

**TOWN OF WARNER, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2009**

**and**

**Independent Auditor's Report**

**TOWN OF WARNER, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**December 31, 2009**

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**TOWN OF WARNER, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**December 31, 2009**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Warner, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Warner, New Hampshire (the Town) as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Warner, New Hampshire as of December 31, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Warner, New Hampshire as of December 31, 2009 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages i-vi and 21-22, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited

procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Warner, New Hampshire's basic financial statements. The combining nonmajor fund and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund and fiduciary fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Nachon Clukay & Company PC*

June 7, 2011

**TOWN OF WARNER, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2009**

The following is a discussion and analysis of the financial activities of the Town of Warner, New Hampshire for the year ending December 31, 2009. 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

This report also contains supplementary information in addition 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 interest on long-term obligations).

## **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 various private-purpose trust funds in addition to funds held for planning board 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 2009 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 \$8,237,345 at the end of 2009, an increase of \$795,800 when compared to the net assets as of December 31, 2008.

	<u>2009</u>	<u>2008</u>
Current assets	\$ 4,118,015	\$ 3,713,459
Capital assets	6,517,350	6,013,098
Total assets	<u>10,635,365</u>	<u>9,726,557</u>
Long-term liabilities	472,375	542,530
Other liabilities	<u>1,925,645</u>	<u>1,742,482</u>
Total liabilities	<u>2,398,020</u>	<u>2,285,012</u>
Net assets:		
Invested in capital assets, net of related debt	6,245,902	5,692,742
Restricted	991,953	1,018,136
Unrestricted	<u>999,490</u>	<u>730,667</u>
Total net assets	<u>\$ 8,237,345</u>	<u>\$ 7,441,545</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

During the year ended December 31, 2009, the Town's total revenue of \$4,356,352 exceeded expenses of \$3,560,552.

Changes in net assets for the years ending December 31, 2009 and 2008 are as follows:



	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for services	\$ 139,442	\$ 131,227
Operating grants and contributions	453,624	375,845
Capital grants and contributions	621,230	147,393
General revenues:		
Property and other taxes	2,545,628	2,512,156
Licenses and permits	406,021	421,566
Grants and contributions	135,981	167,859
Interest and investment earnings	37,023	49,428
Miscellaneous	16,803	22,310
Contributions to permanent fund principal	600	1,150
Total revenues	<u>4,356,352</u>	<u>3,828,934</u>
Expenses		
General government	798,490	721,581
Public safety	788,893	876,158
Highways and streets	1,241,006	1,326,265
Health and welfare	22,334	14,618
Sanitation	333,042	353,037
Culture and recreation	355,198	307,088
Economic development	11,697	
Interest and fiscal charges	9,892	11,591
Total expenses	<u>3,560,552</u>	<u>3,610,338</u>
Increase in net assets	795,800	218,596
Net assets, beginning of year	<u>7,441,545</u>	<u>7,222,949</u>
Net assets, end of year	<u>\$ 8,237,345</u>	<u>\$ 7,441,545</u>

Property and other taxes brought in \$2,545,628 in revenues. Licenses and permits generated \$406,021 in revenues. Other revenues consisted of charges for services, grants, contributions, interest and investment earnings, and miscellaneous revenues.

The Town's expenses cover a range of services. The largest expenses were for general government (22.43%), public safety (22.16%), and highways and streets (34.85%) which accounted for 79.44% of total expenses.

## **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 a total fund balance of \$431,762. This total fund balance includes reserves for encumbrances of \$91,484 and prepaid expenses of \$1,704 at year end. The General Fund balance increased \$240,572 from December 31, 2008. During the tax rate setting process, the Town applied \$35,000 of its unappropriated fund balance from December 31, 2008 to reduce taxes.

#### Capital Reserve Fund

The Capital Reserve Fund had a net increase of \$47,214 from December 31, 2008. The Selectmen are agents of the various Capital Reserve Funds and authorized disbursements during 2009 of \$481,615. The budgeted transfer of funds from the General Fund amounted to \$470,000 while interest income and intergovernmental revenue generated \$66,163.

#### Connors Bridge Capital Projects Fund

Substantial work was performed on the Connors Bridge during 2009. Total expenditures of \$681,054 were offset by intergovernmental revenue and transfers from the capital reserve funds.

#### Other Governmental Funds

The total fund balance of \$569,819 in the other governmental funds is restricted for the purposes of the individually established fund. The largest portion of this total represents the balance in the Library Fund (\$299,768 or 52.61%).

The total fund balance in the other governmental funds decreased \$74,849 from December 31, 2008.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budget for estimated revenues is \$218,330 higher than the original budget. This is due to unanticipated grants that were received during the year. Actual revenues on the budgetary basis were lower than the budgeted amount by \$3,233.

