

**TOWN OF LINCOLN, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2008**

**and**

**Independent Auditor's Report**

**TOWN OF LINCOLN, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2008**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Lincoln, 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 Lincoln, New Hampshire (the Town) 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'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, New Hampshire as of December 31, 2008 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-v and 18-19, 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 Lincoln, New Hampshire's basic financial statements. The combining nonmajor 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 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.

*Vachon, Clukay & Co., PC*

May 29, 2009

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2008 and 2007

Presented herewith please find the Management Discussion & Analysis Report for the Town of Lincoln for the year ending December 31, 2008 and 2007. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the Town of Lincoln using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Town of Lincoln's financial statements. The basic financial statements comprise 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 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 fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2008 and 2007

demonstrate compliance with finance-related legal requirements. The Town maintains one fund type: 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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, our 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.

The Town maintains several individual government funds. Information is presented separately in the government fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Reserve Fund, both of which are considered major funds.

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

**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 fund financial statements.

**Government-Wide Financial Analysis**

**Statement of Net Assets**

Net assets of the Town of Lincoln as of December 31, 2008 and 2007 are as follows:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets:		
Capital assets	\$ 15,745,835	\$ 16,069,653
Other assets	4,665,042	4,451,955
Total assets	<u>20,410,877</u>	<u>20,521,608</u>
Long term liabilities:		
Compensated balances	91,811	83,725
General obligation bonds payable	4,672,404	5,059,301
Other liabilities	<u>1,846,068</u>	<u>1,664,841</u>
Total Liabilities	<u>6,610,283</u>	<u>6,807,867</u>

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2008 and 2007

Net assests:		
Invested in capital assets, net of related debt	11,073,431	11,010,352
Restricted	1,206,273	1,319,511
Unrestricted	1,520,890	1,383,878
Total net assets	<u>\$ 13,800,594</u>	<u>\$ 13,713,741</u>

**Statement of Activities**

Changes in net assets for the year ending December 31, 2008 and 2007 are as follows:

	2008	2007
Program revenues:		
Charges for services	\$ 431,098	\$ 445,614
Operating grants and contributions	109,903	92,621
Capital grants and contributions	9,938	161,380
Total Program revenues	<u>550,939</u>	<u>699,615</u>
General revenues:		
Property and other taxes	2,871,773	2,548,038
Licenses and permits	357,671	661,273
Intergovernmental revenue	173,949	170,359
Interest and investment earnings	65,198	118,273
Contributions to permanent fund principal	600	2,800
Miscellaneous	253,757	251,203
Total general revenues	<u>3,722,948</u>	<u>3,751,946</u>
Total revenues	<u>4,273,887</u>	<u>4,451,561</u>
Program expenses:		
General government	1,033,730	980,349
Public safety	933,314	877,370
Highways and streets	578,857	375,588
Health and welfare	62,735	65,634
Sanitation	600,795	551,867
Water distribution and treatment	386,137	355,705
Culture and recreation	367,457	331,948
Interest and fiscal charges	224,009	237,788
Total expenses	<u>4,187,034</u>	<u>3,776,249</u>
Change in net assests	86,853	675,312
Net assets - beginning of year	<u>13,713,741</u>	<u>13,038,429</u>
Net assets - ending of year	<u>\$ 13,800,594</u>	<u>\$ 13,713,741</u>

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2008 and 2007

**Town of Lincoln Governmental Activities**

As shown in the above statement the Town experienced an improvement in financial position of \$86,853 on the full accrual basis of accounting in 2008, a 12.86% decrease over 2007.

The General Fund shows a fund balance of \$620,783. This represents a \$166,579 decrease in fund balance from the prior year.

The Capital Reserve fund balance experienced a net increase of \$24,684 which represents interest earned.

**General Fund Budgetary Highlights**

Budgetary information for the General Fund and any major Special Revenue Fund is to be included in the Required Supplementary Information section. Budgetary information in the financial statements has been presented only for the General Fund as there is no adopted budget for the Capital Reserve Funds.

Actual revenues on the budgetary basis exceeded the budgeted amount by \$272,653. This is primarily due to higher revenues from the following budgeted sources: \$166,265 from property taxes, \$5,476 from licenses and permits, \$1,016 in interest on deposits and \$127,230 in miscellaneous revenues.

