

TOWN OF HOLDERNESS, NEW HAMPSHIRE

Financial Statements

June 30, 2010

and

Independent Auditor's Report

TOWN OF HOLDERNESS, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2010

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-v
BASIC FINANCIAL STATEMENTS	
EXHIBITS:	
A Statement of Net Assets	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
E Statement of Fiduciary Net Assets – Fiduciary Funds	5
NOTES TO BASIC FINANCIAL STATEMENTS	6-16
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	17
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	18-19
SUPPLEMENTAL SCHEDULES	
SCHEDULES:	
A Combining Balance Sheet – All Nonmajor Governmental Funds	20
B Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Nonmajor Governmental Funds	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Holderness, 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 Holderness, New Hampshire (the Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities or business-type activities of the Town of Holderness, New Hampshire, as of June 30, 2010, or the changes in financial position thereof for the year ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Holderness, New Hampshire as of June 30, 2010, 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 17-19, 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 Holderness, 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, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Vachon Clakay & Company PC

January 31, 2011

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2010

Presented herewith please find the Management Discussion & Analysis Report for the Town of Holderness for the year ending June 30, 2010. 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 Holderness 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 Holderness'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

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 demonstrate compliance with finance-related legal requirements. The Town maintains two fund types: governmental and fiduciary funds.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2010

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 the combined four non-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.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town. 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.

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 Holderness as of June 30, 2010 are as follows:

	<u>2010</u>
Current and other assets:	
Capital assets	\$ 3,774,070
Other assets	<u>5,981,915</u>
Total assets	<u>9,755,985</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2010

Long term and other liabilities:	
General obligation debt payable	120,000
Other liabilities	<u>4,543,387</u>
Total liabilities	<u><u>4,663,387</u></u>

Net assets:	
Invested in capital assets, net of related debt	3,654,070
Restricted	493,349
Unrestricted	<u>945,179</u>
Total net assets	<u><u>\$ 5,092,598</u></u>

Statement of Activities

Changes in net assets for the year ending June 30, 2010 are as follows:

	<u>2010</u>
Program revenues:	
Charges for services	\$ 166,307
Operating grants and contributions	88,013
Capital grants and contributions	<u>10,000</u>
Total program revenues	<u>264,320</u>
General revenues:	
Taxes	1,626,154
Licenses and permits	386,234
Intergovernmental revenue	89,467
Interest and investment earnings	28,922
Miscellaneous	<u>105,757</u>
Total general revenues	<u>2,236,534</u>
Total revenues	<u><u>2,500,854</u></u>
Program expenses:	
General government	715,855
Public safety	633,438
Highways and streets	404,150
Health and welfare	51,835
Sanitation	163,583
Culture and recreation	182,291
Conservation	881
Interest and fiscal charges	<u>7,299</u>
Total expenses	<u><u>2,159,332</u></u>
Change in net assets	341,522
Net assets - beginning of year, restated	<u>4,751,076</u>
Net assets - ending of year	<u><u>\$ 5,092,598</u></u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2010

Town of Holderness Activities

As shown in the above statement the Town experienced an increase in financial position of \$341,522 on the full accrual basis of accounting. This increase is primarily due to the Town capitalizing over \$350,000 in new capital assets.

The General Fund shows a fund balance of \$822,682, this is an increase of \$127,654.

Capital Assets

The Town of Holderness 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 put into service \$353,849 and retired \$55,447 of capital assets.

A capital replacement and maintenance plan has been established for all town departments and is reviewed and adjusted annually as necessary. The plan is utilized in two ways; 1. To adequately evaluate the replacement needs on a town-wide basis in order to not "overload" any one year with multiple purchases, 2. To adequately fund reserve accounts for capital purchases and/or determine future debt needs if reserves are not sufficient for all purchases.

Long-Term Obligations

During the year ending June 30, 2010 the Town reduced its general obligation debt by \$60,000.

One of management's priorities is to limit borrowing whenever possible by annually funding capital reserve accounts. With the retirement of the long-term bond for the construction of the public safety building in FY 2010, the town's total indebtedness will be approximately \$350,000 which was for the reconstruction of the transfer station. At this time, there doesn't seem to be any anticipated need for long term borrowing in the next five years.

