

**TOWN OF GOFFSTOWN, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2008**

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# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Goffstown, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Town of Goffstown, New Hampshire, as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Goffstown's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Town of Goffstown, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, on page 43, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied

*Additional Offices:*

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 6, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on page 42 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
August 6, 2009

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

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

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate

compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 40,087,561 (i.e., net assets), a change of \$ (1,391,991) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,224,904, a change of \$ (786,400) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,239,591, a change of \$ (774,936) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 2,755,796, a change of \$ (513,311) in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 15,620	\$ 16,834	\$ 2,596	\$ 2,372	\$ 18,216	\$ 19,206
Capital assets	<u>28,139</u>	<u>28,528</u>	<u>7,040</u>	<u>7,700</u>	<u>35,179</u>	<u>36,228</u>
Total assets	<u>43,759</u>	<u>45,362</u>	<u>9,636</u>	<u>10,072</u>	<u>53,395</u>	<u>55,434</u>
Long-term liabilities outstanding	2,841	2,953	1,238	1,501	4,079	4,454
Other liabilities	<u>9,104</u>	<u>9,407</u>	<u>124</u>	<u>94</u>	<u>9,228</u>	<u>9,501</u>
Total liabilities	<u>11,945</u>	<u>12,360</u>	<u>1,362</u>	<u>1,595</u>	<u>13,307</u>	<u>13,955</u>
Net assets:						
Invested in capital assets, net	26,618	26,754	5,805	6,205	32,423	32,959
Restricted	704	721	-	-	704	721
Unrestricted	<u>4,492</u>	<u>5,527</u>	<u>2,469</u>	<u>2,272</u>	<u>6,961</u>	<u>7,799</u>
Total net assets	<u>\$ 31,814</u>	<u>\$ 33,002</u>	<u>\$ 8,274</u>	<u>\$ 8,477</u>	<u>\$ 40,088</u>	<u>\$ 41,479</u>

**CHANGES IN NET ASSETS**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues						
Charges for services	\$ 1,212	\$ 1,206	\$ 1,425	\$ 1,410	\$ 2,637	\$ 2,616
Operating grants and contributions	348	384	47	27	395	411
Capital grants and contributions	425	582	-	-	425	582
General revenues:						
Property taxes	11,269	10,458	-	-	11,269	10,458
Motor vehicle permits	2,406	2,441	-	-	2,406	2,441
Penalties and interest on taxes	285	166	-	-	285	166
Grants and contributions not restricted to specific programs	1,257	1,165	-	-	1,257	1,165
Investment income	(110)	284	16	31	(94)	315
Miscellaneous	234	132	1	28	235	160
Total revenues	<u>17,326</u>	<u>16,818</u>	<u>1,489</u>	<u>1,496</u>	<u>18,815</u>	<u>18,314</u>
Expenses:						
General government	1,912	1,844	-	-	1,912	1,844
Public safety	6,856	6,251	-	-	6,856	6,251
Public works	5,026	3,365	-	-	5,026	3,365
Health and welfare	86	72	-	-	86	72
Library and recreation	1,115	1,287	-	-	1,115	1,287
Interest on long-term debt	65	75	-	-	65	75
Miscellaneous	3,458	2,368	-	-	3,458	2,368
Sewer	-	-	1,692	1,387	1,692	1,387
Total expenses	<u>18,518</u>	<u>15,262</u>	<u>1,692</u>	<u>1,387</u>	<u>20,210</u>	<u>16,649</u>
Change in net assets before permanent fund contributions	(1,192)	1,556	(203)	109	(1,395)	1,665
Transfers in (out)	-	154	-	(154)	-	-
Permanent fund contributions	4	33	-	-	4	33
Increase in net assets	<u>(1,188)</u>	<u>1,743</u>	<u>(203)</u>	<u>(45)</u>	<u>(1,391)</u>	<u>1,698</u>
Net assets - beginning of year (as restated)	<u>33,002</u>	<u>31,259</u>	<u>8,477</u>	<u>8,522</u>	<u>41,479</u>	<u>39,781</u>
Net assets - end of year	<u>\$ 31,814</u>	<u>\$ 33,002</u>	<u>\$ 8,274</u>	<u>\$ 8,477</u>	<u>\$ 40,088</u>	<u>\$ 41,479</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 40,087,561, a change of \$ (1,391,991) from the prior year.