During the year, the original budget decreased by \$90,524. This decrease is the result of approved appropriations to be carried forward to 2009.

The Town under expended its budget by \$15,970. The key areas of savings resulted in the general government function, which yielded a savings of \$23,451.

**Capital Assets**

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

During the year the Town completed more renovations totaling \$20,874 to the Community building and other police department, highway department equipment and parks and recreation equipment totaling \$67,639.

**Long-Term Obligations**

During FY 2008 the Town had a reduction in general obligation bonds of \$379,794 from payments made during the year. Capital lease obligations in the governmental activities experienced a net decrease of \$7,103 as a result of payments made on the public safety vehicle.

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2008 and 2007

**Contacting the Town of Lincoln's Financial Management**

This financial report is to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 39, Lincoln, NH 03251, telephone number 603-745-2757.

EXHIBIT A  
**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**Statement of Net Assets**  
December 31, 2008

	Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,078,737
Investments	1,696,524
Accounts receivable	16,482
Taxes receivable	828,353
Due from other governments	44,946
Capital assets:	
Non depreciated	1,325,000
Depreciated, net	<u>14,420,835</u>
Total assets	<u>\$ 20,410,877</u>
LIABILITIES	
Accounts payable	\$ 62,686
Accrued expenses	71,431
Deferred revenue	3,067
Retainage payable	5,512
Deposits	635
Due to other governments	1,702,737
Noncurrent liabilities:	
Due in one year	392,873
Due in more than one year	<u>4,371,342</u>
Total liabilities	<u>6,610,283</u>
NET ASSETS	
Invested in capital assets, net of related debt	11,073,431
Restricted	1,206,273
Unrestricted	<u>1,520,890</u>
Total net assets	<u>13,800,594</u>
Total liabilities and net assets	<u>\$ 20,410,877</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**Statement of Activities**  
For the Year Ended December 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Current operations:					
General government	\$ 1,033,730	\$ 7,485	\$ 350		\$ (1,025,895)
Public safety	933,314	2,126	39,986		(891,202)
Highways and streets	578,857		23,753		(555,104)
Health and welfare	62,735				(62,735)
Sanitation	600,795	211,175			(389,620)
Water distribution and treatment	386,137	3,925	45,814		(336,398)
Culture and recreation	367,457	206,387		\$ 9,938	(151,132)
Interest	224,009				(224,009)
Total governmental activities	<u>\$ 4,187,034</u>	<u>\$ 431,098</u>	<u>\$ 109,903</u>	<u>\$ 9,938</u>	<u>(3,636,095)</u>
General revenues:					
Property and other taxes					2,871,773
Licenses and permits					357,671
Grants and contributions:					
State shared revenues					115,109
Rooms and meals tax distribution					58,840
Interest and investment earnings					65,198
Miscellaneous					253,757
Contributions to permanent fund principal					600
Total general revenues and contributions to permanent fund principal					<u>3,722,948</u>
Change in net assets					86,853
Net assets - beginning					<u>13,713,741</u>
Net assets - ending					<u>\$ 13,800,594</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2008

	General <u>Fund</u>	Capital Reserve <u>Funds</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 899,317	\$ 1,015,026	\$ 164,394	\$ 2,078,737
Investments	1,012,980		683,544	1,696,524
Accounts receivable	16,482			16,482
Taxes receivable	828,353			828,353
Due from other governments	44,946			44,946
Due from other funds	260,653	600	600	261,853
Total assets	<u>\$ 3,062,731</u>	<u>\$ 1,015,626</u>	<u>\$ 848,538</u>	<u>\$ 4,926,895</u>
<b>Liabilities:</b>				
Accounts payable	\$ 62,686			\$ 62,686
Deferred revenue	674,690			674,690
Retainage payable		\$ 4,124	\$ 1,388	5,512
Deposits	635			635
Due to other governments	1,702,737			1,702,737
Due to other funds	1,200	188,779	71,874	261,853
Total liabilities	<u>2,441,948</u>	<u>192,903</u>	<u>73,262</u>	<u>2,708,113</u>
<b>Fund balances:</b>				
Reserved for endowments			59,109	59,109
Unreserved, reported in:				
General fund	620,783			620,783
Capital projects fund			324,441	324,441
Special revenue fund		822,723	384,054	1,206,777
Permanent fund			7,672	7,672
Total fund balances	<u>620,783</u>	<u>822,723</u>	<u>775,276</u>	<u>2,218,782</u>
Total liabilities and fund balances	<u>\$ 3,062,731</u>	<u>\$ 1,015,626</u>	<u>\$ 848,538</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 15,745,835

