% of all cash deposits.

As of June 30, 2008, \$ 101,922 of the City's bank balance of \$ 9,078,188 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year end for each investment of the City:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Mutual Funds	\$ <u>283,974</u>	N/A	\$ -	\$ -	\$ <u>283,974</u>
Total investments	\$ <u>283,974</u>		\$ -	\$ -	\$ <u>283,974</u>

##### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have a policy for custodial credit risk. None of the investments held by the City are exposed to custodial credit risk.

##### C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City does not have an investment in one issuer greater than 5% of total investments.

##### D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>Not Applicable</u>
Mutual Funds	\$ <u>283,974</u>	\$ -	\$ -	\$ -	\$ -	\$ <u>283,974</u>
Total	\$ <u>283,974</u>	\$ -	\$ -	\$ -	\$ -	\$ <u>283,974</u>

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City does not have policies for foreign currency risk.

**5. Property Taxes**

The City bills property taxes on a semi-annual basis, which are due in July and December. Property tax revenues are recognized in the fiscal year for which taxes have been levied (budgeted) to the extent that they become available, i.e., due or receivable within the current fiscal year and collected within the current period or within 60 days of year-end.

Property taxes collected before the due date and in advance of the year for which they are levied, are recorded as a prepaid tax liability, as they are intended to finance the subsequent year's operations.

Delinquent taxes are typically liened at the Registrar of Deeds on February 28 of the next year. If the property taxes (redemptions) are not paid within two years of the tax lien date, the property is conveyed to the City by deed and could subsequently be sold at public sale.

The City annually budgets an amount (overlay for abatements) for resident and property tax abatements and refunds. All abatements and refunds are charged to overlay and are classified as a contra-tax revenue in the General Fund.

Taxes receivable, at June 30, 2008, consists of the following:

Unredeemed Taxes:	
2008	\$ 546,852
2007	227,974
2006	31,959
2005	13,238
2004	4,088
Prior years	7,781
Other taxes	<u>490</u>
Total	\$ <u>832,382</u>



## 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 154,477	\$ -
Departmental	5,758	-
Utilities	-	16,750

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

## 8. 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 June 30, 2008 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 743,241	\$ 391,101	\$ 1,845,494	\$ -
Non-major Governmental Funds:				
Special Revenue Funds:				
School categorical revenue	-	27,510	-	-
School food services	63,946	11,581	-	134,502
School categorical non-grant	39,481	-	-	-
State grants	-	3,662	-	-
Capital Project Funds:				
Capital improvement	-	38,584	-	-
Cable communications	12,420	-	-	-
Debt Service Funds:				
High Street sewer improvement	-	-	-	171,671
Route 108 sewer improvement	-	-	-	523,440
Enterprise Funds:				
Water enterprise	-	529,946	-	-
Sewer enterprise	-	-	-	967,529
Solid waste enterprise	7,748	7,229	-	48,352
Agency Fund:				
City escrow funds	<u>142,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	\$ <u>1,009,613</u>	\$ <u>1,009,613</u>	\$ <u>1,845,494</u>	\$ <u>1,845,494</u>

During 2008, the City transferred \$ 45,000 of budgeted, forfeited escrow balances from the agency funds to the general fund.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,316	\$ 28	\$ -	\$ 20,344
Machinery, equipment, and furnishings	3,929	146	( 29)	4,046
Infrastructure	<u>6,292</u>	<u>-</u>	<u>-</u>	<u>6,292</u>
Total capital assets, being depreciated	30,537	174	( 29)	30,682
Less accumulated depreciation for:				
Buildings and improvements	(11,101)	( 669)	-	(11,770)
Machinery, equipment, and furnishings	( 2,386)	( 345)	27	( 2,704)
Infrastructure	<u>( 1,365)</u>	<u>( 116)</u>	<u>-</u>	<u>( 1,481)</u>
Total accumulated depreciation	<u>(14,852)</u>	<u>(1,130)</u>	<u>27</u>	<u>(15,955)</u>
Total capital assets, being depreciated, net	15,685	( 956)	( 2)	14,727
Capital assets, not being depreciated:				
Land	930	1,421	-	2,351
Construction in progress	<u>1,582</u>	<u>3,219</u>	<u>( 27)</u>	<u>4,774</u>
Total capital assets, not being depreciated	<u>2,512</u>	<u>4,640</u>	<u>( 27)</u>	<u>7,125</u>
Governmental activities capital assets, net, as restated*	<u>\$ 18,197</u>	<u>\$ 3,684</u>	<u>\$ ( 29)</u>	<u>\$ 21,852</u>