Economic Factors

It is an overall goal of the Board and Administrator to maintain as best as possible a stable tax rate for the town and avoid rate "spiking" from year to year. One of the key factors to maintaining a stable tax rate is keeping a healthy fund balance that can be used when needed to minimize significant tax rate increases. It is the Board's opinion that a healthy fund balance for the Town of Holderness is between \$650,000 and \$950,000 or within the range of 6-8% of the total appropriations for the town, school, state education tax and county combined. Our budgetary fund balance for the year ending June 30, 2010 is \$943,121.

The town's management philosophy regarding the development and expenditure of the operations and capital budgets has remained the same over the past several years which is zero base budget building, funding operations to a level that, at a minimum, maintains the town's operations at the previous year's level and, when at all possible, improve operations going forward in a positive direction.

Management's concerns for the future include:

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2010

The effect of the poor economy on Holderness' property values. The key to affordable tax rates in Holderness is the significant value of lake front property. Although the impact on Squam Lake waterfront properties has been minimal so far compared to other vacation property communities in NH in this poor economy, if that was to change then a significant change in the town financial management would have to occur including reducing town services and possible work staff as well.

Reducing energy use and conservation has and will continue to be a priority for management. Over the past few years many energy conservation improvements have been made to several town buildings. These efforts will continue in the future as methods and opportunities allow.

State reduction in services and funding is a major concern in the short and long-term as reduced state services puts additional burdens on local government to provide for those who are in need and reduced state funding directly effects the town's bottom line.

Education funding is the most important concern for management as the cost of education continues to rise at an average rate of 8-10% per year. The return of "donor towns" is impacting our budget preparation for FY 2011/12 and will continue to affect future budgets until the problem is solved.

Health care and retirement benefits continue to have significant impacts on operating budgets. Employer retirement rates and health insurance premiums continue to rise significantly each year. Management has taken an aggressive approach to try and minimize the impact of major increases in health insurance rates by including some "self insurance" in our employee benefit program that is helping manage some of the impact and will continue to do so if rates continue to rise as they have been.

Comparative Financial Information

Due to the eighteen month transition period to the new fiscal year, comparative information is not meaningful and will resume with the year ending June 30, 2011.

Contacting the Town of Holderness'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 203, Holderness, NH 03245, Telephone number 603-968-3537.

EXHIBIT A
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,950,136
Investments	738,245
Taxes receivable	2,288,183
Due from other governments	213
Tax deeded property	5,138
Capital assets:	
Non-depreciable	1,296,888
Depreciable, net	2,477,182
Total Assets	<u>\$ 9,755,985</u>
LIABILITIES	
Accounts payable	\$ 65,144
Accrued expenses	48,298
Deferred revenue	4,427,475
Deposits payable	2,470
Current portion of bonds payable	60,000
Total Current Liabilities	<u>4,603,387</u>
Noncurrent Liabilities:	
Bonds payable	60,000
Total Noncurrent Liabilities	<u>60,000</u>
Total Liabilities	<u>4,663,387</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,654,070
Restricted	493,349
Unrestricted	945,179
Total Net Assets	<u>5,092,598</u>
Total Liabilities and Net Assets	<u>\$ 9,755,985</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Statement of Activities
June 30, 2010

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Current operations:					
General government	\$ 715,855	\$ 5,177			\$ (710,678)
Public safety	633,438	71,517	\$ 19,728	\$ 10,000	(532,193)
Highways and streets	404,150		68,285		(335,865)
Health and welfare	51,835				(51,835)
Sanitation	163,583	46,244			(117,339)
Culture and recreation	182,291	42,019			(140,272)
Conservation	881	1,350			469
Interest and fiscal charges	7,299				(7,299)
Total governmental activities	<u>\$ 2,159,332</u>	<u>\$ 166,307</u>	<u>\$ 88,013</u>	<u>\$ 10,000</u>	<u>(1,895,012)</u>
General revenues:					
Property and other taxes					1,626,154
Licenses and permits					386,234
Grants and contributions:					
Rooms and meals tax distribution					89,467
Interest and investment earnings					28,922
Miscellaneous					105,757
Total general revenues					<u>2,236,534</u>
Change in net assets					341,522
Net assets - Beginning, as restated					<u>4,751,076</u>
Net assets - Ending					<u>\$ 5,092,598</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 2,950,136		\$ 2,950,136
Investments	252,274	\$ 485,971	738,245
Taxes receivable	2,288,183		2,288,183
Due from other governments	213		213
Due from other funds		16,627	16,627
Tax deeded property	5,138		5,138
Total Assets	<u>\$ 5,495,944</u>	<u>\$ 502,598</u>	<u>\$ 5,998,542</u>
Liabilities:			
Accounts payable	\$ 65,144		\$ 65,144
Accrued liabilities	45,653		45,653
Deferred revenue	4,543,368		4,543,368
Deposits payable	2,470		2,470
Due to other funds	16,627		16,627
Total Liabilities	<u>4,673,262</u>	<u>\$ -</u>	<u>4,673,262</u>
Fund balances:			
Reserved for endowments		4,750	4,750
Reserved for tax deeded property	5,138		5,138
Reserved for encumbrances	24,706		24,706
Unreserved, reported in:			
General fund	792,838		792,838
Special revenue funds		488,599	488,599
Permanent funds		9,249	9,249
Total Fund Balances	<u>822,682</u>	<u>502,598</u>	<u>1,325,280</u>
Total Liabilities and Fund Balances	<u>\$ 5,495,944</u>	<u>\$ 502,598</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 3,774,070

