

TOWN OF LITCHFIELD, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2014

Town of Litchfield, New Hampshire

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	15
Fiduciary Funds:	
Statement of Fiduciary Net Position	16
Notes to Financial Statements	19

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Litchfield, New Hampshire

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Litchfield, New Hampshire, as of December 31, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Litchfield, New Hampshire, as of December 31, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

July 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Litchfield, we offer readers this narrative overview and analysis of the financial activities of the Town of Litchfield for the year ended December 31, 2014.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

Notes to 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.

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$28,667,705 (i.e., net position), a change of \$(148,945) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$2,929,724, a change of \$(543,305) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$1,213,605, a change of \$(26,114) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$54,680, a change of \$(54,123) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior years (in thousands).

NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 7,719	\$ 8,221
Capital assets	<u>25,668</u>	<u>25,336</u>
Total assets	33,387	33,557
Long-term liabilities outstanding	184	218
Other liabilities	<u>4,536</u>	<u>4,523</u>
Total liabilities	4,720	4,741
Net position:		
Net investment in capital assets	25,663	25,265
Restricted	1,409	2,017
Unrestricted	<u>1,595</u>	<u>1,534</u>
Total net position	<u>\$ 28,667</u>	<u>\$ 28,816</u>

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 176	\$ 247
Operating grants	11	36
Capital grants and contributions	173	170
General revenues:		
Property taxes	2,952	2,597
Penalties and interest on taxes	155	148
Licenses and permits	1,532	1,424
Investment income	2	19
Intergovernmental	402	392
Other	<u>781</u>	<u>1,077</u>
Total revenues	6,184	6,110
Expenses:		
General government	1,326	1,350
Public safety	2,449	2,584
Education	66	138
Highways and streets	1,725	1,572
Sanitation	349	382
Health and welfare	65	70
Culture and recreation	342	338
Conservation	<u>11</u>	<u>1</u>
Total expenses	<u>6,333</u>	<u>6,435</u>
Change in net position	(149)	(325)
Net position - beginning of year, as restated	<u>28,816</u>	<u>29,141</u>
Net position - end of year	<u>\$ 28,667</u>	<u>\$ 28,816</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$28,667,705, a change of \$(148,945) from the prior year.

The largest portion of net position \$25,663,335 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,408,947 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,595,423 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(148,945) Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (16,252)
Conservation fund - accrual basis	55,872
Non-major funds operating results	27,075
Depreciation expense, in excess of principal debt service	(1,100,860)
Donated roads	685,500
Other	<u>199,720</u>
Total	<u>\$ (148,945)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$2,929,724, a change of \$(543,305) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$	(16,252)
Conservation fund operating results		(554,128)
Non-major funds operating results		<u>27,075</u>
Total	\$	<u><u>(543,305)</u></u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1,213,605, while total fund balance was \$1,439,161. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/14</u>	<u>12/31/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,213,605	\$ 1,239,719	\$ (26,114)	24.2%
Total fund balance	\$ 1,439,161	\$ 1,455,413	\$ (16,252)	28.7%

The total fund balance of the general fund changed by \$(16,252) during the current year. Key factors in this change are as follows:

State and local revenues surplus	\$	75,664
Budgetary appropriations turnbacks by departments		68,256
Tax collections shortfall compared to budget		7,061
Prior year encumbrances to be spent in the current year over current year encumbrances to be spent in the subsequent year		22,489
Change in capital reserve fund balance		(12,627)
Use of fund balance		(173,120)
Other timing issues		<u>(3,975)</u>
Total	\$	<u><u>(16,252)</u></u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>12/31/14</u>	<u>12/31/13</u>	<u>Change</u>
Capital reserve	\$ <u>124,383</u>	\$ <u>137,010</u>	\$ <u>(12,627)</u>
Total	\$ <u><u>124,383</u></u>	\$ <u><u>137,010</u></u>	\$ <u><u>(12,627)</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$25,667,399 (net of accumulated depreciation), a change of \$331,021 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital events during the current year included the following:

- Donated roads for \$685,500
- Conservation Land Purchase of \$610,000

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$54,680, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

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

Board of Selectmen
Town of Litchfield
2 Liberty Way, Suite 2
Litchfield, New Hampshire 03052