The largest portion of net assets \$ 32,422,746 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any

related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 703,901 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 6,960,914 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ (1,188,810). Key elements of this change are as follows:

General fund operations, as discussed further in section D	\$ (774,936)
Nonmajor funds	(11,464)
Depreciation expense in excess of principal debt service	(939,243)
Capital assets acquired	803,439
OPEB liability	(181,052)
Other	<u>(85,554)</u>
Total	<u>\$ (1,188,810)</u>

**Business-type activities.** Business-type activities (Sewer Fund) for the year resulted in a change in net assets of \$ (203,181).

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,224,904, a change of \$ (786,400) in comparison with the prior year. Key elements of this change are as follows:

General fund operations, as discussed further in section D	\$ (774,936)
Nonmajor funds	<u>(11,464)</u>
Total	<u>\$ (786,400)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 2,239,591, while total fund balance was \$ 3,082,234. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.68 percent of total general fund expenditures, while total fund balance represents 17.45 percent of that same amount.

The fund balance of the general fund changed by \$ (774,936) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 97,196
Expenditures less than budget	863,751
Collection of prior year tax revenue	97,029
Use of fund balance as a funding source	(300,000)
Prior year encumbrances over current year encumbrances	<u>(1,532,912)</u>
Total	<u>\$ (774,936)</u>

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 2,469,555, a change of \$ (11,464) in comparison with the prior year.

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

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

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

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 35,178,542 (net of accumulated depreciation), a change of \$ (1,049,187) from the prior year. This investment in capital

assets includes land, buildings and system improvements, and machinery and equipment.

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

Purchase of:	
One dump truck w/ plow	\$ 134,567
One 48' aluminum trailer	68,905
One John Deere loader	137,883
Three police cruisers	73,233
Police Department generator	49,933
Fire station roof replacement	41,500
Two cardiac lifepak units	44,170
Fire SUV	25,748
One pickup truck for Public Works Department	37,830
One shoulder machine for Public Works Department	36,400
Five parcels of land	101,700
Traffic signal upgrades	18,900
Tracking software	20,727
Library radiant heating & flooring	24,437
Roy pool upgrades	<u>24,506</u>
Subtotal	840,439
Disposal of:	
One dump truck with sander	(2,000)
One loader	(15,000)
One pumper and ladder	<u>(20,000)</u>
Subtotal	(37,000)
Current year depreciation	<u>(1,852,626)</u>
Decrease in capital assets	<u>\$ (1,049,187)</u>

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 2,755,796, all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

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

Office of Finance Director  
Town of Goffstown  
16 Main Street  
Goffstown, New Hampshire 03045

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 12,902,979	\$ 2,050,025	\$ 14,953,004
Investments	579,071	-	579,071
Receivables, net of allowance for uncollectibles:			
Property taxes	1,540,662	-	1,540,662
User fees	55,948	159,024	214,972
Special assessment	-	35,178	35,178
Intergovernmental	154,118	37,410	191,528
Other assets	181,176	142,204	323,380
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	205,882	-	205,882
Special assessment	-	22,515	22,515
Intergovernmental	-	149,827	149,827
Capital assets:			
Land and construction in progress	4,818,663	-	4,818,663
Other assets, net of accumulated depreciation	<u>23,320,153</u>	<u>7,039,726</u>	<u>30,359,879</u>
<b>TOTAL ASSETS</b>	<b>43,758,652</b>	<b>9,635,909</b>	<b>53,394,561</b>
<b>LIABILITIES</b>			
Current:			
Vouchers payable	548,196	70,071	618,267
Accrued liabilities	30,874	24,856	55,730
Due to school district	8,159,624	-	8,159,624
Due to other governments	345,032	-	345,032
Other current liabilities	46,967	3,020	49,987
Internal balances	(25,726)	25,726	-
Current portion of long-term liabilities:			
Bonds payable	253,311	260,000	513,311
Other liabilities	55,056	296	55,352
Noncurrent:			
Bonds payable, net of current portion	1,267,485	975,000	2,242,485
Other liabilities, net of current portion	<u>1,264,553</u>	<u>2,659</u>	<u>1,267,212</u>
<b>TOTAL LIABILITIES</b>	<b>11,945,372</b>	<b>1,361,628</b>	<b>13,307,000</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	26,618,020	5,804,726	32,422,746
Restricted for:			
Permanent funds:			
Nonexpendable	533,491	-	533,491
Expendable	170,410	-	170,410
Unrestricted	<u>4,491,359</u>	<u>2,469,555</u>	<u>6,960,914</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>31,813,280</u></b>	<b>\$ <u>8,274,281</u></b>	<b>\$ <u>40,087,561</u></b>