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 671,623

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	(4,664,883)
Capital lease payable	(7,521)
Accrued interest	(71,431)
Compensated absences	(91,811)

Net assets of governmental activities \$ 13,800,594

See accompanying notes to the basic financial statements

EXHIBIT D

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

For the Year Ended December 31, 2008

	General Fund	Capital Reserve Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,602,732			\$ 2,602,732
Licenses and permits	297,341	\$ 31,715	\$ 28,615	357,671
Intergovernmental revenues	293,790			293,790
Charges for services	431,098			431,098
Interest income	20,726	23,236	21,236	65,198
Miscellaneous	211,257	15,000	28,100	254,357
Total Revenues	<u>3,856,944</u>	<u>69,951</u>	<u>77,951</u>	<u>4,004,846</u>
Expenditures:				
Current operations:				
General government	943,763			943,763
Public safety	870,097			870,097
Highways and streets	264,188			264,188
Health and welfare	62,735			62,735
Sanitation	460,424		76,662	537,086
Water distribution and treatment	242,644			242,644
Culture and recreation	319,257			319,257
Capital outlay	52,579	345,875		398,454
Debt service:				
Principal	379,794			379,794
Interest	228,414			228,414
Total Expenditures	<u>3,823,895</u>	<u>345,875</u>	<u>76,662</u>	<u>4,246,432</u>
Excess revenues over (under) expenditures	<u>33,049</u>	<u>(275,924)</u>	<u>1,289</u>	<u>(241,586)</u>
Other financing sources (uses):				
Transfers in	206,821	406,449		613,270
Transfers out	(406,449)	(105,841)	(100,980)	(613,270)
Total other financing sources (uses)	<u>(199,628)</u>	<u>300,608</u>	<u>(100,980)</u>	<u>-</u>
Net change in fund balances	<u>(166,579)</u>	<u>24,684</u>	<u>(99,691)</u>	<u>(241,586)</u>
Fund balances at beginning of year	<u>787,362</u>	<u>798,039</u>	<u>874,967</u>	<u>2,460,368</u>
Fund balances at end of year	<u>\$ 620,783</u>	<u>\$ 822,723</u>	<u>\$ 775,276</u>	<u>\$ 2,218,782</u>

**TOWN OF LINCOLN, 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

Change in Fund Balances - Total Governmental Funds	\$ (241,586)
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 depreciation exceeded capital outlays in the current period.	(323,818)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	269,041
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	379,794
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	7,103
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	4,405
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 governmental funds.	(8,086)
Change in net assets of governmental activities	\$ 86,853

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2008

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

The accounting policies of the Town of Lincoln, New Hampshire conform to accounting principles 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 Lincoln, New Hampshire (the Town) was incorporated in 1764. The Town operates under the Town Meeting 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 organizational units which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board.

***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

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2008

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 separate column.

***Fund Accounting***

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

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

*The Capital Reserve Funds* account 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.

***Measurement Focus***

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

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

**2. Fund Financial Statements:**

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

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2008

***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. 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.

**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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal 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 fiscal year for which the taxes are levied (see Note 2). Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal 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 fiscal year end: property taxes and interest on investments.

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

**2. Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2008

**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 departmental 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, 2008, the Town applied \$403,605 of its unappropriated fund balance to reduce taxes.

***Encumbrance Accounting***

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

***Investments***

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

***Taxes Receivable***

Taxes levied during the current fiscal year and prior and uncollected at December 31, 2008 are recorded as receivables net of reserves for estimated uncollectible of \$15,000.

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2008

received. Estimated historical cost was used to value the majority of assets acquired prior to December 31, 2003.

The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, water and sewer lines and drainage systems. 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.