TOWN OF LITCHFIELD, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 7,072,514
Investments	100,025
Receivables, net of allowance for uncollectibles:	
Taxes	387,799
Departmental and other	53,269
Intergovernmental	3,626
Other assets	22,990
Due from fiduciary funds	1,431
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	78,346
Capital assets:	
Land and construction in progress	4,551,634
Other capital assets, net of accumulated depreciation	<u>21,115,765</u>
TOTAL ASSETS	33,387,399
LIABILITIES	
Current:	
Accounts payable	146,923
Accrued liabilities	16,738
Tax refunds payable	103,641
Other liabilities	11,596
Due to school district	4,173,014
Current portion of long-term liabilities:	
Bonds payable	54,680
Capital lease payable	20,484
Compensated absence	8,608
Noncurrent:	
Capital lease payable, net of current portion	20,450
Compensated absence, net of current portion	<u>163,560</u>
TOTAL LIABILITIES	4,719,694
NET POSITION	
Net investment in capital assets	25,663,335
Restricted for:	
Grants and other statutory restrictions	1,214,333
Permanent funds:	
Nonexpendable	41,693
Expendable	152,921
Unrestricted	<u>1,595,423</u>
TOTAL NET POSITION	\$ <u><u>28,667,705</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
General government	\$ 1,325,815	\$ 17,457	\$ -	\$ -	\$ (1,308,358)
Public safety	2,449,237	104,300	-	-	(2,344,937)
Education	65,671	-	-	-	(65,671)
Highways and streets	1,724,709	-	5,000	-	(1,719,709)
Sanitation	349,165	40,058	-	-	(309,107)
Health and welfare	64,696	-	-	-	(64,696)
Culture and recreation	341,652	13,971	5,940	172,786	(148,955)
Conservation	11,672	-	-	-	(11,672)
Total Governmental Activities	<u>\$ 6,332,617</u>	<u>\$ 175,786</u>	<u>\$ 10,940</u>	<u>\$ 172,786</u>	(5,973,105)
General Revenues and Contributions:					
					2,951,710
					155,041
					1,532,466
					2,280
					401,686
					780,977
					<u>5,824,160</u>
					(148,945)
Net Position:					
					<u>28,816,650</u>
					<u>\$ 28,667,705</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2014

	<u>General</u>	<u>Conservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 5,693,240	\$ 426,192	\$ 953,082	\$ 7,072,514
Investments	-	-	100,025	100,025
Receivables:				
Property taxes	485,147	-	-	485,147
Departmental and other	1,273	-	51,996	53,269
Intergovernmental	2,546	-	1,080	3,626
Other assets	22,990	-	-	22,990
Due from other funds	<u>2,394</u>	<u>-</u>	<u>-</u>	<u>2,394</u>
TOTAL ASSETS	<u>\$ 6,207,590</u>	<u>\$ 426,192</u>	<u>\$ 1,106,183</u>	<u>\$ 7,739,965</u>
LIABILITIES				
Accounts payable	\$ 146,923	\$ -	\$ -	\$ 146,923
Accrued liabilities	16,738	-	-	16,738
Tax refunds payable	103,641	-	-	103,641
Other liabilities	11,596	-	-	11,596
Due to other funds	-	-	963	963
Due to school district	<u>4,173,014</u>	<u>-</u>	<u>-</u>	<u>4,173,014</u>
TOTAL LIABILITIES	4,451,912	-	963	4,452,875
DEFERRED INFLOWS OF RESOURCES	316,517	-	40,849	357,366
FUND BALANCES				
Nonspendable	-	-	41,693	41,693
Restricted	-	426,192	1,022,678	1,448,870
Committed	124,383	-	-	124,383
Assigned	101,173	-	-	101,173
Unassigned	<u>1,213,605</u>	<u>-</u>	<u>-</u>	<u>1,213,605</u>
TOTAL FUND BALANCES	<u>1,439,161</u>	<u>426,192</u>	<u>1,064,371</u>	<u>2,929,724</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,207,590</u>	<u>\$ 426,192</u>	<u>\$ 1,106,183</u>	<u>\$ 7,739,965</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2014