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 1,911,998	\$ 443,113	\$ 171,277	\$ -	\$ (1,297,608)	\$ -	\$ (1,297,608)
Public safety	6,855,690	529,169	130,625	-	(6,195,896)	-	(6,195,896)
Public works	5,026,337	236,640	46,159	424,651	(4,318,887)	-	(4,318,887)
Health and welfare	86,315	-	-	-	(86,315)	-	(86,315)
Library and recreation	1,115,127	3,480	-	-	(1,111,647)	-	(1,111,647)
Debt service	64,656	-	-	-	(64,656)	-	(64,656)
Miscellaneous	3,458,164	-	-	-	(3,458,164)	-	(3,458,164)
Total Governmental Activities	18,518,287	1,212,402	348,061	424,651	(16,533,173)	-	(16,533,173)
<b>Business-Type Activities:</b>							
Sewer services	1,692,398	1,424,805	47,101	-	-	(220,492)	(220,492)
Total Business-Type Activities	1,692,398	1,424,805	47,101	-	-	(220,492)	(220,492)
Total	\$ 20,210,685	\$ 2,637,207	\$ 395,162	\$ 424,651	(16,533,173)	(220,492)	(16,753,665)
<b>General Revenues and Contributions:</b>							
Taxes					11,268,722	-	11,268,722
Motor vehicle permits					2,406,455	-	2,406,455
Penalties, interest, and other taxes					284,511	-	284,511
Grants and contributions not restricted to specific programs					1,257,348	-	1,257,348
Investment income					(110,705)	16,237	(94,468)
Miscellaneous					234,346	1,074	235,420
Permanent fund contributions					3,686	-	3,686
Total general revenues, interfund transfers, and contributions					15,344,363	17,311	15,361,674
Change in Net Assets					(1,188,810)	(203,181)	(1,391,991)
<b>Net Assets:</b>							
Beginning of year					33,002,090	8,477,462	41,479,552
End of year					\$ 31,813,280	\$ 8,274,281	\$ 40,087,561

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2008

<b>ASSETS</b>	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 10,818,331	\$ 2,084,648	\$ 12,902,979
Investments	-	579,071	579,071
Receivables:			
Property taxes	1,903,388	-	1,903,388
User fees	-	162,758	162,758
Other	181,176	-	181,176
Due from other governments	154,118	-	154,118
Due from other funds	<u>47,407</u>	<u>8,000</u>	<u>55,407</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>13,104,420</u></b>	<b>\$ <u>2,834,477</u></b>	<b>\$ <u>15,938,897</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Vouchers payable	\$ 386,874	\$ 161,322	\$ 548,196
Due to school district	8,159,624	-	8,159,624
Due to other governments	3,748	341,284	345,032
Due to other funds	8,000	21,681	29,681
Deferred revenues	1,421,735	162,758	1,584,493
Other liabilities	<u>42,205</u>	<u>4,762</u>	<u>46,967</u>
<b>TOTAL LIABILITIES</b>	<b>10,022,186</b>	<b>691,807</b>	<b>10,713,993</b>
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	842,643	-	842,643
Perpetual (nonexpendable) permanent funds	-	533,491	533,491
Unreserved:			
Undesignated, reported in:			
General fund	2,239,591	-	2,239,591
Special revenue funds	-	1,438,769	1,438,769
Permanent funds	<u>-</u>	<u>170,410</u>	<u>170,410</u>
<b>TOTAL FUND BALANCES</b>	<b><u>3,082,234</u></b>	<b><u>2,142,670</u></b>	<b><u>5,224,904</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>13,104,420</u></b>	<b>\$ <u>2,834,477</u></b>	<b>\$ <u>15,938,897</u></b>

See notes to financial statements.