During the year, the original budget increased by \$218,330. This increase is the net result of unanticipated grants received. The Town underexpended its budget by \$220,899. Demonstrating fiscal restraint, town officials were able to manage the town's business under budget. The key areas of savings resulted in the following functions: general government and highways and streets.

## **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, 2009 amounts to \$9,415,909. Accumulated depreciation amounts to \$2,898,559, leaving a net book value of \$6,517,350. This investment in capital assets includes equipment and real property. See Note 7 in the Notes to the Basic Financial Statements for a summary of all capital assets.

### **Long-Term Obligations**

At December 31, 2009, the Town of Warner had total outstanding bonded debt of \$271,448. During the course of the year, no new general obligation bonds were issued and the reduction in bonds of \$48,908 was due to payments made on existing bonds.

Additional information on the Town's long-term obligations can be found in Note 10 of the Notes to the Basic Financial Statements.

## **ECONOMIC CONDITIONS**

The Town is in stable financial condition with little long-term debt. The Board of Selectmen and Budget Committee have continued to strive to keep the town portion of the tax rate as level as possible while not impacting services. The Capital Improvement Committee continues to update the Capital Improvements Plan (CIP) and forward that information to both the Selectmen and Budget Committee so that funding options can be explored as part of the budgetary process. In the next few years, we expect there will be discussions surrounding building a new fire station which would require the Town to review long-term funding options. The Selectmen will be reviewing the feasibility of long term funding in association with road projects in the future as well.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of Warner 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 Warner, Selectmen's Office, P.O. Box 265, Warner, NH 03278.

EXHIBIT A  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Statement of Net Assets**  
December 31, 2009

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,775,635
Investments	1,234,034
Taxes receivable, net	591,657
Accounts receivable, net	28,917
Due from other governments	486,068
Prepaid expenses	1,704
Total Current Assets	<u>4,118,015</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	2,030,880
Depreciable capital assets, net	4,486,470
Total Noncurrent Assets	<u>6,517,350</u>
Total Assets	<u>\$ 10,635,365</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 63,698
Accrued expenses	27,230
Deferred revenue	3,277
Due to other governments	1,753,820
Current portion of bonds payable	50,620
Current portion of estimated liability for landfill closure and postclosure care costs	27,000
Total Current Liabilities	<u>1,925,645</u>
Noncurrent Liabilities:	
Bonds payable	220,828
Estimated liability for landfill closure and postclosure care costs	187,989
Compensated absences	63,558
Total Noncurrent Liabilities	<u>472,375</u>
Total Liabilities	<u>2,398,020</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,245,902
Restricted	991,953
Unrestricted	999,490
Total Net Assets	<u>8,237,345</u>
Total Liabilities and Net Assets	<u>\$ 10,635,365</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Statement of Activities**  
For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 798,490	\$ 58,438	\$ 3,575		\$ (736,477)
Public safety	788,893	12,249	23,157		(753,487)
Highways and streets	1,241,006		412,695	\$ 621,230	(207,081)
Health and welfare	22,334				(22,334)
Sanitation	333,042	68,007	2,500		(262,535)
Culture and recreation	355,198	748			(354,450)
Economic development	11,697		11,697		-
Interest and fiscal charges	9,892				(9,892)
Total governmental activities	<u>\$ 3,560,552</u>	<u>\$ 139,442</u>	<u>\$ 453,624</u>	<u>\$ 621,230</u>	<u>(2,346,256)</u>
General revenues:					
Property and other taxes					2,545,628
Licenses and permits					406,021
Grants and contributions:					
Rooms and meals tax distribution					130,110
State and federal forest land reimbursement					5,871
Interest and investment earnings					37,023
Miscellaneous					16,803
Contributions to permanent fund principal					600
Total general revenues and contributions to permanent fund principal					<u>3,142,056</u>
Change in net assets					795,800
Net assets - beginning					<u>7,441,545</u>
Net assets - ending					<u>\$ 8,237,345</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2009

	General Fund	Capital Reserve Fund	Connors Bridge Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,347,183	\$ 239,632		\$ 188,820	\$ 1,775,635
Investments		853,035		380,999	1,234,034
Taxes receivable, net	591,657				591,657
Accounts receivable, net	28,917				28,917
Due from other governments	127,224		\$ 358,844		486,068
Due from other funds	618,030		7,491		625,521
Prepaid expenses	1,704				1,704
<b>Total Assets</b>	<u>\$ 2,714,715</u>	<u>\$ 1,092,667</u>	<u>\$ 366,335</u>	<u>\$ 569,819</u>	<u>\$ 4,743,536</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 63,698				\$ 63,698
Accrued expenses	19,907				19,907
Deferred revenue	445,528				445,528
Due to other governments	1,753,820				1,753,820
Due to other funds		\$ 259,186	\$ 366,335		625,521
<b>Total Liabilities</b>	<u>2,282,953</u>	<u>259,186</u>	<u>366,335</u>	<u>\$ -</u>	<u>2,908,474</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	91,484				91,484
Reserved for prepaid expenses	1,704				1,704
Reserved for endowments				61,813	61,813
Unreserved, reported in:					
General fund	338,574				338,574
Special revenue funds		833,481		495,486	1,328,967
Permanent funds				12,520	12,520
<b>Total Fund Balances</b>	<u>431,762</u>	<u>833,481</u>	<u>-</u>	<u>569,819</u>	<u>1,835,062</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,714,715</u>	<u>\$ 1,092,667</u>	<u>\$ 366,335</u>	<u>\$ 569,819</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 6,517,350

