

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2007**

**and**

**Independent Auditor's Report**

**TOWN OF LITCHFIELD, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2007**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Litchfield, New Hampshire

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Litchfield, New Hampshire (the Town) as of and for the year ended December 31, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management.

The Town has adopted a system of internal financial controls. However, these internal controls were circumvented during the year ended December 31, 2007 by the Town Treasurer which resulted in inaccurate financial records to conceal his fraudulent transactions. Accordingly, we are unable to determine whether the financial statements of the Town accurately reflect the financial activities in accordance with generally accepted accounting principles of the United States of America.

During the audit process, the detection of fraudulent activity was identified. An investigation determined that this fraudulent activity was perpetrated in varying manners. The internal controls of the Town were inadequately followed which circumvented the detection of fraudulent activity by Town personnel. Accordingly, we are unable to determine whether the financial statements of the Town reflect an accurate reflection of the financial transactions during the year ended December 31, 2007.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The management's discussion and analysis and the budgetary comparison information on pages i-vii and 18-20, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Vachon Clukay & Company PC*

April 12, 2010

**TOWN OF LITCHFIELD, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2007**

The following is a discussion and analysis of the financial activities of the Town of Litchfield, New Hampshire for the year ending December 31, 2007. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the Town's financial position, and the result of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

**Government-Wide Financial Statements**

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

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

The **Statement of Activities** presents information showing how the Town's net assets changed during the most recent year. 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 not result in cash flows until future periods (such as uncollected taxes and earned but unused vacation leave).

## **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. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds:** Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town's fiduciary funds include capital reserve funds of the Litchfield School District in addition to funds held for escrows and impact fees.

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

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

## **Required Supplementary Information**

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental funds and includes a reconciliation between the reported activity of the revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's only major governmental fund for 2007 with an adopted budget is the General Fund.

## Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental funds and fiduciary funds.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Statement of Net Assets

The Town's net assets totaled \$9,020,107 at the end of 2007, an increase of \$642,363 when compared to the end of the previous year. This increase is due largely to the net increase in capital assets of \$151,735, additional taxes recognized on the accrual basis of \$107,225 (as compared to recognition under the "60 day rule" in the General Fund), and an increase in the General Fund's fund balance by \$310,884.

	<u>2007</u>	<u>2006</u>
Current Assets	\$ 6,851,069	\$ 6,572,746
Capital Assets	<u>5,660,922</u>	<u>5,509,187</u>
Total assets	<u>\$12,511,991</u>	<u>\$12,081,933</u>
Current Liabilities	\$ 3,383,134	\$ 3,582,024
Long-term Liabilities	<u>108,750</u>	<u>122,165</u>
Total Liabilities	<u>\$ 3,491,884</u>	<u>\$ 3,704,189</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 5,480,398	\$ 5,329,933
Restricted	1,367,062	1,348,774
Unrestricted	<u>2,172,647</u>	<u>1,699,037</u>
Total net assets	<u>\$ 9,020,107</u>	<u>\$ 8,377,744</u>

The largest portion of the Town's net assets reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets.

Statement of Activities

The Town's net assets increased by \$642,363 during the current year. Total revenue of \$4,751,978 exceeded expenses of \$4,109,615.

Property and other taxes brought in \$2,237,786 in revenues. Licenses and permits generated \$1,463,065 in revenues. Other revenues consisted of charges for services, grants, contributions, interest and investment earnings, and miscellaneous revenues.

Changes in net assets for the year ending December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 142,444	\$ 179,280
Operating grants and contributions	260,684	249,382
Capital grants and contributions	-	-
<b>General revenues:</b>		
Property and other taxes	2,237,736	2,272,632
Licenses and permits	1,463,065	1,512,391
Grants and contributions	410,601	372,922
Interest and investment earnings	234,832	198,210
Miscellaneous	<u>2,566</u>	<u>32,295</u>
<b>Total revenues</b>	<u>4,751,978</u>	<u>4,817,112</u>
<b>Expenses</b>		
General Government	1,010,165	964,917
Public safety	1,839,388	1,652,186
Highways and streets	580,905	721,499
Health and welfare	39,899	60,779
Sanitation	386,967	374,019
Culture and recreation	<u>252,291</u>	<u>291,216</u>
<b>Total expenses</b>	<u>4,109,615</u>	<u>4,064,616</u>
<b>Increase in net assets</b>	642,363	752,496
<b>Net assets, beginning of year</b>	<u>8,377,744</u>	<u>7,625,248</u>
<b>Net assets, end of year</b>	<u>\$ 9,020,107</u>	<u>\$ 8,377,744</u>

The Town's expenses cover a range of services. The largest expenses were for general government (24.6%), public safety (44.8%), highways and streets (14.1%), and sanitation (9.4%) which accounted for 92.9% of total expenditures.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's 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 year.