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

DECEMBER 31, 2008

<b>Total governmental fund balances</b>	\$ 5,224,904
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,138,816
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,190,282
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(30,874)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,709,848)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 31,813,280</u></u>

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 11,324,354	\$ -	\$ 11,324,354
Penalties, interest, and other taxes	284,511	-	284,511
Charges for services	904,884	335,996	1,240,880
Intergovernmental	2,030,060	-	2,030,060
Licenses and permits	2,452,652	-	2,452,652
Investment income	67,972	(178,677)	(110,705)
Contributions	-	3,686	3,686
Miscellaneous	219,247	15,099	234,346
Total Revenues	<u>17,283,680</u>	<u>176,104</u>	<u>17,459,784</u>
<b>Expenditures:</b>			
Current:			
General government	1,966,564	-	1,966,564
Public safety	6,047,798	493,545	6,541,343
Public works	4,072,974	-	4,072,974
Health and welfare	85,680	-	85,680
Culture and recreation	1,014,133	46,011	1,060,144
Capital outlay	2,433,608	-	2,433,608
Debt service	322,576	-	322,576
Prior year encumbrance	1,715,563	-	1,715,563
Miscellaneous	-	47,732	47,732
Total Expenditures	<u>17,658,896</u>	<u>587,288</u>	<u>18,246,184</u>
Excess (deficiency) of revenues over expenditures	(375,216)	(411,184)	(786,400)
<b>Other Financing Sources (Uses):</b>			
Transfers in	27,981	427,701	455,682
Transfers out	(427,701)	(27,981)	(455,682)
Total Other Financing Sources (Uses)	<u>(399,720)</u>	<u>399,720</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(774,936)	(11,464)	(786,400)
Fund Equity, at Beginning of Year	<u>3,857,170</u>	<u>2,154,134</u>	<u>6,011,304</u>
Fund Equity, at End of Year	<u>\$ 3,082,234</u>	<u>\$ 2,142,670</u>	<u>\$ 5,224,904</u>

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (786,400)</b>				
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">803,439</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(1,192,554)</td> </tr> </table> </li> </ul>		Capital outlay purchases, net of disposals	803,439	Depreciation	(1,192,554)
Capital outlay purchases, net of disposals	803,439				
Depreciation	(1,192,554)				
<ul style="list-style-type: none"> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(130,307)</td> </tr> </table> </li> </ul>			(130,307)		
	(130,307)				
<ul style="list-style-type: none"> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">Repayments of debt</td> <td style="text-align: right;">253,311</td> </tr> </table> </li> </ul>		Repayments of debt	253,311		
Repayments of debt	253,311				
<ul style="list-style-type: none"> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">4,609</td> </tr> </table> </li> </ul>			4,609		
	4,609				
<ul style="list-style-type: none"> <li>• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(140,908)</u></td> </tr> </table> </li> </ul>			<u>(140,908)</u>		
	<u>(140,908)</u>				
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(1,188,810)</u></b>				

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 11,227,325	\$ 11,227,325	\$ 11,227,325	\$ -
Licenses, permits, and fees	223,807	223,807	284,511	60,704
Intergovernmental	2,463,310	2,463,310	2,452,652	(10,658)
Charges for services	1,033,393	1,033,393	904,884	(128,509)
Investment income	1,559,528	1,559,528	1,795,834	236,306
Penalties, interest, and other taxes	236,958	236,958	219,247	(17,711)
Miscellaneous	105,073	105,073	67,972	(37,101)
Transfers in	33,816	33,816	27,981	(5,835)
Use of fund balance	300,000	300,000	300,000	-
<b>Total Revenues and Other Sources</b>	<b>17,183,210</b>	<b>17,183,210</b>	<b>17,280,406</b>	<b>97,196</b>
<b>Expenditures and Other Uses:</b>				
General government	1,972,264	1,972,264	1,969,689	2,575
Public safety	6,051,346	6,051,346	5,847,288	204,058
Highway and streets	4,246,530	4,246,530	4,206,977	39,553
Health and welfare	86,462	86,462	85,680	782
Culture and recreation	1,034,132	1,034,132	1,025,940	8,192
Capital outlay	3,049,899	3,049,899	2,433,608	616,291
Transfer	420,000	420,000	427,701	(7,701)
Debt service	322,577	322,577	322,576	1
<b>Total Expenditures and Other Uses</b>	<b>17,183,210</b>	<b>17,183,210</b>	<b>16,319,459</b>	<b>863,751</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 960,947	\$ 960,947