Total governmental fund balances	\$ 2,929,724
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,667,399
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	338,364
<ul style="list-style-type: none">• Long-term liabilities, (net of prepaid debt service) including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(267,782)</u>
Net position of governmental activities	<u><u>\$ 28,667,705</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Conservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 2,922,102	\$ -	\$ -	\$ 2,922,102
Penalties, interest and other taxes	89,278	65,224	-	154,502
Licenses and permits	1,532,466	-	-	1,532,466
Intergovernmental	574,870	-	5,000	579,870
Charges for services	59,891	-	108,395	168,286
Investment income	3,440	1,162	(1,784)	2,818
Contributions	-	-	5,542	5,542
Miscellaneous	38,713	-	292,409	331,122
	<u>5,220,760</u>	<u>66,386</u>	<u>409,562</u>	<u>5,696,708</u>
Total Revenues				
Expenditures:				
Current:				
General government	1,357,459	-	181,269	1,538,728
Public safety	2,338,106	-	121,662	2,459,768
Education	-	-	65,671	65,671
Highways and streets	817,561	-	8,188	825,749
Sanitation	333,326	-	-	333,326
Health and welfare	64,696	-	-	64,696
Culture and recreation	108,214	-	222,147	330,361
Conservation	1,200	620,514	-	621,714
	<u>5,020,562</u>	<u>620,514</u>	<u>598,937</u>	<u>6,240,013</u>
Total Expenditures				
Other Financing Sources				
Transfer in	59,859	-	216,680	276,539
Transfer out	(276,309)	-	(230)	(276,539)
	<u>(216,450)</u>	<u>-</u>	<u>216,450</u>	<u>-</u>
Total Other Financing Sources				
Net Changes in Fund Balance	(16,252)	(554,128)	27,075	(543,305)
Fund Equity, at Beginning of Year	<u>1,455,413</u>	<u>980,320</u>	<u>1,037,296</u>	<u>3,473,029</u>
Fund Equity, at End of Year	<u>\$ 1,439,161</u>	<u>\$ 426,192</u>	<u>\$ 1,064,371</u>	<u>\$ 2,929,724</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE
 RECONCILIATION OF THE STATEMENT OF REVENUES
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

Net changes in fund balances - total governmental funds	\$ (543,305)																
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="width: 20%; text-align: right;">1,036,150</td> </tr> <tr> <td>Donated Assets</td> <td style="text-align: right;">685,500</td> </tr> <tr> <td>Loss on capital dispositions</td> <td style="text-align: right;">(235,646)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,154,983)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">37,105</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="width: 20%; text-align: right;">74,358</td> </tr> <tr> <td>Debt additions</td> <td style="text-align: right;">(33,250)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;"><u>(14,874)</u></td> </tr> </table> 		Capital outlay purchases	1,036,150	Donated Assets	685,500	Loss on capital dispositions	(235,646)	Depreciation	(1,154,983)		37,105	Repayments of debt	74,358	Debt additions	(33,250)		<u>(14,874)</u>
Capital outlay purchases	1,036,150																
Donated Assets	685,500																
Loss on capital dispositions	(235,646)																
Depreciation	(1,154,983)																
	37,105																
Repayments of debt	74,358																
Debt additions	(33,250)																
	<u>(14,874)</u>																
Change in net position of governmental activities	\$ <u><u>(148,945)</u></u>																

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (<u>Negative</u>)
Revenues and other sources:				
Property taxes	\$ 2,915,041	\$ 2,915,041	\$ 2,915,041	\$ -
Penalties, interest and other taxes	79,856	79,856	89,278	9,422
Licenses and permits	1,484,312	1,484,312	1,532,466	48,154
Intergovernmental	574,251	574,251	574,870	619
Charges for services	57,165	57,165	59,891	2,726
Investment income	1,300	1,300	3,097	1,797
Miscellaneous	25,997	25,997	38,713	12,716
Transfers In	59,629	59,629	59,859	230
Use of fund balance	<u>173,120</u>	<u>173,120</u>	<u>173,120</u>	<u>-</u>
Total Revenues	5,370,671	5,370,671	5,446,335	75,664
Expenditures and other uses:				
Current:				
General government	1,289,706	1,358,674	1,333,557	25,117
Public safety	2,465,338	2,431,356	2,375,577	55,779
Highways and streets	773,029	756,443	821,036	(64,593)
Sanitation	360,044	358,520	333,326	25,194
Health and welfare	73,650	74,960	64,696	10,264
Culture and recreation	145,588	128,152	108,214	19,938
Conservation	2,181	1,431	1,200	231
Transfers out	<u>261,135</u>	<u>261,135</u>	<u>264,809</u>	<u>(3,674)</u>
Total Expenditures	<u>5,370,671</u>	<u>5,370,671</u>	<u>5,302,415</u>	<u>68,256</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>143,920</u>	\$ <u>143,920</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>271,108</u>
Total Assets	\$ <u><u>271,108</u></u>
 <u>LIABILITIES</u>	
Due to other funds	\$ 1,431
Due to other governments	154,668
Due to developers	<u>115,009</u>
Total Liabilities	\$ <u><u>271,108</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LITCHFIELD, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *conservation fund* is used to account for 80% of the land use change tax (current use) revenue and expenditures incurred in the acquisition of conservation land including the maintenance of designated conservation properties within the Town's boundaries.