### General Fund

The general fund is the main operating fund of the Town. At the end of the current fiscal year, the general fund had an unreserved, undesignated fund balance of \$1,022,628 while total fund equity was \$1,715,836. The total fund equity includes reserves for encumbrances and carryforward appropriations at year end. The General Fund balance increased \$310,884 from December 31, 2006.

The fund balance increased due to underspending the budget, which was offset by amounts raised through taxation, and additional revenues that were recognized in excess of the budgeted amount.

### Conservation Commission Fund

The Conservation Commission Fund had a net balance increase of \$45,484 from December 31, 2006. This increase is primarily the result of continued housing growth and land use change taxes being assessed on the various land parcels developed. During 2007, the town collected \$149,158 in taxes and expended \$150,016 to purchase land.

### Other Governmental Funds

The total fund balance in the other governmental funds increased \$28,537 from December 31, 2006. The fund balance in the various non-major special revenue funds remained relatively consistent with the previous year's balance. However, the permanent funds increased by \$28,497 which can be attributed to its interest and investment income.



## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budget for estimated revenues is \$54,378 greater than the original budget. This is due to unanticipated grants.

Actual revenues on the budgetary basis exceeded the budgeted amount by \$53,228. This is primarily the net of \$31,029 higher revenues in interest on deposits, \$16,385 higher revenues for services and a decrease of \$46,745 in licenses and permits fees. Budgetary tax revenues exceeded the budgeted figure by \$41,565 which is primarily the result of additional payment in lieu of taxes received of \$26,287 and additional interest and costs on delinquent taxes of \$18,007.

During the year, the original budgeted appropriations increased by \$573,476. This increase is a combination of unanticipated grants received for \$54,378, emergency appropriations approved by the Department of Revenue Administration for \$536,000 less \$16,902 carried forward to 2008.

The Town underexpended its budget by \$299,921. This is primarily a result of savings in the following functions: Capital outlay, highways and streets, health and welfare, and sanitation.

## **CAPITAL ASSET AND LONG-TERM OBLIGATIONS**

### **Capital Assets**

The Town considers a capital asset to be an asset whose costs exceeds \$10,000 and has a useful life of greater than (1) year. Assets are depreciated using the straight-line method over the course of their useful life.

The Town's investment in capital assets for its governmental activities as of December 31, 2007 amounts to \$7,039,704. Accumulated depreciation amounts to \$1,378,782 leaving a net book value of \$5,660,922. This investment in capital assets includes equipment, and real property. See Note 5 in the Notes to the Basic Financial Statements for a summary of all capital assets.

### **Long-Term Obligations**

During 2007 the Town entered into new capital lease agreements for the purchase of three vehicles for use by the code enforcement department, fire department and the highway department. See Note 8 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

## **ECONOMIC CONDITIONS**

The Town's financial condition continues to be sound. However, the Town has seen a slight down turn in construction resulting in a decrease in permit fees. Additionally, with a sluggish economy nation-wide, the town has experienced a slight reduction of motor vehicle registrations and associated fees in 2007.

The Town's collection of the land use tax for the Town's Conservation and Land Acquisition Fund decreased from \$415,893 in 2006 to \$149,158 in 2007 with fewer parcels being developed. The Conservation Commission expended \$150,016 of its funds to purchase approximately fifteen acres of wetlands near Chase Brook.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of Litchfield citizens, taxpayers, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Litchfield, Selectmen's Office, Two Liberty Way, Litchfield, NH 03052.

EXHIBIT A  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Statement of Net Assets**  
December 31, 2007