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 442,251

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

Bonds payable	(271,448)
Accrued interest on long-term obligations	(7,323)
Compensated absences	(63,558)
Estimated liability for landfill closure and postclosure care costs	<u>(214,989)</u>

Net assets of governmental activities \$ 8,237,345

See accompanying notes to the basic financial statements

EXHIBIT D  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2009

**TOWN OF WARNER, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended December 31, 2009

	General Fund	Capital Reserve Fund	Connors Bridge Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
Revenues:	\$ 2,532,803			\$ 2,726	\$ 2,535,529	\$ 212,937
Taxes	406,021				406,021	
Licenses and permits	589,605	\$ 49,845	\$ 571,385		1,210,835	
Intergovernmental	138,694				138,694	
Charges for services	4,774	16,318		15,931	37,023	
Interest and investment income	11,097			8,305	19,402	
Miscellaneous	3,682,994	66,163	571,385	26,962	4,347,504	
Total Revenues						
Expenditures:	699,165			224	699,389	504,252
Current operations:	689,083				689,083	
Public government	857,806				857,806	8,848
Highways and streets	22,334				22,334	
Health and welfare	350,652			97	350,749	
Sanitation	146,852			190,176	337,028	
Culture and recreation	11,697				11,697	48,908
Economic development		481,615	618,054	6,692	1,106,361	
Capital outlay						
Debt service:	48,908				48,908	
Principal retirement	11,212				11,212	
Interest and fiscal charges	2,837,709	481,615	618,054	197,189	4,134,567	1,320
Total Expenditures	845,285	(415,452)	(46,669)	(170,227)	212,937	
Excess revenues over (under) expenditures						
Other financing sources (uses):	1,513	470,000	46,669	98,068	616,250	19,535
Transfers in	(606,226)	(7,334)		(2,690)	(616,250)	
Transfers out	(604,713)	462,666	46,669	95,378	-	
Total other financing sources (uses)	240,572	47,214	-	(74,849)	212,937	
Net change in fund balances	191,190	786,267	-	644,668	1,622,125	
Fund balances at beginning of year	\$ 431,762	\$ 833,481	\$ -	\$ 569,819	\$ 1,835,062	
Fund balances at end of year						\$ 795,800

Net Change in Fund Balances-- Total Governmental Funds \$ 212,937

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 outlay exceeded depreciation in the current period. 504,252

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 8,848

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 48,908

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,320

Some expense reported in the statement of activities, such as compensated absences and the estimated liability for landfill closure and postclosure care costs, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 19,535

Change in Net Assets of Governmental Activities \$ 795,800

See accompanying notes to the basic financial statements

EXHIBIT E  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
December 31, 2009

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,947	\$ 2,221
Investments	<u>266,035</u>	
Total assets	<u>\$ 268,982</u>	<u>\$ 2,221</u>
LIABILITIES		
Deposits		<u>\$ 2,221</u>
Total liabilities	<u>\$ -</u>	<u>\$ 2,221</u>
NET ASSETS		
Held in trust	<u>268,982</u>	
Total net assets	<u>\$ 268,982</u>	

*See accompanying notes to the basic financial statements*



EXHIBIT F  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
For the Year Ended December 31, 2009

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 250
Interest	<u>337</u>
Total Contributions	<u>587</u>
Investment earnings:	
Interest	9,298
Realized (losses) on investments	(187)
Net increase in the fair value of investments	<u>9,880</u>
Total Investment Earnings	<u>18,991</u>
Total Additions	<u>19,578</u>
DEDUCTIONS:	
Benefits	6,611
Administrative expenses	<u>666</u>
Total Deductions	<u>7,277</u>
Change in Net Assets	12,301
Net assets - beginning of year	<u>256,681</u>
Net assets - end of year	<u>\$ 268,982</u>

*See accompanying notes to the basic financial statements*

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2009**

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

The accounting policies of the Town of Warner, 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 Warner, New Hampshire (the Town) was incorporated in 1774. 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 WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

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 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 Capital Reserve Fund accounts for all financial resources of the various trust arrangements held by the Trustees of Trust Funds in which the principal and income benefit the various departments of the Town.