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 DECEMBER 31, 2008

	Business-Type Activities <u>Enterprise Funds</u> Sewer Fund
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 2,050,025
User fees, net of allowance for uncollectibles	159,024
Special assessment	35,178
Intergovernmental receivables	37,410
Other assets	<u>142,204</u>
Total current assets	2,423,841
Noncurrent:	
Special assessment	22,515
Intergovernmental receivable, net of current portion	149,827
Capital assets, net of depreciation	<u>7,039,726</u>
Total noncurrent assets	<u>7,212,068</u>
<b>TOTAL ASSETS</b>	<b>9,635,909</b>
<b><u>LIABILITIES</u></b>	
Current:	
Vouchers payable	70,071
Accrued liabilities	24,856
Due to other funds	25,726
Other liabilities	3,020
Current portion of long-term liabilities:	
Bonds payable	260,000
Other liabilities	<u>296</u>
Total current liabilities	383,969
Noncurrent:	
Bonds payable, net of current portion	975,000
Other liabilities, net of current portion	<u>2,659</u>
Total noncurrent liabilities	<u>977,659</u>
<b>TOTAL LIABILITIES</b>	<b>1,361,628</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	5,804,726
Unrestricted	<u>2,469,555</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>8,274,281</u></b>

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities <u>Enterprise Funds</u> Sewer <u>Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,424,805
Miscellaneous	<u>1,074</u>
Total Operating Revenues	1,425,879
<b>Operating Expenses:</b>	
Sewer treatment	963,774
Depreciation	660,072
Miscellaneous	<u>76</u>
Total Operating Expenses	<u>1,623,922</u>
Operating Income (Loss)	(198,043)
<b>Nonoperating Revenues (Expenses):</b>	
Investment income	16,237
Intergovernmental revenue	47,101
Interest expense	<u>(68,476)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(5,138)</u>
Change in Net Assets	(203,181)
Net Assets at Beginning of Year	<u>8,477,462</u>
Net Assets at End of Year	<u><u>\$ 8,274,281</u></u>

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities <u>Enterprise Funds</u> Sewer Fund
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 1,472,853
Payments to vendors and employees	<u>(1,079,198)</u>
Net Cash Provided By (Used For) Operating Activities	393,655
<b><u>Cash Flows from Noncapital and Related Financing Activities:</u></b>	
Subsidy from State grants	<u>84,511</u>
Net Cash (Used For) Noncapital and Related Financing Activities	84,511
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Principal payments on bonds and notes	(260,000)
Interest expense	<u>(68,476)</u>
Net Cash (Used For) Capital and Related Financing Activities	(328,476)
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	<u>16,237</u>
Net Cash (Used For) Investing Activities	<u>16,237</u>
Net Change in Cash and Short-Term Investments	165,927
Cash and Short-Term Investments, Beginning of Year	<u>1,884,098</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,050,025</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income (loss)	\$ (198,043)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	660,072
Changes in assets and liabilities:	
User fees	13,351
Other assets	(108,581)
Vouchers payable	8,494
Accrued liabilities	(6,951)
Other liabilities	<u>25,313</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 393,655</u>

See notes to financial statements.

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>		
Cash and short term investments	\$ -	\$ 550,669
Investments	<u>385,763</u>	<u>-</u>
Total Assets	385,763	550,669
 <b><u>LIABILITIES</u></b>		
Escrow deposits	<u>-</u>	<u>550,669</u>
Total Liabilities	<u>-</u>	<u>550,669</u>
 <b><u>NET ASSETS</u></b>		
Total net assets held in trust	\$ <u><u>385,763</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment income	\$ <u>15,538</u>
Total additions	15,538
<b>Deductions:</b>	
Other	<u>9,306</u>
Total deductions	<u>9,306</u>
Net increase	6,232
<b>Net assets:</b>	
Beginning of year	<u>379,531</u>
End of year	\$ <u><u>385,763</u></u>

See notes to financial statements.

# TOWN OF GOFFSTOWN, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2008, it was determined that no entities met the required GASB-39 criteria of component units.