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 293,551
Investments	5,868,199
Taxes receivable, net	648,729
Accounts receivable, net	40,590
Total Current Assets	<u>6,851,069</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	3,080,534
Depreciable capital assets, net	<u>2,580,388</u>
Total Noncurrent Assets	<u>5,660,922</u>
Total Assets	<u>\$ 12,511,991</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 170,398
Accrued expenses	83,337
Deferred revenue	125,201
Due to other governments	2,932,424
Current portion of capital leases payable	71,774
Total Current Liabilities	<u>3,383,134</u>
Noncurrent Liabilities:	
Capital leases payable	<u>108,750</u>
Total Noncurrent Liabilities	<u>108,750</u>
Total Liabilities	<u>3,491,884</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,480,398
Restricted	1,367,062
Unrestricted	<u>2,172,647</u>
Total Net Assets	<u>9,020,107</u>
Total Liabilities and Net Assets	<u>\$ 12,511,991</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Statement of Activities**  
For the Year Ended December 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental Activities:</b>					
General government	\$ 1,010,165	\$ 38,127			\$ (972,038)
Public safety	1,839,388	54,841	\$ 44,498		(1,740,049)
Highways and streets	580,905	4,574	215,311		(361,020)
Health and welfare	39,899				(39,899)
Sanitation	386,967	33,396			(353,571)
Culture and recreation	252,291	11,506	875		(239,910)
<b>Total governmental activities</b>	<b>\$ 4,109,615</b>	<b>\$ 142,444</b>	<b>\$ 260,684</b>	<b>\$ -</b>	<b>(3,706,487)</b>
<b>General revenues:</b>					
					2,237,786
					1,463,065
<b>Grants and contributions:</b>					
					58,099
					352,141
					361
					234,832
					2,566
					<u>4,348,850</u>
					642,363
					<u>8,377,744</u>
					<u>\$ 9,020,107</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2007

	General Fund	Conservation Commission Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,090		\$ 264,461	\$ 293,551
Investments	4,670,294	\$ 1,043,313	154,592	5,868,199
Taxes receivable, net	648,729			648,729
Accounts receivable, net	20,056		4,815	24,871
Due from other funds	16,314		15,586	31,900
<b>Total Assets</b>	<u>\$ 5,384,483</u>	<u>\$ 1,043,313</u>	<u>\$ 439,454</u>	<u>\$ 6,867,250</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 170,398			\$ 170,398
Accrued expenses	79,426			79,426
Deferred revenue	470,813		\$ 20,540	491,353
Due to other governments	2,932,424			2,932,424
Due to other funds	15,586		595	16,181
<b>Total Liabilities</b>	<u>3,668,647</u>	<u>\$ -</u>	<u>21,135</u>	<u>3,689,782</u>
<b>FUND BALANCES</b>				
Reserved for endowments			169,211	169,211
Reserved for encumbrances	693,208			693,208
Unreserved, reported in:				
General fund	1,022,628			1,022,628
Special revenue funds		1,043,313	207,003	1,250,316
Permanent funds			42,105	42,105
<b>Total Fund Balances</b>	<u>1,715,836</u>	<u>1,043,313</u>	<u>418,319</u>	<u>3,177,468</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,384,483</u>	<u>\$ 1,043,313</u>	<u>\$ 439,454</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 5,660,922

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 366,152

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

Capital leases payable (180,524)  
Accrued interest on long-term obligations (3,911)

Net assets of governmental activities \$ 9,020,107

See accompanying notes to the basic financial statements

EXHIBIT D

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

	General Fund	Conservation Commission Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 1,981,403	\$ 149,158		\$ 2,130,561
Licenses and permits	1,463,065			1,463,065
Intergovernmental	668,448		2,837	671,285
Charges for services	73,942		60,950	134,892
Interest and investment income	156,029	46,342	32,461	234,832
Miscellaneous	19,001		6,307	25,308
<b>Total Revenues</b>	<u>4,361,888</u>	<u>195,500</u>	<u>102,555</u>	<u>4,659,943</u>
<b>Expenditures:</b>				
<b>Current operations:</b>				
General government	982,139		345	982,484
Public safety	1,845,378		50,005	1,895,383
Highways and streets	586,030			586,030
Health and welfare	39,899			39,899
Sanitation	389,659			389,659
Culture and recreation	223,094		13,648	236,742
Capital outlay	59,726	150,016	3,998	213,740
<b>Total Expenditures</b>	<u>4,125,925</u>	<u>150,016</u>	<u>67,996</u>	<u>4,343,937</u>
<b>Excess revenues over expenditures</b>	<u>235,963</u>	<u>45,484</u>	<u>34,559</u>	<u>316,006</u>
<b>Other financing sources (uses):</b>				
Proceeds from capital lease	68,899			68,899
Transfers in	6,022			6,022
Transfers out			(6,022)	(6,022)
<b>Total other financing sources (uses)</b>	<u>74,921</u>	<u>-</u>	<u>(6,022)</u>	<u>68,899</u>
<b>Net change in fund balances</b>	<u>310,884</u>	<u>45,484</u>	<u>28,537</u>	<u>384,905</u>
<b>Fund balances at beginning of year</b>	<u>1,404,952</u>	<u>997,829</u>	<u>389,782</u>	<u>2,792,563</u>
<b>Fund balances at end of year</b>	<u>\$ 1,715,836</u>	<u>\$ 1,043,313</u>	<u>\$ 418,319</u>	<u>\$ 3,177,468</u>