The Connors Bridge Capital Projects Fund accounts for the financial transactions related to the construction of Connors Bridge located in the Town. It accounts for the federal and state funding of the project and the related capital outlay expenditures.

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains three private purpose trust funds which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of planning board fees and timber bond funds.

***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.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

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

The private purpose trust funds are reported using the economic resources measurement focus.

***Basis of Accounting***

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

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

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

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 3). 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.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

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

**3. Expenses/Expenditures:**

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

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

***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2009 the Town applied \$35,000 of its unappropriated fund balance to reduce taxes.

***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, 2009 are recorded as receivables net of reserves for estimated uncollectibles of \$35,000.

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond December 31, 2009 are recorded as prepaid items.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

*Capital Assets*

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

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

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges, and sidewalks). Accordingly, infrastructure acquired prior to January 1, 2004 has not been capitalized. During the year ended December 31, 2009, the Town did incur costs for infrastructure improvements that are required to be capitalized in accordance with the Town's policy. However, since this infrastructure improvement project is not complete as of December 31, 2009, the incurred costs have been reported as construction in process.

All reported capital assets except for land and works of art are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure are estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Land improvements	15
	Buildings and improvements	39-50
	Vehicles and equipment	5-20

*Compensated Absences*

Pursuant to the Town personnel policy, employees earn vacation dependent on length of service. Provision is made in the annual budget for vacation leave. Any unused vacation time shall expire on December 31<sup>st</sup> and may not be carried forward.

Pursuant to the personnel policy, full time employees may accumulate sick leave days at a rate of 4 hours per month. The maximum amount of days an employee can accumulate may not exceed 90 days. Upon separation from the Town, an employee will be reimbursed for up to 30 sick days only if a two-week notice has been given.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

*Accrued Liabilities and Long-Term Obligations*

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Net Assets***

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

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

***Fund Balance Reserves***

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

***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—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Other Post-Employment Benefits***

The Town did not implement GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

**NOTE 3--PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$286,145,570 as of April 1, 2009) and are due in two installments on July 1, 2009 and December 1, 2009. 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 Kearsarge Regional School District, Merrimack County, and Warner Village Water District, all 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 \$3,456,697, \$759,028 and \$136,257 for the Kearsarge Regional School District, Merrimack County, and Warner Village Water District, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

**NOTE 4--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, 2009, the Town was a member of the Local Government Center (LGC) and the New 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, 2009.

***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.



**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

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 5--DEPOSITS AND INVESTMENTS**

The Town does not have an investment policy for the investment of public funds in governmental funds. Investments of the library funds are at the discretion of the Library Trustees, who also do not have an investment policy. Responsibility for the investments of the capital reserve funds, expendable trust funds, permanent funds and private purpose trust funds is with the Board of Trustees. The overall investment portfolio of the Trust Funds shall be managed in accordance with the prudent person rule.

Deposits and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 1,775,635
Investments	1,234,034
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	5,168
Investments	<u>266,035</u>
	<u>\$ 3,280,872</u>

Deposits and investments at December 31, 2009 consist of the following:

Cash on hand	\$ 1,177
Deposits with financial institutions	2,962,176
Investments	<u>317,519</u>
	<u>\$ 3,280,872</u>

***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. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time.

The Town has no policy regarding interest rate risk for its governmental funds. The Library Trustees also have no policy regarding interest rate risk. The policy of the Trustees of Trust Funds states that adequate cash and cash equivalents need to be kept available to meet the current withdrawal needs.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>		<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>&gt; 5 Years</u>
U.S. Treasury notes	\$ 46,569	\$ 20,666	\$ 15,861	\$ 10,042
U.S. Government securities	116,894		70,380	46,514
Corporate bonds	31,080		20,830	10,250
	<u>\$ 194,543</u>	<u>\$ 20,666</u>	<u>\$ 107,071</u>	<u>\$ 66,806</u>

***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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Town has no policy regarding credit risk for its governmental funds. Also, the Library Trustees have no policy regarding credit risk. The policy of the Trustees of Trust Funds indicates that investments should be at least rated "A". Investments of the trust funds may also be held in United States Government obligations or Federal Agency obligations.

The following is the actual rating as of year end for each investment type.

	<u>Total</u>	<u>Aa</u>	<u>A</u>	<u>Not rated</u>
Corporate bonds	\$ 31,080	\$ 20,830	\$ 10,250	
Money market mutual funds	9,801			\$ 9,801
Mutual funds	113,175			113,175
	<u>\$ 154,056</u>	<u>\$ 20,830</u>	<u>\$ 10,250</u>	<u>\$ 122,976</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 Library Trustees have no policy regarding custodial credit risk. The policy of the Trustees of Trust Funds states that funds may be invested in FDIC insured banks. The Trustees have also acquired collateral to insure funds in excess of FDIC deposit limits. The investment policy of the Trustees of Trust Funds further specifies an asset allocation as follows: 80% fixed income and 20% equities. An asset allocation within a 3-4% range of these guidelines is deemed reasonable and acceptable.