Property taxes are recognized on an accrual basis in the statement
of net assets, not the modified accrual basis 115,893

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 (120,000)
Accrued interest on long-term obligations (2,645)
Net assets of governmental activities \$ 5,092,598

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF HOLDERNESS, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,631,771		\$ 1,631,771
Licenses and permits	386,234		386,234
Intergovernmental revenues	177,480		177,480
Charges for services	149,680	\$ 16,627	166,307
Interest and investment income	27,274	1,648	28,922
Miscellaneous	108,757	3,000	111,757
Total Revenues	<u>2,481,196</u>	<u>21,275</u>	<u>2,502,471</u>
Expenditures:			
Current operations:			
General government	661,618		661,618
Public safety	584,047		584,047
Highways and streets	267,420		267,420
Health and welfare	51,835		51,835
Sanitation	163,023		163,023
Culture and recreation	175,187	701	175,888
Conservation	881		881
Capital outlay	386,402	3,600	390,002
Debt service:			
Principal retirement	60,000		60,000
Interest and fiscal charges	8,610		8,610
Total Expenditures	<u>2,359,023</u>	<u>4,301</u>	<u>2,363,324</u>
Excess revenues over (under) expenditures	<u>122,173</u>	<u>16,974</u>	<u>139,147</u>
Other financing sources (uses):			
Transfers in	321,896	316,415	638,311
Transfers out	(316,415)	(321,896)	(638,311)
Total other financing sources (uses)	<u>5,481</u>	<u>(5,481)</u>	<u>-</u>
Net change in fund balances	<u>127,654</u>	<u>11,493</u>	<u>139,147</u>
Fund balances at beginning of year, as restated	<u>695,028</u>	<u>491,105</u>	<u>1,186,133</u>
Fund balances at end of year	<u>\$ 822,682</u>	<u>\$ 502,598</u>	<u>\$ 1,325,280</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

For the Year Ended June 30, 2010

Change in Fund Balances - Total Governmental Funds	\$ 139,147
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	142,688
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,617)
Donations of capital assets are not reported in the funds, but the in-kind donations increase net assets.	10,000
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposed capital assets reduced by the actual proceeds received from the sale of capital assets.	(6,007)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	60,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,311
Change in net assets of governmental activities	\$ 341,522

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds
ASSETS	
Investments	<u>\$ 275,276</u>
Total assets	<u><u>\$ 275,276</u></u>
LIABILITIES	
Due to other governments	<u>\$ 275,276</u>
Total liabilities	<u><u>\$ 275,276</u></u>

See accompanying notes to the basic financial statements

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Holderness, New Hampshire (the "Town") was incorporated in 1761. The Town operates under the Town Meeting/Board of Selectmen form of government and provides local governmental functions as authorized by State law.

The accompanying financial statements of the Town present the financial position of the various fund types and account groups, the results of operations of the various fund types.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility elected by Town meeting, principally the Library trustees and the Trustees of Trust Funds. 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 statements are designed to present financial information of the Town at this more detailed level. The

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

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

1. Governmental Funds:

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

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.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is comprised of agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve and scholarship funds of the Holderness School District, which are held by the Town as required by State Law.