**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, 2007**

<b>Net Change in Fund Balances—Total Governmental Funds</b>	<b>\$ 384,905</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	182,115
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	107,225
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	57,088
In the statement of activities, interest is accrued on capital leases, whereas in governmental funds, an interest expenditure is reported when due.	(232)
Proceeds from capital lease issues are other financing sources in the funds, but capital lease issues increase long-term liabilities in the statement of net assets.	(68,899)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss on the disposal of capital assets reduced by the actual proceeds received from the sale of capital assets.	(19,839)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 642,363</b>

**EXHIBIT E**  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
December 31, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 255,920
Investments	<u>1,343,443</u>
Total assets	<u>\$ 1,599,363</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 27,500
Due to other governments	103,998
Due to other funds	15,719
Due to others	<u>1,452,146</u>
Total liabilities	<u>\$ 1,599,363</u>

*See accompanying notes to the basic financial statements*

**TOWN OF LITCHFIELD, NEW HAMPSHIRE  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2007**

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

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

***Financial Reporting Entity***

The Town of Litchfield, New Hampshire (the Town) was incorporated in 1734. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

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

***Basis of Presentation***

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

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

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

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

**2. Fund Financial Statements:**

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



**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

The 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.

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The Town maintains one category of fiduciary funds known as agency funds. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve funds of the Litchfield School District, which are held by the Town as required by State law. Other agency funds consist of impact fees and developer's performance bonds.

***Measurement Focus***

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

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

**2. Fund Financial Statements:**

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

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

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

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

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

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 2). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

**2. Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**3. Expenses/Expenditures:**

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

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

***Budgetary Data***

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

***Encumbrance Accounting***

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

***Investments***

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

***Taxes Receivable***

Taxes levied during the current year and prior and uncollected at December 31, 2007 are recorded as receivables net of reserves for estimated uncollectibles of \$25,000.

***Accounts Receivable***

The Town recognizes uncollectible accounts under the allowance method. Accounts receivable in the General Fund have been recorded net of reserves for estimated uncollectibles of \$192,668.

***Capital Assets***

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

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The Town is not required to retroactively report its general infrastructure (e.g. roads). Accordingly, the Town capitalizes qualifying infrastructure improvements done subsequent to December 31, 2003.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	40
	Buildings and improvements	15-40
	Vehicles and equipment	5-20

***Compensated Absences***

Full time employees earn ten sick days per year accruable to a maximum of sixty days. Accumulated sick days are not paid in the event of termination or resignation. Vacation time is earned at ten to twenty days per year dependent on length of service. Accrued/unused vacation of \$41,480 has been included as a liability in the General Fund in these fund financial statements.

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. Long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Net Assets***

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

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

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

***Fund Balance Reserves***

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

***Interfund Activity***

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

***Estimates***

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

**NOTE 2--PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$943,296,967 as of April 1, 2007) and are due in two installments on July 2, 2007 and December 3, 2007. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Litchfield School District and Hillsborough County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$10,364,909 and \$876,914 for the Litchfield School District and Hillsborough County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

**NOTE 3--RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the Town was a member of the Local Government Center (LGC) and the New

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. These Trusts are classified as "Risk Pools" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreements permit the Trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trusts foresee no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2007.

***Property and Liability Insurance***

The LGC provides certain property and liability insurance coverages to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the LGC, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000.

***Worker's Compensation***

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

**NOTE 4—DEPOSITS AND INVESTMENTS**

The Town does not have an investment policy for the investment of public funds in governmental funds. Responsibility for the investments of the expendable trust funds, permanent funds and Litchfield School District agency funds is with the Board of Trustees. Investments of the library funds are at the discretion of the Library Trustees.

Deposits and investments as of December 31, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 293,551
Investments	5,868,199
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	255,920
Investments	1,343,443
	<u>\$ 7,761,113</u>

Deposits and investments at December 31, 2007 consist of the following:

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

Cash on hand	\$ 300
Deposits with financial institutions	7,643,658
Investments	<u>117,155</u>
	<u>\$ 7,761,113</u>

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 Town has no policy regarding custodial credit risk for its governmental funds. Also, the Trustees of Trust Funds and the Library Trustees have no policy regarding custodial credit risk.