#### B. Government-Wide and Fund Financial Statements

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from

providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the sewer enterprise fund as a major proprietary fund.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

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

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one

year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

*F. Interfund Receivables and Payables*

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

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

#### *H. Compensated Absences*

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

#### *I. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### *J. Fund Equity*

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

#### *K. Use of Estimates*

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

## **2. Stewardship, Compliance, and Accountability**

#### *A. Budgetary Information*

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

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

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

**B. Budgetary Basis**

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

**C. Budget/GAAP Reconciliation**

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 17,283,680	\$ 17,658,896
Other financing sources/uses (GAAP basis)	<u>27,981</u>	<u>427,701</u>
Subtotal (GAAP Basis)	17,311,661	18,086,597
Adjust tax revenue to accrual basis	(97,029)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,375,555)
Add end of year appropriation carryforwards to expenditures	-	842,643

(Continued)

(Continued)

To reverse the effect of non-budgeted State contributions for employee retirement	(234,226)	(234,226)
Recognize use of fund balance as funding source	<u>300,000</u>	<u>-</u>
Budgetary basis	<u>\$ 17,280,406</u>	<u>\$ 16,319,459</u>

### 3. **Cash and Short-Term Investments**

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

As of December 31, 2008, \$ 1,108,704 of the Town's bank balance of \$ 16,923,325 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name. Of the \$1,108,704, \$ 122,441 represents cash held by the Trustee of Trust Funds.

### 4. **Investments**

#### A. Credit Risk

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

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

<u>Investment Type</u>	Fair <u>Value</u>	Minimum Legal <u>Rating</u>	Exempt From <u>Disclosure</u>	<u>Rating as of Year End</u>	
				<u>Aaa</u>	<u>Aa</u>
U.S. Treasury notes	\$ 145,872	N/A	\$ -	\$ 129,971	\$ 15,901
Corporate bonds	27,129		-	27,129	-
Corporate equities	411,167	N/A	411,167	-	-
Federal agency securities	<u>380,666</u>		<u>-</u>	<u>380,666</u>	<u>-</u>
Total investments	\$ <u>964,834</u>		\$ <u>411,167</u>	\$ <u>537,766</u>	\$ <u>15,901</u>

#### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Although the Town has an investment policy, it does not discuss custodial credit risk.

Of the investment in Corporate bonds of \$ 411,167, the government has a custodial credit risk exposure of \$ 411,167 because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the Counterparty to these securities.

#### C. Concentration of Credit Risk

Since the Town's investments all relate to trust funds, the Trustees of Trust Funds determines investment allocations for the Town's current investments. The Trustees have not placed a limit on the amount the Town may invest in any one issuer.

#### D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Although the Trustees of Trust Funds have an investment policy, the policy does not limit investment maturities as a means of managing the Town's exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury notes	\$ 145,872	\$ 41,371	\$ 104,501	\$ -
Corporate bonds	27,129	-	-	27,129
Federal agency securities	<u>380,666</u>	<u>-</u>	<u>156,887</u>	<u>223,779</u>
Total	<u>\$ 553,667</u>	<u>\$ 41,371</u>	<u>\$ 261,388</u>	<u>\$ 250,908</u>

## 5. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2008 consist of the following:

Real estate		
2007 levy	\$	1,494,079
Current use:		
2007 levy		8,022
Yield Tax		421
Unredeemed taxes:		
2007 levy		221,360
2006 levy		101,859
2005 and prior levy		1,365
Elderly liens		<u>76,282</u>
Total	\$	<u>1,903,388</u>

**6. Allowance for Doubtful Accounts**

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 156,844	\$ -
Emergency Medical Services	106,810	-
Utilities	-	25,037

**7. Intergovernmental Receivables**

This balance in Governmental funds represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008, while the balance in the Sewer fund represents reimbursements from the State of New Hampshire to help finance future debt service costs on certain bonds payable.