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

<u>Description</u>	<u>Years</u>
Buildings and improvements	20-50
Vehicles and equipment	8-10
Land improvements	20
Infrastructure	75

***Compensated Absences***

Employees may accumulate five weeks of vacation and personal time and eight weeks of sick time that may be paid to the employee upon retirement or termination.

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

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

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2008

***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 continued appropriations.

***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.

**NOTE 2--PROPERTY TAXES**

Taxes are levied on the assessed value of all taxable real property as of the prior April 1 (\$851,777,575 as of April 1, 2008) and were due in two installments on July 1 and December 1. Taxes unpaid after the due date accrue interest at 12% per annum.

The Town collects taxes for the Lincoln-Woodstock Cooperative School District and Grafton County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes which are remitted directly to the school district. Taxes appropriated during the year were \$3,375,880 and \$1,151,097 for the Lincoln-Woodstock Cooperative School District and Grafton County, respectively. The Town bears responsibility for uncollected taxes.

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. The 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.

**NOTE 3--RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2008, the Town was a member of 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 a "Risk Pools" in accordance with accounting principles generally accepted in the United States of America.

PRIMEX is a Trust organized to provide certain property and liability insurance coverages to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust also provides statutory worker's compensation coverage. As a member of PRIMEX, the Town shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program through annual member premiums. The property and liability insurance program includes a Loss Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000.

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2008

The worker's compensation benefits and employer's liability provides coverage up to \$2,000,000 and includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

The Trust agreement permits the Trust 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 Trust foresees 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, 2008.

**NOTE 4—DEPOSITS AND INVESTMENTS**

Deposits and investments as of December 31, 2008 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 2,078,737
Investments	<u>1,696,524</u>
	<u>\$ 3,775,261</u>

Deposits and investments as of December 31, 2008 consist of the following:

Cash on hand	\$ 27,750
Deposits with financial institutions	2,050,987
Investments	<u>1,696,524</u>
	<u>\$ 3,775,261</u>

The Town's requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. Responsibility for the investments of the Trust Funds is with the Board of Trustees.

***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. Currently, the Town has no investment policy for assurance against custodial credit risk.

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.

Of the Town's deposits with financial institutions at year end, bank balances of \$500,635 were insured and \$1,259,446 were collateralized by securities held by the bank in the bank's name.

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2008

***Investment in NHPDIP***

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

**NOTE 5--DUE FROM OTHER GOVERNMENTS**

Receivables from other governments at December 31, 2008 consist of reimbursements from the Town of Woodstock in the amount of \$44,946. All receivables are considered collectible in full and will be received within one year.

**NOTE 6--CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance <u>1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/08</u>
Capital assets not being depreciated:				
Land	\$ 1,325,000			\$ 1,325,000
Total capital assets not being depreciated	<u>1,325,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,325,000</u>
Other capital assets:				
Buildings and improvements	4,819,468	20,874		4,840,342
Vehicles and equipment	1,055,401	67,639	28,386	1,094,654
Land improvements	230,199			230,199
Infrastructure	14,375,991			14,375,991
Total other capital assets at historical cost	<u>20,481,059</u>	<u>88,513</u>	<u>28,386</u>	<u>20,541,186</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,174,021)	(105,424)		(1,279,445)
Vehicles and equipment	(584,719)	(93,407)	28,386	(649,740)
Land improvements	(100,857)	(6,868)		(107,725)
Infrastructure	(3,876,809)	(206,632)		(4,083,441)
Total accumulated depreciation	<u>(5,736,406)</u>	<u>(412,331)</u>	<u>28,386</u>	<u>(6,120,351)</u>
Total other capital assets, net	<u>14,744,653</u>	<u>(323,818)</u>	<u>-</u>	<u>14,420,835</u>
Total capital assets, net	<u>\$ 16,069,653</u>	<u>\$ (323,818)</u>	<u>\$ -</u>	<u>\$ 15,745,835</u>

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2008

Depreciation expense was charged to governmental functions as follows:

General government	\$ 34,777
Public safety	52,471
Highways and streets	138,630
Culture and recreation	31,549
Sanitation	40,692
Water distribution and treatment	114,212
	<u>\$ 412,331</u>

The balance of the assets acquired through capital leases as of December 31, 2008 is as follows:

Vehicles and equipment	\$ 22,590
Less: Accumulated depreciation	(13,178)
	<u>\$ 9,412</u>

**NOTE 7—DUE TO OTHER GOVERNMENTS**

In accordance with State law, the Town collects taxes for the Lincoln-Woodstock Cooperative School District an independent governmental unit, which are remitted to them as required by law. At December 31, 2008, the balance of the property tax appropriation due to the Lincoln-Woodstock Cooperative School District is \$1,700,080.