Of the Town's deposits with financial institutions at year end, \$8,039,922 was collateralized by securities held by the bank in the bank's name and \$501,260 was uninsured and uncollateralized.

**NOTE 5—CAPITAL ASSETS**

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

	<u>Balance</u> <u>01/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/07</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,930,534	\$ 150,000		\$ 3,080,534
Total capital assets not being depreciated	<u>2,930,534</u>	<u>150,000</u>	<u>\$ -</u>	<u>3,080,534</u>
Other capital assets:				
Infrastructure	501,889			501,889
Buildings and improvements	1,806,242	69,722		1,875,964
Vehicles and equipment	1,533,311	148,908	(100,902)	1,581,317
Total other capital assets at historical cost	<u>3,841,442</u>	<u>218,630</u>	<u>(100,902)</u>	<u>3,959,170</u>
Less accumulated depreciation for:				
Infrastructure	(16,730)	(12,547)		(29,277)
Buildings and improvements	(629,924)	(46,326)		(676,250)
Vehicles and equipment	(616,135)	(127,642)	70,522	(673,255)
Total accumulated depreciation	<u>(1,262,789)</u>	<u>(186,515)</u>	<u>70,522</u>	<u>(1,378,782)</u>
Total other capital assets, net	<u>2,578,653</u>	<u>32,115</u>	<u>(30,380)</u>	<u>2,580,388</u>
Total capital assets, net	<u>\$ 5,509,187</u>	<u>\$ 182,115</u>	<u>\$ (30,380)</u>	<u>\$ 5,660,922</u>

Depreciation expense was charged to governmental functions as follows:

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

General government	\$ 27,681
Public safety	118,440
Highways and streets	21,555
Sanitation	7,268
Culture and recreation	<u>11,571</u>
Total governmental activities depreciation expense	<u>\$ 186,515</u>

The balance of the assets acquired through capital leases as of December 31, 2007 is as follows:

Vehicles and equipment	\$ 352,199
Less accumulated depreciation:	
Vehicles and equipment	<u>(51,341)</u>
	<u>\$ 300,858</u>

**NOTE 6—DUE TO OTHER GOVERNMENTS**

In accordance with State law, the Town collects taxes for the Litchfield School District and Hillsborough County, both independent governmental units, which are remitted to them as required by law. At December 31, 2007, the balance of the property tax appropriation due to the Litchfield School District is \$2,932,424.

**NOTE 7—DEFINED BENEFIT PLAN**

*Plan Description*

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

*Funding Policy*

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas general employees are required to contribute 5.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribute rate of covered payroll for police officers, fire employees and general employees was 9.68%, 14.36% and 6.81%, respectively through June 30, 2007 and 11.84%, 15.92% and 8.74%, respectively thereafter. The Town contributes 65% of the employer cost for police officers and fire employees, and the State contributes the remaining 35% of the employer cost. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$42,536 and \$1,962 have been reported as a revenue and expenditure in the General Fund and the Police Special Details Fund (a nonmajor governmental fund), respectively in these financial statements.



**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2007, 2006, and 2005 were \$109,435, \$95,459, and, \$84,586, respectively, equal to the required contributions for each year.

**NOTE 8—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the Town's long-term obligations for the year ended December 31, 2007 are as follows:

	Balance <u>01/01/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/07</u>	Due Within <u>One Year</u>
Capital leases payable	\$ 179,253	\$ 68,899	\$ (67,628)	\$ 180,524	\$ 71,774

Payments on capital leases are paid out of the General Fund.

*Capital Lease Obligations*

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. Following are the individual capital lease obligations at December 31, 2007:

Pumper tanker truck lease, due in annual installments of \$59,565, including interest at 4.45%, through July 2009	\$ 111,625
Vehicle lease, due in annual installments of \$6,452, including interest at 6.10%, through October 2010	17,213
Vehicle lease, due in annual installments of \$8,995, including interest at 6.11%, through June 2011	31,005
Vehicle lease, due in annual installments of \$5,999, including interest at 5.95%, through June 2011	20,681
	<u>\$ 180,524</u>

Debt service requirements to retire capital lease obligations outstanding at December 31, 2007 are as follows:

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 71,774	\$ 9,237	\$ 81,011
2009	75,267	5,744	81,011
2010	19,368	2,078	21,446
2011	14,115	879	14,994
	<u>\$ 180,524</u>	<u>\$ 17,938</u>	<u>\$ 198,462</u>

**NOTE 9—INTERFUND BALANCES AND TRANSFERS**

During the year, the General Fund directly pays for various items that are ultimately to be reimbursed from the applicable fund. These reimbursements due to the General Fund are reflected as an interfund receivable at year end. On occasion, the amount remitted to the General Fund exceeds the actual expenditures that were incurred resulting in an interfund payable at year end.