**8. Interfund Fund Receivables/Payables**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2008 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 47,407	\$ 8,000
Special Revenue Funds:		
Emergency medical services	-	21,681
Conservation	8,000	-
Enterprise Fund	<u>          </u>	<u>25,726</u>
Total	<u>\$ 55,407</u>	<u>\$ 55,407</u>

**9. Capital Assets**

Capital asset activity for the year ended December 31, 2008 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,541	\$ 66	\$ -	\$ 3,607
Machinery, equipment, and furnishings	7,421	673	(293)	7,801
Infrastructure	<u>24,607</u>	<u>-</u>	<u>-</u>	<u>24,607</u>
Total capital assets, being depreciated	35,569	739	(293)	36,015
Less accumulated depreciation for:				
Buildings and improvements	(1,992)	(92)	-	(2,084)
Machinery, equipment, and furnishings	(4,191)	(486)	256	(4,421)
Infrastructure	<u>(5,575)</u>	<u>(615)</u>	<u>-</u>	<u>(6,190)</u>
Total accumulated depreciation	<u>(11,758)</u>	<u>(1,193)</u>	<u>256</u>	<u>(12,695)</u>
Total capital assets, being depreciated, net	23,811	(454)	(37)	23,320
Capital assets, not being depreciated:				
Land	<u>4,717</u>	<u>102</u>	<u>-</u>	<u>4,819</u>
Total capital assets, being depreciated, net	<u>4,717</u>	<u>102</u>	<u>-</u>	<u>4,819</u>
Governmental activities capital assets, net	<u>\$ 28,528</u>	<u>\$ (352)</u>	<u>\$ (37)</u>	<u>\$ 28,139</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Machinery, equipment, and furnishings	\$ 31	\$ -	\$ -	\$ 31
Infrastructure	<u>13,077</u>	<u>-</u>	<u>-</u>	<u>13,077</u>
Total capital assets, being depreciated	13,108	-	-	13,108
Less accumulated depreciation for:				
Machinery, equipment, and furnishings	(22)	(6)	-	(28)
Infrastructure	<u>(5,388)</u>	<u>(654)</u>	<u>-</u>	<u>(6,042)</u>
Total accumulated depreciation	<u>(5,410)</u>	<u>(660)</u>	<u>-</u>	<u>(6,070)</u>
Business-type activities capital assets, net	<u>\$ 7,698</u>	<u>\$ (660)</u>	<u>\$ -</u>	<u>\$ 7,038</u>

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

<b>Governmental Activities:</b>	
General government	\$ 20,302
Public safety	199,775
Public works	933,337
Culture and recreation	<u>39,140</u>
Total depreciation expense - governmental activities	<u>\$ 1,192,554</u>

Business-Type Activities:	
Sewer	\$ <u>660,072</u>
Total depreciation expense - business-type activities	\$ <u><u>660,072</u></u>

**10. Vouchers Payable**

Vouchers payable represent additional 2008 expenditures paid after December 31, 2008.

**11. Deferred Revenue**

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

The balance of the General Fund *deferred revenues* account is equal to the total of all December 31, 2008 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

**12. Long-Term Debt**

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>12/31/08</u>
State revolving loan program	06/16/16	2.78%	\$ 1,312,000
State revolving loan program	10/01/17	3.47%	38,796
State revolving loan program	08/15/10	3.13%	<u>170,000</u>
Total Governmental Activities:			\$ <u><u>1,520,796</u></u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Outstanding as of 12/31/08</u>
12/90 Sewer Bond	01/15/11	6.70 - 6.75%	\$ 315,000
12/94 Sewer Bond	01/15/10	6.70 - 6.75%	50,000
07/98 Sewer Bond	08/15/13	3.90 - 5.00%	270,000
08/01 Sewer Bond	08/15/16	4.50%	<u>600,000</u>
Total Business-Type Activities:			\$ <u><u>1,235,000</u></u>

**B. Future Debt Service**

The annual principal payments to retire all general obligation long-term debt outstanding as of December 31, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 253,311	\$ 54,502	\$ 307,813
2010	253,311	46,114	299,425
2011	168,311	37,726	206,037
2012	168,311	31,464	199,775
2013	168,311	25,200	193,511
2014-2017	<u>509,241</u>	<u>38,176</u>	<u>547,417</u>
Total	\$ <u><u>1,520,796</u></u>	\$ <u><u>233,182</u></u>	\$ <u><u>1,753,978</u></u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2008.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 260,000	\$ 60,933	\$ 320,933
2010	260,000	46,375	306,375
2011	235,000	32,375	267,375
2012	130,000	22,706	152,706
2013	125,000	16,581	141,581
2014-2017	<u>225,000</u>	<u>21,394</u>	<u>246,394</u>
Total	\$ <u><u>1,235,000</u></u>	\$ <u><u>200,364</u></u>	\$ <u><u>1,435,364</u></u>