Of the Town's deposits with financial institutions at year end, \$1,923,209 was collateralized by securities held by the bank in the bank's name and \$139,704 was uninsured and uncollateralized.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

As of December 31, 2009, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government securities	\$ 116,894
U.S. Treasury notes	46,569
Corporate bonds	31,080
Money market mutual funds	9,801
Mutual funds	<u>113,175</u>
	<u>\$ 317,519</u>

**NOTE 6—DUE FROM OTHER GOVERNMENTS**

Receivables from other governments at December 31, 2009 consist of various federal and state fundings. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

State of NH - Bridge State Aid	\$ 333,983
FEMA - Disaster assistance grants	146,573
Safe Routes to School grant	5,000
Dry hydrant grant	<u>512</u>
	<u>\$ 486,068</u>

**NOTE 7—CAPITAL ASSETS**

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

	<u>Balance 01/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/09</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,205,416	\$ 93,151		\$ 1,298,567
Construction in process	91,744	621,454		713,198
Works of Art	<u>19,115</u>			<u>19,115</u>
Total capital assets not being depreciated	<u>1,316,275</u>	<u>714,605</u>	<u>\$ -</u>	<u>2,030,880</u>
Other capital assets:				
Land improvements	96,000			96,000
Buildings and improvements	4,363,707			4,363,707
Vehicles and equipment	<u>2,886,822</u>	<u>38,500</u>		<u>2,925,322</u>
Total other capital assets at historical cost	<u>7,346,529</u>	<u>38,500</u>	<u>-</u>	<u>7,385,029</u>
Less accumulated depreciation for:				
Land improvements	(24,000)	(6,400)		(30,400)
Buildings and improvements	(1,149,884)	(84,360)		(1,234,244)
Vehicles and equipment	<u>(1,475,822)</u>	<u>(158,093)</u>		<u>(1,633,915)</u>
Total accumulated depreciation	<u>(2,649,706)</u>	<u>(248,853)</u>	<u>-</u>	<u>(2,898,559)</u>
Total other capital assets, net	<u>4,696,823</u>	<u>(210,353)</u>	<u>-</u>	<u>4,486,470</u>
Total capital assets, net	<u>\$ 6,013,098</u>	<u>\$ 504,252</u>	<u>\$ -</u>	<u>\$ 6,517,350</u>

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 17,187
Public safety	99,012
Highways and streets	113,000
Sanitation	9,906
Culture and recreation	9,748
Total governmental activities depreciation expense	<u>\$ 248,853</u>

**NOTE 8—DUE TO OTHER GOVERNMENTS**

In accordance with State law, the Town collects taxes for the Kearsarge Regional School District, Merrimack County, and Warner Village Water District, all independent governmental units, which are remitted to them as required by law. At December 31, 2009, the balance of the property tax appropriation due to the Kearsarge Regional School District is \$1,753,820.

**NOTE 9—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 contribution rates for the covered payroll of police officers and general employees were 11.84% and 8.74%, respectively, through June 30, 2009 and 13.66% and 9.16%, respectively, thereafter. The Town contributes 65% of the employer cost for public safety officers employed by the Town, and the State contributes the remaining 35% of the employer cost, through June 30, 2009 and 70% and 30%, respectively, thereafter. 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 \$12,645 have been reported as a revenue and expenditure in the General Fund in these financial statements.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2009, 2008, and 2007 were \$68,563, \$68,196, and \$53,694, respectively, equal to the required contributions for each year.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

**NOTE 10—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the Town's long-term obligations for the year ended December 31, 2009 are as follows:

	Balance <u>01/01/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/09</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 320,356		\$ (48,908)	\$ 271,448	\$ 50,620
Compensated absences	<u>56,343</u>	<u>\$ 21,643</u>	<u>(14,428)</u>	<u>63,558</u>	
Total governmental activities	<u>\$ 376,699</u>	<u>\$ 21,643</u>	<u>\$ (63,336)</u>	<u>\$ 335,006</u>	<u>\$ 50,620</u>

Payments on the other general obligation bonds are paid out of the General Fund. Compensated absences will be paid from the fund the employee's salary is paid.