Interfund balances at December 31, 2007 are as follows:

	Due from			<u>Totals</u>
	<u>General Fund</u>	Nonmajor Governmental Funds	Fiduciary Funds	
General Fund		\$ 595	\$ 15,719	\$ 16,314
Nonmajor Governmental Funds	\$ 15,586			15,586
	<u>\$ 15,586</u>	<u>\$ 595</u>	<u>\$ 15,719</u>	<u>\$ 31,900</u>

During the year, several interfund transactions occurred between funds. The Police Special Details Fund (a nonmajor governmental fund) transferred \$6,022 to the General Fund for administrative fees and cruiser charges.

**NOTE 10—RESTRICTED NET ASSETS**

Net assets are restricted for specific purposes at December 31, 2007 as follows:

Conservation	\$ 1,038,644
Endowments	169,211
Police details	5,248
Recreation	7,734
Capital Reserve	134,666
Town Celebration	2,322
Library drainage system	6,637
Library children's room rebuilding	2,600
	<u>\$ 1,367,062</u>

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

**NOTE 11—PERMANENT FUNDS**

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. Principal and income balances at December 31, 2007 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	\$ 8,843	\$ 22,191	\$ 31,034
Library Funds	<u>160,368</u>	<u>19,914</u>	<u>180,282</u>
	<u>\$ 169,211</u>	<u>\$ 42,105</u>	<u>\$ 211,316</u>

**NOTE 12—PERFORMANCE BONDS**

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. These letters of credit and bonds are not included as part of the financial statements. At December 31, 2007, the Town held performance deposits totaling \$3,142,480.

**NOTE 13—LITIGATION**

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

SCHEDULE 1  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 2,047,063	\$ 2,047,063	\$ 2,088,628	\$ 41,565
Licenses and permits	1,509,810	1,509,810	1,463,065	(46,745)
Intergovernmental	571,982	626,360	625,912	(448)
Charges for services	57,557	57,557	73,942	16,385
Interest income	125,000	125,000	156,029	31,029
Miscellaneous	13,581	13,581	19,001	5,420
Total Revenues	<u>4,324,993</u>	<u>4,379,371</u>	<u>4,426,577</u>	<u>47,206</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,002,901	1,002,901	1,033,879	(30,978)
Public safety	1,749,411	1,745,212	1,781,277	(36,065)
Highways and streets	858,408	912,786	862,116	50,670
Health and welfare	70,411	70,411	39,899	30,512
Sanitation	401,085	401,085	378,394	22,691
Culture and recreation	240,613	240,613	227,444	13,169
Capital outlay	72,429	595,726	345,805	249,921
<b>Debt service:</b>				
Interest and fiscal charges	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total Expenditures	<u>4,395,259</u>	<u>4,968,735</u>	<u>4,668,814</u>	<u>299,921</u>
Excess revenues over (under) expenditures	<u>(70,266)</u>	<u>(589,364)</u>	<u>(242,237)</u>	<u>347,127</u>
<b>Other financing sources:</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>6,022</u>	<u>6,022</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>6,022</u>	<u>6,022</u>
Net change in fund balances	(70,266)	(589,364)	(236,215)	353,149
Fund balance at beginning of year				
- Budgetary Basis	<u>1,666,475</u>	<u>1,666,475</u>	<u>1,666,475</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,596,209</u>	<u>\$ 1,077,111</u>	<u>\$ 1,430,260</u>	<u>\$ 353,149</u>

See accompanying notes to the required supplementary information

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2007**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) - General Fund are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Budgetary information in these financial statements has been presented only for the General Fund as there is no adopted budget for the Conservation Commission Fund. Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for accrued vacation, encumbrances, on-behalf payments for fringe benefits and capital lease transactions.