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in governmental activities in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation pay benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is 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 remaining net position is reported as unrestricted.

K. Use of Estimates

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

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

A. Budgetary Information

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

The final version of the budget is then submitted for approval at the annual Town Meeting. The approved budget is subsequently reported to the State

of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 5,220,760	\$ 5,020,562
Other financing sources/uses (GAAP basis)	<u>59,859</u>	<u>276,309</u>
Subtotal (GAAP Basis)	5,280,619	5,296,871
Adjust tax revenue to accrual basis	(7,061)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(78,684)
Add end-of-year appropriation carryforwards from expenditures	-	101,173
To remove capital reserve funds	(343)	(12,970)
To record use of fund balance	173,120	-
Other timing issues	<u>-</u>	<u>(3,975)</u>
Budgetary basis	<u>\$ 5,446,335</u>	<u>\$ 5,302,415</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town's policy on custodial credit risk is to ensure prior to deposit that funds be secured by collateral having a market value at least equal to 102% of the amount deposited or invested.

As of December 31, 2014, none of the Town's bank balances of \$7,544,800 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>A</u>	<u>BBB</u>	<u>BB</u>
Corporate equities	\$ <u>100</u>	N/A	\$ <u>75</u>	\$ <u>24</u>	\$ <u>1</u>
Total investments	\$ <u>100</u>		\$ <u>75</u>	\$ <u>24</u>	\$ <u>1</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy on custodial credit risk is to ensure prior to deposit that funds be secured by collateral having a market value at least equal to 102% of the amount deposited or invested.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
AT&T	\$ 74,711	75%
Verizon	24,419	24%
TD Bank CD	<u>834</u>	1%
Total	<u>\$ 99,964</u>	

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy on interest rate risk is to schedule maturities to coincide with projected cash flow needs, provided that the term of any investment not exceed 18 months.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>N/A</u>
Corporate equities	\$ <u>100</u>	\$ <u>-</u>	\$ <u>100</u>
Total	\$ <u>100</u>	\$ <u>-</u>	\$ <u>100</u>

5. Taxes Receivable

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

annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2014 consist of the following (in thousands):

Real Estate		
2014 Real Estate	\$ <u>391</u>	391
Unredeemed Taxes		
2012	21	
2011	<u>66</u>	
		87
Deferred Taxes		<u>7</u>
Total		\$ <u><u>485</u></u>

Taxes Collected for Others

The Town collects property taxes for the State of New Hampshire, the Litchfield School District and the County of Hillsborough. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 19

7. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 2,394	\$ -
Special Revenue Funds:	-	963
Agency Funds:	<u>-</u>	<u>1,431</u>
Total	\$ <u><u>2,394</u></u>	\$ <u><u>2,394</u></u>

8. Due to School District

This represents the balance of the district assessment due to the Litchfield School District for the 2014/2015 school year.

9. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,275	\$ 282	\$ (239)	\$ 2,318
Machinery, equipment, and furnishings	2,230	144	(34)	2,340
Infrastructure	<u>36,703</u>	<u>686</u>	<u>-</u>	<u>37,389</u>
Total capital assets, being depreciated	41,208	1,112	(273)	42,047
Less accumulated depreciation for:				
Buildings and improvements	(991)	(68)	4	(1,055)
Machinery, equipment, and furnishings	(1,369)	(167)	34	(1,502)
Infrastructure	<u>(17,454)</u>	<u>(920)</u>	<u>-</u>	<u>(18,374)</u>
Total accumulated depreciation	<u>(19,814)</u>	<u>(1,155)</u>	<u>38</u>	<u>(20,931)</u>
Total capital assets, being depreciated, net	21,394	(43)	(235)	21,116
Capital assets, not being depreciated:				
Land	<u>3,942</u>	<u>610</u>	<u>-</u>	<u>4,552</u>
Total capital assets, not being depreciated	<u>3,942</u>	<u>610</u>	<u>-</u>	<u>4,552</u>
Governmental activities capital assets, net	<u>\$ 25,336</u>	<u>\$ 567</u>	<u>\$ (235)</u>	<u>\$ 25,668</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 57
Public safety	80
Highway	961
Culture and recreation	30
Sanitation	<u>27</u>
Total depreciation expense - governmental activities	<u>\$ 1,155</u>

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2014 expenditures paid in 2015.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2015. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2014:

<u>Year</u>	<u>Capital Leases</u>
2015	\$ 22,099
2016	6,978
2017	6,978
2018	<u>6,978</u>
Total minimum lease payments	43,033
Less amounts representing interest	<u>(2,099)</u>
Present Value of Minimum Lease Payments	<u>\$ 40,934</u>

12. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/14</u>
Ford F-450	07/09/15	3.66%	\$ 15,551
Police Cruisers	11/18/15	3.30%	<u>39,129</u>
Total Governmental Activities:			<u>\$ 54,680</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ <u>54,680</u>	\$ <u>1,890</u>	\$ <u>56,570</u>
Total	\$ <u>54,680</u>	\$ <u>1,890</u>	\$ <u>56,570</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	Total* Balance <u>1/1/14</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/14</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 108,803	\$ -	\$ (54,123)	\$ 54,680	\$ (54,680)	\$ -
Other:						
Capital lease	27,919	33,250	(20,235)	40,934	(20,484)	20,450
Compensated absences	<u>157,294</u>	<u>14,874</u>	<u>-</u>	<u>172,168</u>	<u>(8,608)</u>	<u>163,560</u>
Totals	\$ <u>294,016</u>	\$ <u>48,124</u>	\$ <u>(74,358)</u>	\$ <u>267,782</u>	\$ <u>(83,772)</u>	\$ <u>184,010</u>

*Note: Beginning balance has been reclassified from the prior year

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the government that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of December 31, 2014:

	<u>General Fund</u>	<u>Nonmajor Fund</u>
Unearned revenues	\$ 316,517	\$ 40,849

14. Restricted Net Position

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

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

15. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of fund balances are reported at December 31, 2014:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements, and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at December 31, 2014:

	General Fund	Conservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 41,693	\$ 41,693
Total Nonexpendable	-	-	41,693	41,693
Restricted				
Conservation	-	426,192	-	426,192
Special Reveue Fund	-	-	808,207	808,207
Bonded Projects	-	-	61,550	61,550
Expendable Permanent Funds	-	-	152,921	152,921
Total Restricted	-	426,192	1,022,678	1,448,870
Committed				
Capital reserve funds	124,383	-	-	124,383
Capital project funds	-	-	-	-
Total Committed	124,383	-	-	124,383
Assigned				
For encumbrances:				
General government	44,840	-	-	44,840
Public safety	39,888	-	-	39,888
Highways	16,445	-	-	16,445
Total Assigned	101,173	-	-	101,173
Unassigned				
Unassigned	1,213,605	-	-	1,213,605
Total Unassigned	1,213,605	-	-	1,213,605
Total Fund Balance	\$ 1,439,161	\$ 426,192	\$ 1,064,371	\$ 2,929,724

16. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 1,213,605
BTLA liability	103,641
Unearned revenues	<u>316,517</u>
Tax Rate Setting Balance	<u>\$ 1,633,763</u>

17. **Commitments and Contingencies**

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

18. **Post-Employment Healthcare and Life Insurance Benefits**

The Town has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time. However, the Town participates in a community-rated plan, which insurance premium rates reflect the health claim experience of all participating employers. As a result, it is appropriate to use the unadjusted premium as the basis for projecting retiree benefits. Since the Town does not provide a benefit to retirees, and it is reasonable for the Town to project benefits using unadjusted premiums, the Town does not have an OPEB liability.

19. **Retirement System**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

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

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

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

The System is supported by member contributions, employer contributions, and net earnings on the investments of the trust fund. Member contribution rates are set by statute at 7.00% of member's compensation for *Group I* members (employees and teachers), 11.55% of member's compensation for *Group II* Police, and 11.80% of member's compensation for *Group II* Fire. Employer contributions are set by the System's Board of Trustees based on biennial actuarial valuations prepared as of June 30 on the odd numbered years (2011, 2013, etc.).

From January 1 through June 30, 2014, the Town was required to contribute 8.80% to the System for its eligible *Group I* employees, 19.95% for its eligible *Group II* Police employees, and 22.89% for its eligible *Group II* employees. From July 1 through December 31, 2014, the Town was required to contribute 10.77% to the System for its eligible *Group I* employees, 25.30% for its eligible *Group II* Police employees, and 27.74% for its eligible *Group II* Fire employees. The Town's total contributions to the System for the years ended December 31, 2014, 2013, and 2012 were \$323,123, \$284,062, and \$221,674, respectively, which equaled its annual required contributions for each of these years.

20. Risk Management

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

21. Implementation of New GASB Standards

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the New Hampshire Retirement System's actuarially accrued liability.