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

During the year ended December 31, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/08</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/08</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 1,774	\$ -	\$ (253)	\$ 1,521	\$ (253)	\$ 1,268
Other:						
Landfill closure	1,050	-	(42)	1,008	(42)	966
OPEB liability	-	227	(46)	181	-	181
Accrued employee benefits	129	2	-	131	(13)	118
Totals	<u>\$ 2,953</u>	<u>\$ 229</u>	<u>\$ (341)</u>	<u>\$ 2,841</u>	<u>\$ (308)</u>	<u>\$ 2,533</u>

	Total Balance <u>1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/08</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/08</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,495	\$ -	\$ (260)	\$ 1,235	\$ (260)	\$ 975
Other:						
Accrued employee benefits	6	-	(3)	3	-	3
Totals	<u>\$ 1,501</u>	<u>\$ -</u>	<u>\$ (263)</u>	<u>\$ 1,238</u>	<u>\$ (260)</u>	<u>\$ 978</u>

### 13. Landfill Closure and Postclosure Care Costs

The Town is required by state and federal laws and regulations to construct a final capping system on its landfill site and perform certain maintenance and monitoring functions at the site for 30 years.

The final capping of the landfill site was completed in September, 2002. The Town has reflected \$ 1,008,000 as the estimate of the remaining postclosure care liability at December 31, 2008 in the Governmental Activities Statement of Net Assets. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

### 14. Restricted Net Assets

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

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

**15. Reserves and Designations of Fund Equity**

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

The following types of reserves are reported at December 31, 2008:

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

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

**16. General Fund Undesignated Fund Balance**

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

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

GAAP basis balance	\$ 2,239,591
Deferred revenue	1,421,735
Allowance for doubtful accounts	(183,117)
Grants	<u>162,984</u>
Tax Rate Setting Balance	\$ <u><u>3,641,193</u></u>

**17. Commitments and Contingencies**

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute

a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

## **18. Post-Employment Health Care and Life Insurance Benefits**

### **Other Post-Employment Benefits**

During the year, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

#### **A. Plan Description**

The Town provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of December 31, 2008, there were 30 retiree subscribers, including eligible spouses and dependents, and 24 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

#### **B. Benefits Provided**

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

#### **C. Funding Policy**

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2008 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2008, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2008.

Annual Required Contribution (ARC)	\$ 227,394
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>227,394</u>
Contributions made	<u>(46,342)</u>
Increase in net OPEB obligation	181,052
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 181,052</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 227,394	20.4%	\$ 181,052

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2008, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,065,337
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>2,065,337</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0.0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 5,745,877</u></u>
UAAL as a percentage of covered payroll	<u><u>35.9%</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 4.25% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

**19. Retirement System**

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

*A. Plan Description*

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their

beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

**B. Funding Policy**

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 5% for employees and 9.3% for police and fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 8.74% for employees, 11.84% for police, and 15.92% for fire. The Town's contributions to the System for the years ended December 31, 2008, 2007, and 2006 were \$ 700,193, \$ 583,121, and \$ 522,814, respectively, which were equal to its annual required contributions for each of these years.

**20. Risk Management**

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

TOWN OF GOFFSTOWN, NEW HAMPSHIRE  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
ANNUALLY BUDGETED SPECIAL REVENUE FUNDS (EMERGENCY MEDICAL SERVICES)  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>(Negative)</u>
<b>Revenues:</b>				
Charges for services	\$ 360,195	\$ 360,195	\$ 297,497	\$ (62,698)
Investment income	3,100	3,100	3,244	144
Use of Fund Balance	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>
 Total Revenues	 548,295	 548,295	 485,741	 (62,554)
<b>Expenditures:</b>				
Public safety	<u>548,295</u>	<u>548,295</u>	<u>486,384</u>	<u>61,911</u>
 Total Expenditures	 <u>548,295</u>	 <u>548,295</u>	 <u>486,384</u>	 <u>61,911</u>
 Excess of revenues over expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (643)</u>	 <u>\$ (643)</u>

See Independent Auditors' Report.

**TOWN OF GOFFSTOWN, NEW HAMPSHIRE**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2008**

**(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/08	\$ -	\$ 2,065,337	\$ 2,065,337	0.0%	\$ 5,745,877	36%

See Independent Auditors' Report.