	<u>Revenues</u>	<u>Expenditures</u>
per Exhibit D	\$ 4,361,888	\$ 4,125,925
Difference in property taxes meeting susceptible to accrual criteria	107,225	
Accrued vacation - December 31, 2006		36,346
Accrued vacation - December 31, 2007		(41,480)
Encumbrances - December 31, 2006		(33,750)
Encumbrances - December 31, 2007		693,208
On-behalf fringe benefits	(42,536)	(42,536)
Capital leases	<u>(68,899)</u>	<u>(68,899)</u>
per Schedule 1	<u>\$ 4,357,678</u>	<u>\$ 4,668,814</u>

**NOTE 2--BUDGETARY FUND BALANCES**

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

Unreserved:	
Designated for continuing appropriations	\$ 16,902
Designated for future years' expenditures	299,473
Undesignated	<u>1,113,885</u>
	<u>\$ 1,430,260</u>

**NOTE 3--UNRESERVED DESIGNATED FUND BALANCES**

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

**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**December 31, 2007**

Library children's room rebuilding	\$	2,600
Library drainage system		6,637
Fire pond dredging		970
Pinecrest road reconstruction		2,496
Fire equipment grant		4,199
	\$	<u>16,902</u>

In addition to the above continuing appropriations, the Town has designated \$299,473 from the unexpended proceeds of the Highway Block Grant to be used towards future year's expenditures.

SCHEDULE A  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
December 31, 2007

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 170,300	\$ 94,161	\$ 264,461
Investments	37,437	117,155	154,592
Accounts receivable, net	4,815		4,815
Due from other funds	15,586		15,586
<b>Total Assets</b>	<b><u>\$ 228,138</u></b>	<b><u>\$ 211,316</u></b>	<b><u>\$ 439,454</u></b>
<b>LIABILITIES</b>			
Deferred revenue	\$ 20,540		\$ 20,540
Due to other funds	595		595
<b>Total Liabilities</b>	<b><u>21,135</u></b>	<b><u>\$ -</u></b>	<b><u>21,135</u></b>
<b>FUND BALANCES</b>			
Reserved for endowments		169,211	169,211
Unreserved, reported in:			
Special revenue funds	207,003		207,003
Permanent funds		42,105	42,105
<b>Total Fund Balances</b>	<b><u>207,003</u></b>	<b><u>211,316</u></b>	<b><u>418,319</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 228,138</u></b>	<b><u>\$ 211,316</u></b>	<b><u>\$ 439,454</u></b>

SCHEDULE A-1  
TOWN OF LITCHFIELD, NEW HAMPSHIRE  
Combining Balance Sheet  
Governmental Funds - All Nonmajor Special Revenue Funds  
December 31, 2007

	Library Fund	Industrial Development Fund	Recreation Fund	Cablevision Equipment Fund	Celebration Fund	Police Special Details Fund	DARE Fund	Capital Reserve Fund	Combining Totals
<b>ASSETS</b>									
Cash	\$ 9,976	\$ 15,253	\$ 8,141	\$ 4,688	\$ 2,322	\$ 621	\$ 14,574	\$ 134,666	\$ 170,300
Investments			17,496			4,815			37,437
Accounts receivable, net	15,040			516			30		4,815
Due from other funds	<u>\$ 25,016</u>	<u>\$ 15,253</u>	<u>\$ 25,637</u>	<u>\$ 5,204</u>	<u>\$ 2,322</u>	<u>\$ 5,436</u>	<u>\$ 14,604</u>	<u>\$ 134,666</u>	<u>\$ 228,138</u>
Total Assets									
	\$ 20,540		\$ 407			\$ 188			\$ 20,540
Deferred revenue			407			188			595
Due to other funds	<u>20,540</u>	<u>-</u>	<u>407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,135</u>
Total Liabilities									
	4,476	15,253	25,230	5,204	2,322	5,248	14,604	134,666	207,003
Unreserved, reported in:									
Special revenue funds	<u>4,476</u>	<u>15,253</u>	<u>25,230</u>	<u>5,204</u>	<u>2,322</u>	<u>5,248</u>	<u>14,604</u>	<u>134,666</u>	<u>207,003</u>
Total Fund Balances	<u>\$ 25,016</u>	<u>\$ 15,253</u>	<u>\$ 25,637</u>	<u>\$ 5,204</u>	<u>\$ 2,322</u>	<u>\$ 5,436</u>	<u>\$ 14,604</u>	<u>\$ 134,666</u>	<u>\$ 228,138</u>
Total Liabilities and Fund Balances									



SCHEDULE B  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended December 31, 2007