**NOTE 8--DEFINED BENEFIT PENSION 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 and general employees are required to contribute 9.3% or 5.0% of their covered salary, respectively, and 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 December 31, 2008. 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. The Town contributes 100% of the employer cost for general employees of the Town. On-behalf fringe benefits (GASB Statement #24) contributed by the State of New Hampshire of \$26,097 have been reported as a revenue and expenditure in the General Fund of these Financial Statements.

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2008

Under State law (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 year ending December 31, 2008, 2007, and 2006 were \$117,137, \$97,780, and \$75,975, equal to the required contributions for those years.

**NOTE 9—LONG-TERM OBLIGATIONS**

Payments on the general obligation bonds and capital leases are paid out of the General Fund. General obligation debt is a direct obligation of the Town, for which full faith and credit is pledged, and is payable from taxes levied on all taxable property located within the Town.

*Changes in Long-Term Obligations* – The following is a summary of debt transactions of the Town for the year ended December 31, 2008:

Type	Balance 1/1/08	Additions	Reductions	Balance 12/31/08	Current Portion
General obligation bonds	\$ 5,044,677		\$ 379,794	\$ 4,664,883	\$ 385,352
Capital leases	14,624		7,103	7,521	7,521
Compensated absences	83,725	\$ 20,600	12,514	91,811	
Totals	<u>\$ 5,143,026</u>	<u>\$ 20,600</u>	<u>\$ 399,411</u>	<u>\$ 4,764,215</u>	<u>\$ 392,873</u>

*General long term debt* – Bonds payable at December 31, 2008 consist of the following General Obligation issues:

\$2,050,000 - 2003 Water Projects Bond due in annual installments of \$105,000 through August 15, 2013; and decreasing to \$100,000 through August 15, 2023; interest at 3.5% to 4.9%.	\$ 1,525,000
\$1,200,000 - 2003 Wastewater Treatment Bonds due in annual installments of \$60,000 through August 15, 2023; interest at 3.5% to 4.9%.	900,000
\$1,510,000 - 1988 Capital Improvement Bonds due in annual installments of \$75,000 through January 15, 2009; interest at 7.5% to 7.82%.	75,000
\$3,180,800 1993 Water Treatment Bonds due in semi-annual installments of \$105,841, including interest at 5.0%, through October 9, 2020 decreasing to \$103,490 on April 9, 2021, \$20,755 on October 9, 2021, and \$20,099 on April 9, 2022.	1,954,883
\$300,000 - 2005 Community Building Note due in annual installments of \$36,448, including interest at 4.0% through July 26, 2015.	<u>210,000</u>
	<u>\$ 4,664,883</u>

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2008

*Summary of Debt Service Requirements to Maturity* – The annual requirements to amortize General Obligation Bonds as of December 31, 2008 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 385,352	\$ 210,354	\$ 595,706
2010	316,192	195,806	511,998
2011	322,327	183,483	505,810
2012	328,773	170,850	499,623
2013	335,545	157,477	493,022
2014-2018	1,676,735	550,370	2,227,105
2019-2023	<u>1,299,959</u>	<u>155,444</u>	<u>1,455,403</u>
	<u>\$ 4,664,883</u>	<u>\$ 1,623,784</u>	<u>\$ 6,288,667</u>

The State of New Hampshire annually reimburses the Town for a portion of its water debt service. During 2008, reimbursements by the State were \$45,815.