*General Obligation Bonds*

Bonds payable at December 31, 2009 are comprised of the following individual issues:

\$500,000 Gravel Pit and Road Project Bonds payable in annual installments of \$60,121, including interest at 3.50%, through March 2014	<u>\$ 271,448</u>
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Debt service requirements to retire general obligation bonds outstanding at December 31, 2009 are as follows:

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 50,620	\$ 9,501	\$ 60,121
2011	52,392	7,729	60,121
2012	54,226	5,895	60,121
2013	56,123	3,998	60,121
2014	<u>58,087</u>	<u>2,034</u>	<u>60,121</u>
	<u>\$ 271,448</u>	<u>\$ 29,157</u>	<u>\$ 300,605</u>

**NOTE 11—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

During 1998, the sanitary landfill previously operated under an intergovernmental agreement with the Town of Hopkinton was closed. The Town of Warner is responsible for annual payments to the Town of Hopkinton based on twenty percent of the annual bond payment for the landfill closure. Estimated postclosure, inspection, maintenance and monitoring costs are \$6,143 through the year 2017. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. An estimated liability of \$214,989 has been recorded in the Statement of Net Assets based on the Town's share of the bond payments and the estimated future postclosure care costs at current dollars.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

The following is a summary of changes in the estimated liability for closure and postclosure care cost for the year ended December 31, 2009:

Balance - January 1, 2009	\$ 241,739
Expenditures recognized in General Fund	(27,526)
Net change in estimated liability for postclosure care costs	<u>776</u>
Balance - December 31, 2009	<u>\$ 214,989</u>

**NOTE 12—INTERFUND BALANCES AND TRANSFERS**

The Selectmen have been named as agents for the individual Capital Reserve Funds. Amounts expended out of the General Fund and not reimbursed prior to year end from the applicable trust fund or capital projects fund are reflected in the interfund balances. As of December 31, 2009, the interfund balances are as follows:

		Due from		
		Connors		
		Capital	Bridge	
		Reserve	Capital Projects	
		<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Due to	General Fund	\$ 251,695	\$ 366,335	\$ 618,030
	Connors Bridge Capital Projects Fund	<u>7,491</u>	<u>          </u>	<u>7,491</u>
		<u>\$ 259,186</u>	<u>\$ 366,335</u>	<u>\$ 625,521</u>

During the year, several interfund transactions occurred between funds. The various transfers between the General Fund, Capital Reserve Fund, Connors Bridge Capital Projects Fund, and Nonmajor Governmental Funds were made in accordance with budgetary authorizations. Transfers out of the Permanent Funds (a Nonmajor Governmental Fund) to the General Fund and other Nonmajor Governmental Funds were to distribute the earned income during the year to support the Town's programs. Interfund transfers for the year ended December 31, 2009 are as follows:

		Transfer from			
		General	Capital	Nonmajor	
		Fund	Reserve	Governmental	
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Transfer to	General Fund			\$ 1,513	\$ 1,513
	Capital Reserve Fund	\$ 470,000			470,000
	Connors Bridge Capital Projects Fund	39,335	\$ 7,334		46,669
	Nonmajor Governmental Funds	<u>96,891</u>		<u>1,177</u>	<u>98,068</u>
		<u>\$ 606,226</u>	<u>\$ 7,334</u>	<u>\$ 2,690</u>	<u>\$ 616,250</u>

**NOTE 13—RESTRICTED NET ASSETS**

Net assets are restricted for specific purposes as follows:

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2009**

Endowments	\$ 61,813
Capital reserve	833,481
Expendable trusts	52,457
Conservation	44,202
	<u>\$ 991,953</u>

**NOTE 14—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, 2009 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery funds	\$ 50,502	\$ 13,805	\$ 64,307
Library funds	10,329	(1,292)	9,037
Public land funds	982	7	989
	<u>\$ 61,813</u>	<u>\$ 12,520</u>	<u>\$ 74,333</u>

**NOTE 15—CONTINGENCIES**

*Litigation*

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

**NOTE 16—SUBSEQUENT EVENTS**

During September 2010, the Town entered into a capital lease agreement for \$376,000 for the purpose of acquiring fire truck. The capital lease obligation is due in monthly installments of \$2,688 including interest at 3.50% through September 2025. This contract is subject to cancellation should funds not be appropriated to meet payment obligations.

SCHEDULE 1

**TOWN OF WARNER, NEW HAMPSHIRE**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis) - General Fund**

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,479,294	\$ 2,479,294	\$ 2,541,651	\$ 62,357
Licenses and permits	411,900	411,900	406,021	(5,879)
Intergovernmental	458,119	676,449	576,960	(99,489)
Charges for services	100,000	100,000	138,694	38,694
Interest income	4,000	4,000	4,774	774
Miscellaneous	11,300	11,300	11,097	(203)
Total Revenues	<u>3,464,613</u>	<u>3,682,943</u>	<u>3,679,197</u>	<u>(3,746)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	731,258	734,833	686,785	48,048
Public safety	719,499	922,557	758,872	163,685
Highways and streets	895,450	856,115	857,806	(1,691)
Health and welfare	26,083	26,083	22,334	3,749
Sanitation	354,352	354,352	350,652	3,700
Culture and recreation	144,046	144,046	143,552	494
Economic development		11,697	11,697	-
<b>Debt service:</b>				
Principal retirement	48,908	48,908	48,908	-
Interest and fiscal charges	11,212	11,212	11,212	-
Total Expenditures	<u>2,930,808</u>	<u>3,109,803</u>	<u>2,891,818</u>	<u>217,985</u>
Excess revenues over expenditures	<u>533,805</u>	<u>573,140</u>	<u>787,379</u>	<u>214,239</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,000	1,000	1,513	513
Transfers out	(569,805)	(609,140)	(606,226)	2,914
Total other financing sources (uses)	<u>(568,805)</u>	<u>(608,140)</u>	<u>(604,713)</u>	<u>3,427</u>
Net change in fund balances	(35,000)	(35,000)	182,666	217,666
<b>Fund balance at beginning of year</b>				
- Budgetary Basis	<u>599,863</u>	<u>599,863</u>	<u>599,863</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 564,863</u>	<u>\$ 564,863</u>	<u>\$ 782,529</u>	<u>\$ 217,666</u>