\* The beginning balances have been restated to reflect the City's retroactive capitalization of major general government infrastructure fixed assets for governmental activities, as required by GASB Statement 34.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,261	\$ -	\$ -	\$ 18,261
Machinery, equipment, and furnishings	2,289	-	-	2,289
Infrastructure	<u>9,055</u>	<u>-</u>	<u>-</u>	<u>9,055</u>
Total capital assets, being depreciated	29,605	-	-	29,605
Less accumulated depreciation for:				
Buildings and improvements	( 6,545)	( 602)	-	( 7,147)
Machinery, equipment, and furnishings	( 1,186)	( 85)	-	( 1,271)
Infrastructure	<u>( 3,637)</u>	<u>( 170)</u>	<u>-</u>	<u>( 3,807)</u>
Total accumulated depreciation	<u>(11,368)</u>	<u>( 857)</u>	<u>-</u>	<u>(12,225)</u>
Total capital assets, being depreciated, net	18,237	( 857)	-	17,380
Capital assets, not being depreciated:				
Land	501	-	-	501
Construction in progress	<u>6,612</u>	<u>938</u>	<u>-</u>	<u>7,550</u>
Total capital assets, not being depreciated	<u>7,113</u>	<u>938</u>	<u>-</u>	<u>8,051</u>
Business-type activities capital assets, net	<u>\$ 25,350</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 25,431</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:	
General government	\$ 89
Public safety	204
Highways and streets	200
School department	611
Culture and recreation	<u>26</u>
Total depreciation expense - governmental activities	\$ <u>1,130</u>
Business-Type Activities:	
Water	\$ 242
Sewer	<u>615</u>
Total depreciation expense - business-type activities	\$ <u>857</u>

#### 10. Accounts Payable

Accounts payable represent additional 2008 expenditures paid in fiscal year 2009.

#### 11. 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 June 30, 2008 receivable balances, except property taxes that are accrued for subsequent 60 day collections.

Deferred revenues in the Debt Service Fund represent uncollected hook-up fees in the Sewer Improvement Projects.

#### 12. Notes Payable

The City had the following notes outstanding at June 30, 2008:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>June 30, 2008</u>
Stockpole land purchase - school	2.10%	03/24/08	07/24/08	\$ <u>1,433,000</u>
Total				\$ <u>1,433,000</u>

The following summarizes activity in notes payable during fiscal year 2008:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Water treatment note	\$ 1,900,000	\$ -	\$ 1,900,000	\$ -
Stockpole land purchase	-	1,433,000	-	1,433,000
Total	\$ 1,900,000	\$ 1,433,000	\$ 1,900,000	\$ 1,433,000

### 13. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2010. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2008:

2009	\$ 21,873
2010	21,872
Total minimum lease payments	43,745
Less amount representing interest	( 3,351)
Present Value of Minimum Lease Payments	\$ 40,394

### 14. Long-Term Debt

#### A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental activities:</u>	Amount of Original Issue	Serial Maturities Through	Interest Rate (s)%	Amount
1996 School bond	\$ 5,300,000	2016	5.625 - 5.75	\$ 2,385,000
*1990 Route 16 sewer	3,000,000	2009	6.7	300,000
1995 Middle School addition	2,000,000	2009	4.4	260,000
1998 Road improvement	1,000,000	2014	5.0	390,000
2000 High Street Corridor	1,300,000	2019	5.2	780,000
2000 Kindergarten	310,000	2019	5.2	180,000
2001 Plaza upgrade	475,000	2015	4.9	230,000
2001 New city hall	1,400,000	2015	4.9	920,000
2002 Landfill cleanup	750,000	2016	4.5	450,000
2002 New city hall	450,000	2016	4.5	270,000
2006 Capital improvements	1,395,355	2015	3.45	1,114,900
2007 Police station	3,426,127	2021	4.43	3,200,000
Total Governmental Bonds Payable				\$ 10,479,900

<u>Business-type activities:</u>	<u>Amount of Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate (s)%</u>	<u>Amount</u>
<u>Sewer:</u>				
Wastewater upgrade	\$ 10,324,627	2026	3.49	\$ <u>9,292,163</u>
Subtotal				9,292,163
<u>Water:</u>				
Water plant addition	2,650,000	2010	6.9 - 7.1	390,000
Water high lift project	650,000	2016	3.7275	390,000
Water upgrade	300,311	-	1.09	182,118
Water treatment plant upgrade	1,843,500	2028	4.25 - 5.25	1,843,500
Water treatment plant -revolving	5,000,000	2028	2.48	<u>5,000,000</u>
Subtotal				<u>7,805,618</u>
Total Business-type Bonds Payable				\$ <u>17,097,781</u>

\* This debt is intended to be funded by special assessments, however, is fully guaranteed by the City.