*Authorized and Unissued Debt*– Long-term debt authorized and unissued at December 31, 2008 is as follows:

<u>Purpose</u>	<u>Amount</u>
Sewer (1979)	\$ 70,000
Sewer Treatment Facility (1987)	700,000
Water System Construction (1991)	<u>219,200</u>
	<u>\$ 989,200</u>

***Capital Lease Obligations***

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. Following is the individual capital lease obligation at December 31, 2008:

Police cruiser, due in annual installments of \$7,966 through April 2009, including interest at 5.90%	<u>\$ 7,521</u>
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Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2008 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	<u>\$ 7,521</u>	<u>\$ 445</u>	<u>\$ 7,966</u>

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2008

**NOTE 10--INTERFUND TRANSACTIONS AND BALANCES**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. The current year interfund balance is due to excess cash spent by the capital projects fund with a pending reimbursement to the general fund. The Capital Reserve Funds have an interfund payable to the general fund for reimbursement of expenditures. Interfund balances at December 31, 2008 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General Fund	\$ 260,653	\$ 1,200
Capital Reserve Funds	600	188,779
Other Governmental Funds:	<u>600</u>	<u>71,874</u>
	<u>\$ 261,853</u>	<u>\$ 261,853</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2008 are as follows.

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Funds:		
General Fund	\$ 206,821	\$ 406,449
Capital Reserve Funds	406,449	105,841
Other Governmental Funds:		<u>100,980</u>
	<u>\$ 613,270</u>	<u>\$ 613,270</u>

**NOTE 11—TOP TAXPAYERS**

The following are the five major property owners as they relate to the assessed property valuation of \$851,777,575:

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
MDR South Peak, LLC	\$ 25,380,960	2.98%
Loon Mountain LLC	19,155,820	2.25%
Village Lodge Condominium UOA	13,745,220	1.61%
Southern Peaks at Pollard Brook	13,730,510	1.61%
Beacon Motel, Inc	6,886,150	0.81%

**NOTE 12—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, 2008 are as follows:

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2008

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	<u>\$ 59,109</u>	<u>\$ 7,672</u>	<u>\$ 66,781</u>

**NOTE 13—RESTRICTED NET ASSETS**

Net assets are restricted for specific purposes at December 31, 2008 as follows:

Endowments	\$ 59,109
Capital projects	324,441
Capital reserve	<u>822,723</u>
	<u>\$ 1,206,273</u>

**NOTE 14--CONTINGENT LIABILITIES**

***Litigation***

In the opinion of legal counsel and Town management, any potential claims against the Town, which are not covered by insurance are immaterial and would not affect the financial position of the Town.

SCHEDULE 1  
**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 2,705,508	\$ 2,705,508	\$ 2,871,773	\$ 166,265
Licenses and permits	291,865	291,865	297,341	5,476
Intergovernmental	235,961	235,961	267,693	31,732
Charges for services	490,164	490,164	431,098	(59,066)
Interest income	19,710	19,710	20,726	1,016
Miscellaneous	84,027	84,027	211,257	127,230
Total Revenues	<u>3,827,235</u>	<u>3,827,235</u>	<u>4,099,888</u>	<u>272,653</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	967,214	967,214	943,763	23,451
Public safety	860,595	860,595	844,000	16,595
Highways and streets	271,954	253,819	264,188	(10,369)
Health and welfare	60,942	60,942	62,735	(1,793)
Sanitation	476,499	476,499	457,750	18,749
Water treatment and distribution	227,941	227,941	242,644	(14,703)
Culture and recreation	313,691	313,691	319,257	(5,566)
Capital outlay	115,435	43,046	52,579	(9,533)
<b>Debt service</b>				
Principal retirement	379,793	379,793	379,794	(1)
Interest and fiscal charges	227,554	227,554	228,414	(860)
Total Expenditures	<u>3,901,618</u>	<u>3,811,094</u>	<u>3,795,124</u>	<u>15,970</u>
Excess revenues over (under) expenditures	<u>(74,383)</u>	<u>16,141</u>	<u>304,764</u>	<u>288,623</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	206,821	206,821
Transfers out	(417,554)	(417,554)	(406,449)	11,105
Total other financing sources (uses)	<u>(417,554)</u>	<u>(417,554)</u>	<u>(199,628)</u>	<u>217,926</u>
Net change in fund balances	<u>(491,937)</u>	<u>(401,413)</u>	<u>105,136</u>	<u>506,549</u>
<b>Fund balances at beginning of year</b>				
- Budgetary Basis	<u>1,187,270</u>	<u>1,187,270</u>	<u>1,187,270</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 695,333</u>	<u>\$ 785,857</u>	<u>\$ 1,292,406</u>	<u>\$ 506,549</u>