See accompanying notes to the required supplementary information



**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2009**

**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). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for encumbrances and on-behalf payments for fringe benefits.

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 3,684,507	\$ 3,443,935
Difference in property taxes meeting susceptible to accrual criteria	8,848	
Encumbrances, December 31, 2008		(24,730)
Encumbrances, December 31, 2009		91,484
On-behalf fringe benefits	<u>(12,645)</u>	<u>(12,645)</u>
Per Schedule 1	<u>\$ 3,680,710</u>	<u>\$ 3,498,044</u>

Budgetary information in these financial statements has been presented only for the General Fund as there is no adopted budget for the Capital Reserve Fund.

**NOTE 2—BUDGETARY FUND BALANCES**

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

Reserved for prepaid expenses	\$ 1,704
Unreserved:	
Undesignated	<u>780,825</u>
	<u>\$ 782,529</u>

SCHEDULE A  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
December 31, 2009

	Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS			
Cash and cash equivalents	\$ 188,252	\$ 568	\$ 188,820
Investments	307,234	73,765	380,999
Total Assets	<u>\$ 495,486</u>	<u>\$ 74,333</u>	<u>\$ 569,819</u>
FUND BALANCES			
Reserved for endowments		\$ 61,813	\$ 61,813
Unreserved, reported in:			
Special revenue funds	\$ 495,486		495,486
Permanent funds		12,520	12,520
Total Fund Balances	<u>\$ 495,486</u>	<u>\$ 74,333</u>	<u>\$ 569,819</u>

SCHEDULE A-1  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Special Revenue Funds**  
December 31, 2009

	Library Fund	Hazardous Materials Fund	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	Expendable Trust Funds	Combining Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ 57,295	\$ 4,959	\$ 2,553	\$ 32,491	\$ 44,202	\$ 46,752	\$ 188,252
Investments	<u>242,473</u>			<u>59,056</u>		<u>5,705</u>	<u>307,234</u>
Total Assets	<u>\$ 299,768</u>	<u>\$ 4,959</u>	<u>\$ 2,553</u>	<u>\$ 91,547</u>	<u>\$ 44,202</u>	<u>\$ 52,457</u>	<u>\$ 495,486</u>
<b>FUND BALANCES</b>							
Unreserved, reported in:							
Special revenue funds	\$ 299,768	\$ 4,959	\$ 2,553	\$ 91,547	\$ 44,202	\$ 52,457	\$ 495,486
Total Fund Balances	<u>\$ 299,768</u>	<u>\$ 4,959</u>	<u>\$ 2,553</u>	<u>\$ 91,547</u>	<u>\$ 44,202</u>	<u>\$ 52,457</u>	<u>\$ 495,486</u>

SCHEDULE B  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended December 31, 2009

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Taxes	\$ 2,726		\$ 2,726
Interest and investment income	10,947	\$ 4,984	15,931
Miscellaneous	<u>7,705</u>	<u>600</u>	<u>8,305</u>
Total Revenues	<u>21,378</u>	<u>5,584</u>	<u>26,962</u>
Expenditures:			
Current operations:			
General government		224	224
Sanitation	97		97
Culture and recreation	190,176		190,176
Capital outlay	<u>6,692</u>		<u>6,692</u>
Total Expenditures	<u>196,965</u>	<u>224</u>	<u>197,189</u>
Excess revenues over (under) expenditures	<u>(175,587)</u>	<u>5,360</u>	<u>(170,227)</u>
Other financing sources (uses):			
Transfers in	98,068		98,068
Transfers out		<u>(2,690)</u>	<u>(2,690)</u>
Total other financing sources (uses)	<u>98,068</u>	<u>(2,690)</u>	<u>95,378</u>
Net change in fund balances	(77,519)	2,670	(74,849)
Fund balances at beginning of year	<u>573,005</u>	<u>71,663</u>	<u>644,668</u>
Fund balances at end of year	<u>\$ 495,486</u>	<u>\$ 74,333</u>	<u>\$ 569,819</u>