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

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

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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 HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

3. Expenses/Expenditures:

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2010, the Town applied \$99,000 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 and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current year and prior and uncollected at June 30, 2010 are recorded as receivables net of reserves for estimated uncollectibles of \$25,349.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$10,000. 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. Interest incurred during the construction of capital assets is also capitalized.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

The Town is not required to report general infrastructure (e.g. roads, bridges, and sidewalks) acquired prior to December 31, 2003. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

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. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	15-30
Buildings and improvements	15-40
Infrastructure	20-40
Vehicles and equipment	5-15
Software	5

Compensated Absences

Town employees earn 80 vacation hours annually. Employees earn vacation dependent on length of service. Employees may carryover 40 hours of vacation time into the next year. For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds 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 HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

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 in the General Fund for encumbrances and tax deeded property.

Interfund Activity

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

The Town did not implement GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended June 30, 2010.

NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$680,542,900 as of April 1, 2009) and are due in two installments on July 6, 2009 and December 7, 2009. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

The Town collects taxes for the Holderness School District, Pemi-Baker Regional School District and Grafton County, all independent governmental units, which are remitted to them as required by law. The Town also collects education taxes for the State of New Hampshire which are remitted to the school district. Taxes appropriated during the year were \$3,788,013, \$2,420,752, and \$953,109 for the Holderness School District, Pemi-Baker Regional School District and Grafton County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

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

NOTE 4—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year 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. This Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

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

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

The Trust agreements permit the Trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. 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 June 30, 2010.

NOTE 5—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash	\$ 2,950,136
Investments	738,245
Statement of Fiduciary Net Assets:	
Investments	<u>275,276</u>
Total cash and investments	<u>\$ 3,963,657</u>

Deposits and investments as of June 30, 2010 consist of the following:

Deposits with financial institutions	\$ 3,206,227
Investments	<u>757,430</u>
Total cash and investments	<u>\$ 3,963,657</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

The Town's policy for Governmental Fund deposits requires that they be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit, overnight repurchase agreements, or the New Hampshire Public Deposit Investment Pool (NHPDIP) an external investment pool. The Town's investment policy for Fiduciary Funds is at the discretion of the Town's Trustees of Trust Funds and New Hampshire State law (RSA 31:25). The Trustee's of Trust Funds have employed professional banking assistance in accordance with NHRSA 31:38a.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment in the State investment pool is unrated.

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. At year end the Town's deposits with financial institutions \$2,371,921 was collateralized by securities held by the bank in the bank's name.

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.

NOTE 6—CAPITAL ASSETS

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

	Balance <u>07/01/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/10</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,296,888			\$ 1,296,888
Construction in progress	12,844		\$ (12,844)	-
Total capital assets not being depreciated	<u>1,309,732</u>	<u>\$ -</u>	<u>(12,844)</u>	<u>1,296,888</u>
Other capital assets:				
Land improvements	112,320	42,102		154,422
Buildings and improvements	1,302,137	14,450		1,316,587
Infrastructure	1,019,649	146,462		1,166,111
Software	32,750			32,750
Vehicles and equipment	<u>1,427,668</u>	<u>150,835</u>	<u>(55,447)</u>	<u>1,523,056</u>
Total other capital assets at historical cost	<u>3,894,524</u>	<u>353,849</u>	<u>(55,447)</u>	<u>4,192,926</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

Less accumulated depreciation for:

Land improvements	(31,152)	(7,019)		(38,171)
Buildings and improvements	(390,946)	(32,837)		(423,783)
Infrastructure	(135,182)	(54,130)		(189,312)
Software	(32,750)			(32,750)
Vehicles and equipment	(986,837)	(94,331)	49,440	(1,031,728)
Total accumulated depreciation	(1,576,867)	(188,317)	49,440	(1,715,744)
Total other capital assets, net	2,317,657	165,532	(6,007)	2,477,182
Total capital assets, net	<u>\$ 3,627,389</u>	<u>\$ 165,532</u>	<u>\$ (18,851)</u>	<u>\$ 3,774,070</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 13,056
Public safety	43,221
Highways and streets	130,671
Sanitation	560
Culture and recreation	809
	<u>\$ 188,317</u>

NOTE 7—DEFINED BENEFIT PLAN

Plan Description

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

Funding Policy

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas general employees are required to contribute 5.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers and general employees were 13.66% and 9.16%, respectively, through June 30, 2010. The Town contributes 70% of the employer cost for police officers and fire employees, and the State contributes the remaining 30% of the employer cost. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$18,000 have been reported as a revenue and expenditure in the General Fund in these financial statements.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

June 30, 2010, 2009, and December 31, 2007 were 93,525, \$91,424, and \$56,356, respectively, equal to the required contributions for each period.