#### B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,240,000	\$ 500,707	\$ 1,740,707
2010	1,240,000	434,543	1,674,543
2011	960,000	377,977	1,337,977
2012	960,000	331,277	1,291,277
2013	960,000	283,628	1,243,628
2014 - 2018	3,849,900	728,561	4,578,461
2019 - 2023	<u>1,270,000</u>	<u>112,969</u>	<u>1,382,969</u>
Total	\$ <u>10,479,900</u>	\$ <u>2,769,662</u>	\$ <u>13,249,562</u>

The general fund and sewer fund have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2008:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 958,001	\$ 639,241	\$ 1,597,242
2010	1,026,306	534,981	1,561,287
2011	1,033,262	496,927	1,530,189
2012	848,445	463,323	1,311,768
2013	855,205	434,840	1,290,045
2014 - 2018	4,337,689	1,726,613	6,064,302
2019 - 2023	4,352,519	1,004,572	5,357,091
2024 - 2027	<u>3,686,354</u>	<u>300,547</u>	<u>3,986,901</u>
Total	\$ <u>17,097,781</u>	\$ <u>5,601,044</u>	\$ <u>22,698,825</u>

### C. Changes in General Long-Term Liabilities

During the year ended June 30, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/07	Additions	Reductions	Total Balance 6/30/08	Less Current Portion	Equals Long-Term Portion 6/30/08
<u>Governmental Activities</u>						
Bonds payable	\$ 11,856	\$ -	\$ (1,376)	\$ 10,480	\$ (1,240)	\$ 9,240
Lease payable	59	-	( 19)	40	( 20)	20
Other:						
Landfill closure	2,250	-	( 125)	2,125	( 125)	2,000
Accrued employee benefits	<u>1,075</u>	<u>16</u>	<u>( 153)</u>	<u>938</u>	<u>( 18)</u>	<u>920</u>
Totals	\$ <u>15,240</u>	\$ <u>16</u>	\$ <u>(1,673)</u>	\$ <u>13,583</u>	\$ <u>(1,403)</u>	\$ <u>12,180</u>
	Total Balance 7/1/07	Additions	Reductions	Total Balance 6/30/08	Less Current Portion	Equals Long-Term Portion 6/30/08
<u>Business-Type Activities</u>						
Bonds payable	\$ 11,003	\$ 6,844	\$ ( 749)	\$ 17,098	\$ ( 958)	\$ 16,140
Notes payable	6,837	-	(5,000)	1,837	-	1,837
Advance from other funds	56	967	( 8)	1,015	-	1,015
Other:						
Accrued employee benefits	<u>35</u>	<u>-</u>	<u>( 5)</u>	<u>30</u>	<u>-</u>	<u>30</u>
Totals	\$ <u>17,931</u>	\$ <u>7,811</u>	\$ <u>(5,762)</u>	\$ <u>19,980</u>	\$ <u>( 958)</u>	\$ <u>19,022</u>

The general fund will be responsible for funding the liabilities associated with landfill closure and governmental accrued employee benefits (compensated absences).

### D. Other Debt

The United States Environmental Protection Agency (EPA) required the City to reduce the effluent emissions of the City's waste water treatment plant. To comply, the City redesigned the sewer treatment plant. Construction of the redesign began in 2000, and is 95% complete as of June 30, 2008.

To fund the remaining portion of the project, the City was awarded and is using a state revolving note for \$ 1,836,616. The City has begun drawing down on this note and has received \$ 779,329 of this note as of June 30, 2008. Once the note is completely drawn and the state bonds the full amount, the note will be reclassified as a bond and amortized over the state-provided payment schedule.

## 15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its closed landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$ 2,125,000 reported as landfill closure and postclosure care liability at June 30, 2008 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. This amount is based on what it would cost to perform all closure and postclosure care in 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**16. 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.

**17. Reserves and Designations 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 June 30, 2008:

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 Permanent 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.

Reserved for Advance - Represents receivables related to internal long-term loans.

**18. 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 statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 616,105
Deferred revenue	704,788
Reserve for advance	<u>1,845,494</u>
Tax Rate Setting Balance	\$ <u>3,166,387</u>

## 19. Subsequent Events

### A. Investments

During September and December, 2008, the stock market suffered significant losses. As a result, there may be a substantial depreciation in the value of the organization's investments.

### B. Debt

Subsequent to June 30, 2008, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 1,338,545	4.00 - 5.25%	07/17/08	08/15/18

## 20. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the City is involved. The City'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 City expects such amounts, if any, to be immaterial.

Water Filtration Plant Upgrade - The City has been ordered by the New Hampshire Department of Environmental Services (NH DES) to upgrade its water filtration plant to NH DES standards. The estimated cost is \$ 6.9 million, for which the City authorized borrowing on March 6, 2006. The City anticipates the expansion to be completed within the next 2 years.



Sewer Treatment Plant Capacity - The City has been required by the U.S. Environmental Protection Agency to increase its sewer treatment plant capacity. The estimated cost is \$ 12 million, for which the City authorized borrowing on November 17, 2003. The City anticipates the expansion to be completed within the next 2 years.

## **21. Pension Plan**

The City 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**

The City contributes to the New Hampshire Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by the retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:41-a of New Hampshire Law assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the New Hampshire Retirement System at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

### **B. Funding Policy**

Plan members are required to contribute between 5% and 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A: 16, and range from 3.70% - 15.92% of covered compensation. The City's contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$ 445,495, \$ 341,690, and \$ 296,712, respectively, which were equal to its annual required contributions for each of these years.

## **22. Risk Management**

The government 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.