SCHEDULE B-1

TOWN OF WARNER, 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, 2009

	Library Fund	Hazardous Materials Fund	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	Expendable Trust Funds	Combining Totals
Revenues:							
Taxes					\$ 2,726		\$ 2,726
Interest and investment income	\$ 6,429	\$ 32	\$ 13	\$ 3,276	897	\$ 300	10,947
Miscellaneous	6,727		700		278		7,705
Total Revenues	<u>13,156</u>	<u>32</u>	<u>713</u>	<u>3,276</u>	<u>3,901</u>	<u>300</u>	<u>21,378</u>
Expenditures:							
Current operations:							
Sanitation		97					97
Culture and recreation	78,911		422	620	110,223		190,176
Capital outlay	6,692						6,692
Total Expenditures	<u>85,603</u>	<u>97</u>	<u>422</u>	<u>620</u>	<u>110,223</u>	<u>-</u>	<u>196,965</u>
Excess revenues over (under) expenditures	<u>(72,447)</u>	<u>(65)</u>	<u>291</u>	<u>2,656</u>	<u>(106,322)</u>	<u>300</u>	<u>(175,587)</u>
Other financing sources:							
Transfers in	68,068				30,000		98,068
Total other financing sources	<u>68,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>98,068</u>
Net change in fund balances	<u>(4,379)</u>	<u>(65)</u>	<u>291</u>	<u>2,656</u>	<u>(76,322)</u>	<u>300</u>	<u>(77,519)</u>
Fund balances at beginning of year	<u>304,147</u>	<u>5,024</u>	<u>2,262</u>	<u>88,891</u>	<u>120,524</u>	<u>52,157</u>	<u>573,005</u>
Fund balances at end of year	<u>\$ 299,768</u>	<u>\$ 4,959</u>	<u>\$ 2,553</u>	<u>\$ 91,547</u>	<u>\$ 44,202</u>	<u>\$ 52,457</u>	<u>\$ 495,486</u>

SCHEDULE C  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds - All Private-Purpose Trust Funds**  
December 31, 2009

	Miscellaneous Trust Funds	Foster and Currier Funds	William D. Davis School Fund	Total Private- Purpose Trust Funds
ASSETS				
Cash and cash equivalents		\$ 2,066	\$ 881	\$ 2,947
Investments	\$ 243,754	10,115	12,166	266,035
Total assets	<u>243,754</u>	<u>12,181</u>	<u>13,047</u>	<u>268,982</u>
NET ASSETS				
Held in trust	<u>243,754</u>	<u>12,181</u>	<u>13,047</u>	<u>268,982</u>
Total net assets	<u>\$ 243,754</u>	<u>\$ 12,181</u>	<u>\$ 13,047</u>	<u>\$ 268,982</u>

SCHEDULE D  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
For the Year Ended December 31, 2009

	Miscellaneous Trust Funds	Foster and Currier Funds	William D. Davis School Fund	Total Private- Purpose Trust Funds
<b>ADDITIONS:</b>				
<b>Contributions:</b>				
Private donations		\$ 250		\$ 250
Interest		337		337
Total Contributions	<u>\$ -</u>	<u>587</u>	<u>\$ -</u>	<u>587</u>
<b>Investment earnings:</b>				
Interest	8,591	398	309	9,298
Realized (losses) on investments	(187)			(187)
Net increase in the fair value of investments	<u>9,880</u>	<u></u>	<u></u>	<u>9,880</u>
Total Investment Earnings	<u>18,284</u>	<u>398</u>	<u>309</u>	<u>18,991</u>
Total Additions	<u>18,284</u>	<u>985</u>	<u>309</u>	<u>19,578</u>
<b>DEDUCTIONS:</b>				
Benefits	3,693	2,450	468	6,611
Administrative expenses	<u>666</u>	<u></u>	<u></u>	<u>666</u>
Total Deductions	<u>4,359</u>	<u>2,450</u>	<u>468</u>	<u>7,277</u>
Change in Net Assets	13,925	(1,465)	(159)	12,301
Net assets - beginning of year	<u>229,829</u>	<u>13,646</u>	<u>13,206</u>	<u>256,681</u>
Net assets - end of year	<u>\$ 243,754</u>	<u>\$ 12,181</u>	<u>\$ 13,047</u>	<u>\$ 268,982</u>

SCHEDULE E  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds - All Agency Funds**  
December 31, 2009

	Planning Board Agency Fund	Timber Bond Agency Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 23	\$ 2,198	\$ 2,221
Total assets	<u>\$ 23</u>	<u>\$ 2,198</u>	<u>\$ 2,221</u>
LIABILITIES			
Deposits	\$ 23	\$ 2,198	\$ 2,221
Total liabilities	<u>\$ 23</u>	<u>\$ 2,198</u>	<u>\$ 2,221</u>