NOTE 8—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended June 30, 2010 are as follows:

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Due Within One Year
Governmental activities:					
General obligation debt	\$ 180,000		\$ (60,000)	\$ 120,000	\$ 60,000
Total governmental activities	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 120,000</u>	<u>\$ 60,000</u>

Payments on the general obligation bonds are paid from the General Fund.

General Obligation Debt

Notes payable at June 30, 2010 are comprised of the following individual issues:

\$950,000 1996 Town Building Notes payable in annual installments of \$60,000 to \$65,000 through August 2011; interest at 5.625% to 5.75%	<u>\$ 120,000</u>
--------------------------------------------------------------------------------------------------------------------------------------------------	-------------------

Debt service requirements to retire general obligation notes outstanding at June 30, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2011	\$ 60,000	\$ 5,175	\$ 65,175
2012	60,000	1,725	61,725
	<u>\$ 120,000</u>	<u>\$ 6,900</u>	<u>\$ 126,900</u>

NOTE 9—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. At June 30, 2010, the General Fund has an internal payable to the Police Special Detail nonmajor governmental fund of \$16,627.

During the year, several interfund transactions occurred between funds. The various operating transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2010 are as follows:

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

	Transfer From		
	General	Other	
	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Transfer to General Fund		\$ 321,896	\$ 321,896
Other Governmental Funds	\$ 316,415	-	316,415
	<u>\$ 316,415</u>	<u>\$ 321,896</u>	<u>\$ 638,311</u>

NOTE 10—TOP TAXPAYERS

The following are the five major property owners as they relate to the assessed property valuation of \$680,542,900:

<u>Taxpayer</u>	<u>Property</u> <u>Valuation</u>	<u>Percentage</u> <u>of Total</u> <u>Valuation</u>
Rockywold Deephaven Camps, Inc.	\$ 17,320,360	2.55%
Holderness School	14,543,500	2.14%
Boulder Wood Trust	7,818,660	1.15%
Deerwood Camp Inc	5,250,380	0.77%
Individual taxpayer	4,418,050	0.65%

NOTE 11—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes at June 30, 2010 as follows:

Capital Reserve	\$ 400,245
Reserved for Endowments	4,750
Police Special Details	16,627
Expendable Trust Funds	<u>71,727</u>
Total net assets restricted for specific purposes	<u>\$ 493,349</u>

NOTE 12—PERMANENT FUNDS

Permanent funds restricted net assets are segregated between restricted for endowments and unrestricted portions. The restricted for endowments portion represents the original restricted principal contribution, and the unrestricted portion represents accumulated earnings which are available to be spent. Principal and income balances at June 30, 2010 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	\$ <u>4,750</u>	\$ <u>9,249</u>	\$ <u>13,999</u>

NOTE 13—COMMITMENTS AND CONTINGENCIES

Litigation

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

SCHEDULE 1

TOWN OF HOLDERNESS, NEW HAMPSHIRE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - General Fund

June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 1,590,486	\$ 1,590,486	\$ 1,626,154	\$ 35,668
Licenses and permits	368,900	368,900	386,234	17,334
Intergovernmental	152,179	152,179	159,480	7,301
Charges for services	100,550	100,550	149,680	49,130
Interest and investment income	15,000	15,000	27,274	12,274
Miscellaneous	67,385	67,385	108,757	41,372
Total Revenues	<u>2,294,500</u>	<u>2,294,500</u>	<u>2,457,579</u>	<u>163,079</u>
Expenditures:				
Current:				
General government	678,180	678,180	657,875	20,305
Public safety	576,126	576,126	571,088	5,038
Highways and streets	302,000	302,000	267,420	34,580
Health and welfare	53,875	53,875	51,835	2,040
Sanitation	213,300	213,300	158,524	54,776
Culture and recreation	171,109	171,109	174,987	(3,878)
Conservation	1,800	1,800	881	919
Capital outlay	396,856	379,056	385,782	(6,726)
Debt service:				
Principal	60,000	60,000	60,000	-
Interest	8,610	8,610	8,610	-
Total Expenditures	<u>2,461,856</u>	<u>2,444,056</u>	<u>2,337,002</u>	<u>107,054</u>
Excess revenues over (under) expenditures	<u>(167,356)</u>	<u>(149,556)</u>	<u>120,577</u>	<u>270,133</u>
Other financing sources (uses):				
Transfers in	383,356	373,356	321,896	(51,460)
Transfers out	(315,000)	(315,000)	(316,415)	(1,415)
Total other financing sources (uses)	<u>68,356</u>	<u>58,356</u>	<u>5,481</u>	<u>(52,875)</u>
Net change in fund balance	(99,000)	(91,200)	126,058	217,258
Fund balance at beginning of year				
- Budgetary Basis	<u>817,063</u>	<u>817,063</u>	<u>817,063</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 718,063</u>	<u>\$ 725,863</u>	<u>\$ 943,121</u>	<u>\$ 217,258</u>