See accompanying notes to the required supplementary information

**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
December 31, 2008

**NOTE 1--BUDGET TO ACTUAL RECONCILIATION**

*General Fund*

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Budgetary information in these financial statements has been presented only for the General Fund as it is neither practical nor meaningful for other funds. Budgetary revenues and expenditures were adjusted as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Exhibit D	\$ 4,063,765	\$ 4,230,344
Difference in property taxes meeting susceptible to accrual criteria	269,041	
On-behalf fringe benefits	(26,097)	(26,097)
Encumbrances, December 31, 2007		(2,674)
Schedule 1	<u>\$ 4,306,709</u>	<u>\$ 4,201,573</u>

**NOTE 2--BUDGETARY FUND BALANCES**

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

Designated for subsequent years' expenditures	\$ 90,524
Undesignated	<u>1,201,882</u>
	<u>\$ 1,292,406</u>

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

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

Unexpended highway block grant	<u>\$ 90,524</u>
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SCHEDULE A  
**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
December 31, 2008

	Capital Projects Fund	Water Impact Fees Fund	Permanent Fund	Combining Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 66,265	\$ 31,948	\$ 66,181	\$ 164,394
Investments	331,438	352,106		683,544
Due from other funds			600	600
Total Assets	<u>\$ 397,703</u>	<u>\$ 384,054</u>	<u>\$ 66,781</u>	<u>\$ 848,538</u>
<b>LIABILITIES</b>				
Retainage payable	\$ 1,388			\$ 1,388
Due to other funds	71,874			71,874
Total Liabilities	<u>73,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>73,262</u>
<b>FUND BALANCES</b>				
Reserved for endowments			59,109	59,109
Unreserved, reported in:				
Capital projects fund	324,441			324,441
Special revenue funds		384,054		384,054
Permanent funds			7,672	7,672
Total Fund Balances	<u>324,441</u>	<u>384,054</u>	<u>66,781</u>	<u>775,276</u>
Total Liabilities and Fund Balances	<u>\$ 397,703</u>	<u>\$ 384,054</u>	<u>\$ 66,781</u>	<u>\$ 848,538</u>

SCHEDULE B  
**TOWN OF LINCOLN, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended December 31, 2008

	Capital Projects <u>Fund</u>	Water Impact Fees <u>Fund</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:				
Licenses and permits	\$ 28,615			\$ 28,615
Interest income	10,505	\$ 8,470	\$ 2,261	21,236
Miscellaneous		27,500	600	28,100
Total Revenues	<u>39,120</u>	<u>35,970</u>	<u>2,861</u>	<u>77,951</u>
Expenditures:				
Current operations:				
Sanitation	<u>76,662</u>			<u>76,662</u>
Total Expenditures	<u>76,662</u>	<u>-</u>	<u>-</u>	<u>76,662</u>
Excess revenues over (under) expenditures	<u>(37,542)</u>	<u>35,970</u>	<u>2,861</u>	<u>1,289</u>
Other financing (uses):				
Transfers out	<u>(100,980)</u>			<u>(100,980)</u>
Total other financing (uses)	<u>(100,980)</u>	<u>-</u>	<u>-</u>	<u>(100,980)</u>
Net change in fund balances	(138,522)	35,970	2,861	(99,691)
Fund Balances - January 1	<u>462,963</u>	<u>348,084</u>	<u>63,920</u>	<u>874,967</u>
Fund Balances - December 31	<u>\$ 324,441</u>	<u>\$ 384,054</u>	<u>\$ 66,781</u>	<u>\$ 775,276</u>

**REPORT ON INTERNAL CONTROL BASED ON  
AN AUDIT OF BASIC FINANCIAL STATEMENTS**

To the Board of Selectmen  
Town of Lincoln, New Hampshire

In planning and performing our audit of the financial statements of the Town of Lincoln, as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Lincoln's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lincoln's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lincoln's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, Board of Selectmen, others within the organization and is not intended to be and should not be used by anyone other than these specified parties

*Vachon, Clukay & Co., PC*

May 29, 2009