	Special Revenue <u>Funds</u>	Permanent Funds	Combining Totals
Revenues:			
Intergovernmental	\$ 2,837		\$ 2,837
Charges for services	60,950		60,950
Interest and investment income	3,619	\$ 28,842	32,461
Miscellaneous	<u>6,307</u>		<u>6,307</u>
Total Revenues	<u>73,713</u>	<u>28,842</u>	<u>102,555</u>
Expenditures:			
Current operations:			
General government		345	345
Public safety	50,005		50,005
Culture and recreation	13,648		13,648
Capital outlay	<u>3,998</u>		<u>3,998</u>
Total Expenditures	<u>67,651</u>	<u>345</u>	<u>67,996</u>
Excess of revenues over expenditures	<u>6,062</u>	<u>28,497</u>	<u>34,559</u>
Other financing uses:			
Transfers out	<u>(6,022)</u>		<u>(6,022)</u>
Total other financing uses	<u>(6,022)</u>	<u>-</u>	<u>(6,022)</u>
Net change in fund balances	40	28,497	28,537
Fund balances at beginning of year	<u>206,963</u>	<u>182,819</u>	<u>389,782</u>
Fund balances at end of year	<u>\$ 207,003</u>	<u>\$ 211,316</u>	<u>\$ 418,319</u>

SCHEDULE B-1  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Special Revenue Funds**  
For the Year Ended December 31, 2007

	Library Fund	Industrial Development Fund	Recreation Fund	Cablevision Equipment Fund	Celebration Fund	Police Special Details Fund	DARE Fund	Capital Reserve Fund	Combining Totals
<b>Revenues:</b>									
Intergovernmental	\$ 875					\$ 1,962			\$ 2,837
Charges for services	276		\$ 8,957			51,717			60,950
Interest and investment income	13	\$ 718	845	\$ 185	\$ 31	3	\$ 34	\$ 1,790	3,619
Miscellaneous	3,277						3,030		6,307
<b>Total Revenues</b>	<u>4,441</u>	<u>718</u>	<u>9,802</u>	<u>185</u>	<u>31</u>	<u>53,682</u>	<u>3,064</u>	<u>1,790</u>	<u>73,713</u>
<b>Expenditures:</b>									
Current operations:									
Public safety						47,122	2,883		50,005
Culture and recreation	3,334		8,710	1,604					13,648
Capital outlay	3,998								3,998
<b>Total Expenditures</b>	<u>7,332</u>	<u>-</u>	<u>8,710</u>	<u>1,604</u>	<u>-</u>	<u>47,122</u>	<u>2,883</u>	<u>-</u>	<u>67,651</u>
Excess of revenues over (under) expenditures	<u>(2,891)</u>	<u>718</u>	<u>1,092</u>	<u>(1,419)</u>	<u>31</u>	<u>6,560</u>	<u>181</u>	<u>1,790</u>	<u>6,062</u>
Other financing uses:									
Transfers out						(6,022)			(6,022)
<b>Total other financing uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,022)</u>	<u>-</u>	<u>-</u>	<u>(6,022)</u>
<b>Net change in fund balances</b>	<u>(2,891)</u>	<u>718</u>	<u>1,092</u>	<u>(1,419)</u>	<u>31</u>	<u>538</u>	<u>181</u>	<u>1,790</u>	<u>40</u>
<b>Fund balances at beginning of year</b>	<u>7,367</u>	<u>14,535</u>	<u>24,138</u>	<u>6,623</u>	<u>2,291</u>	<u>4,710</u>	<u>14,423</u>	<u>132,876</u>	<u>206,963</u>
<b>Fund balances at end of year</b>	<u>\$ 4,476</u>	<u>\$ 15,253</u>	<u>\$ 25,230</u>	<u>\$ 5,204</u>	<u>\$ 2,322</u>	<u>\$ 5,248</u>	<u>\$ 14,604</u>	<u>\$ 134,666</u>	<u>\$ 207,003</u>

SCHEDULE C  
**TOWN OF LITCHFIELD, NEW HAMPSHIRE**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds - All Agency Funds**  
December 31, 2007

	Escrows Agency <u>Fund</u>	Impact Fees Agency <u>Fund</u>	School District Agency <u>Fund</u>	Combining <u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 151,922		\$ 103,998	\$ 255,920
Investments	<u>11,018</u>	<u>\$ 1,332,425</u>	<u>103,998</u>	<u>1,343,443</u>
<b>Total Assets</b>	<u>\$ 162,940</u>	<u>\$ 1,332,425</u>	<u>\$ 103,998</u>	<u>\$ 1,599,363</u>
<b>LIABILITIES</b>				
Accounts payable		\$ 27,500		\$ 27,500
Due to other governments			\$ 103,998	103,998
Due to other funds	\$ 5,209	10,510		15,719
Due to others	<u>157,731</u>	<u>1,294,415</u>	<u>103,998</u>	<u>1,452,146</u>
<b>Total Liabilities</b>	<u>\$ 162,940</u>	<u>\$ 1,332,425</u>	<u>\$ 103,998</u>	<u>\$ 1,599,363</u>