See accompanying notes to the required supplementary information

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

NOTE 1--BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) 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. Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for on-behalf payments for fringe benefits and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Sources</u>
Per Exhibit D	\$ 2,803,092	\$ 2,672,874
Difference in property taxes meeting susceptible to accrual	(5,617)	
On-behalf fringe benefits	(18,000)	(18,000)
Encumbrances - June 30, 2009		(28,727)
Encumbrances - June 30, 2010		24,706
Per Schedule 1	<u>\$ 2,779,475</u>	<u>\$ 2,650,853</u>

NOTE 2—CONTINUED APPROPRIATIONS

Appropriations for certain projects and specific items not fully expended at year end are carried forward as continued 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:

Property revaluation	\$ 10,000
Summer concerts	300
Town Hall energy improvement	7,500
Less: revenues not susceptible to accrual	(10,000)
	<u>\$ 7,800</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2010

NOTE 3—BUDGETARY FUND BALANCES

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

Reserve for tax deeded property	\$ 5,138
Reserve for sewer expenditures	2,053
Reserve for conservation	1,435
Unreserved:	
Undesignated	<u>934,495</u>
	<u><u>\$ 943,121</u></u>

SCHEDULE A
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Combining Balance Sheet
All Nonmajor Governmental Funds
For the Year ended June 30, 2010

	Expendable Trust <u>Funds</u>	Police Special Details <u>Funds</u>	Capital Reserve <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Assets:					
Investments	\$ 71,727		\$ 400,245	\$ 13,999	485,971
Due from other funds		\$ 16,627			16,627
Total Assets	<u>\$ 71,727</u>	<u>\$ 16,627</u>	<u>\$ 400,245</u>	<u>\$ 13,999</u>	<u>\$ 502,598</u>
Fund Balances:					
Reserved for endowments				\$ 4,750	\$ 4,750
Unreserved, reported in:					
Special revenue funds	\$ 71,727	\$ 16,627	\$ 400,245		488,599
Permanent funds				9,249	9,249
Total Fund Balances	<u>\$ 71,727</u>	<u>\$ 16,627</u>	<u>\$ 400,245</u>	<u>\$ 13,999</u>	<u>\$ 502,598</u>

SCHEDULE B

TOWN OF HOLDERNESS, NEW HAMPSHIRE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****All Nonmajor Governmental Funds**

For the Year Ended June 30, 2010

	Library Fund	Expendable Trust Funds	Police Special Details Funds	Capital Reserve Funds	Permanent Funds	Combining Totals
Revenues:						
Charges for Services			\$ 16,627			\$ 16,627
Interest income	\$ 9	\$ 178		\$ 1,425	\$ 36	1,648
Miscellaneous		3,000				3,000
Total Revenues	<u>9</u>	<u>3,178</u>	<u>16,627</u>	<u>1,425</u>	<u>36</u>	<u>21,275</u>
Expenditures:						
Current:						
Culture and recreation	103	598				701
Capital outlay				3,600		3,600
Total Expenditures	<u>103</u>	<u>598</u>	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>4,301</u>
Excess of Revenues Over (Under) Expenditures	<u>(94)</u>	<u>2,580</u>	<u>16,627</u>	<u>(2,175)</u>	<u>36</u>	<u>16,974</u>
Other Financing Sources:						
Transfers in		1,415		315,000		316,415
Transfers out	(1,331)			(320,565)		(321,896)
Total Other Financing Sources (Uses)	<u>(1,331)</u>	<u>1,415</u>	<u>-</u>	<u>(5,565)</u>	<u>-</u>	<u>(5,481)</u>
Net change in fund balances	(1,425)	3,995	16,627	(7,740)	36	11,493
Fund balances at beginning of year	<u>1,425</u>	<u>67,732</u>	<u>-</u>	<u>407,985</u>	<u>13,963</u>	<u>491,105</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 71,727</u>	<u>\$ 16,627</u>	<u>\$ 400,245</u>	<u>\$ 13,999</u>	<u>\$ 502,598</u>