

TOWN OF DEERFIELD, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Deerfield, 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 Deerfield, New Hampshire, as of and for the year ended December 31, 2011, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2011, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis appearing on the following pages is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Additional Offices:

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

In addition, the schedules of Nonmajor Governmental Funds appearing on pages 36 - 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Deerfield, New Hampshire. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
September 24, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Deerfield, New Hampshire we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2011.

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

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

The governmental activities include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and conservation.

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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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 the accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 11,239,449 (i.e., net assets), a change of \$ 331,067 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,850,396, a change of \$ 21,312 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 422,968, a change of \$ (75,942) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,669,981	\$ 8,328,950
Capital assets	<u>8,790,995</u>	<u>8,530,939</u>
Total assets	15,460,976	16,859,889
Long-term liabilities outstanding	251,184	259,382
Other liabilities	<u>3,970,343</u>	<u>5,692,125</u>
Total liabilities	4,221,527	5,951,507
Net assets:		
Invested in capital assets, net	8,790,995	8,530,939
Restricted	1,151,796	1,247,731
Unrestricted	<u>1,296,658</u>	<u>1,129,712</u>
Total net assets	<u>\$ 11,239,449</u>	<u>\$ 10,908,382</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 401,866	\$ 322,884
Operating grants and contributions	61,973	259,661
Capital grants and contributions	191,698	150,240
General revenues:		
Taxes	1,840,059	1,961,401
Interest, penalties, and other taxes	154,212	205,139
Motor vehicle registration fees	679,255	665,816
Grants and contributions not restricted to specific programs	198,459	198,495
Investment income	4,761	8,140
Miscellaneous	<u>25,285</u>	<u>40,976</u>
Total revenues	3,557,568	3,812,752

(continued)

(continued)

CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	
	<u>2011</u>	<u>2010</u>
Expenses:		
General government	1,119,314	1,281,434
Public safety	783,266	801,096
Highways and streets	558,716	567,118
Sanitation	283,819	251,711
Health	41,934	41,033
Welfare	62,758	66,670
Culture and recreation	373,409	284,325
Conservation	3,285	4,277
Debt service	-	4,180
	<hr/>	<hr/>
Total expenses	3,226,501	3,301,844
Change in net assets	331,067	510,908
Net assets - beginning of year	<hr/>	<hr/>
	10,908,382	10,397,474
Net assets - end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 11,239,449	\$ 10,908,382

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 11,239,449, a change of \$ 331,067 from the prior year.

The largest portion of net assets \$ 8,790,995 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles, 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.

An additional portion of net assets, \$ 1,151,796, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 1,296,658, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 331,067. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (26,219)
Nonmajor funds change in fund balance (accrual basis)	67,992
Capital assets funded with operating monies	460,056
Depreciation expense	(220,461)
Other	<u>49,699</u>
Total	<u>\$ 331,067</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 fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,850,396, a change of \$ 21,312 in comparison with the prior year. Key elements of this change are as follows:

General fund operations, as discussed further below	\$ (26,219)
Nonmajor funds change in fund balance	<u>47,531</u>
Total	<u>\$ 21,312</u>

In fiscal year 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. In general, amounts previously reported as undesignated fund balance are now reported as unassigned fund balance. In addition, amounts previously reported in capital reserve funds are now combined with and reported as committed fund balance in the general fund. Full definitions of all changes in fund balance classifications resulting from the implementation of GASB 54 can be found in the Notes to Financial Statements.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 422,968, while total fund balance was \$ 698,600. 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>12/31/11</u>	<u>12/31/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 422,968	\$ 498,910	\$ (75,942)	13.4%
Total fund balance ¹	\$ 698,600	\$ 724,819	\$ (26,219)	22.2%

¹Now includes capital reserve funds. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$ (26,219) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (250,000)
Revenues in excess of budget	65,725
Expenditures less than budget	139,739
Change in capital reserves	105,259
Expenditures of prior year encumbrances	(68,129)
Other	<u>(18,813)</u>
Total	\$ <u><u>(26,219)</u></u>

As required by GASB 54, the Town's capital reserve funds are now included in the total general fund balance as follows:

	<u>12/31/11</u>	<u>12/31/10</u>	<u>Change</u>
Capital reserve funds	\$ <u>225,504</u>	\$ <u>120,245</u>	\$ <u>105,259</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the Town's original and final budgets in 2011.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$ 8,790,995 (net of accumulated depreciation), a change of \$ 260,056 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and vehicles, and infrastructure.

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

- \$ 336,106 for infrastructure improvements at the transfer station and to various Town roads.
- \$ 69,308 for public safety and transfer station equipment and vehicles.

- \$ 75,103 for general government and library building improvements.
- \$ (220,461) for current year depreciation expense.

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, the Town had no outstanding notes payable and no outstanding long-term debt.

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

REQUESTS FOR INFORMATION

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

Office of Town Administrator
Town of Deerfield
8 Raymond Road
Deerfield, New Hampshire 03037-0159

TOWN OF DEERFIELD, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 5,100,280
Investments	566,667
Receivables, net of allowance for uncollectibles:	
Property taxes	783,821
Departmental	4,826
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	214,387
Land	4,882,272
Other capital assets, net of accumulated depreciation	<u>3,908,723</u>
TOTAL ASSETS	15,460,976
LIABILITIES	
Current:	
Accounts payable	26,605
Accrued liabilities	34,790
Due to school district	3,814,432
Other	75,496
Current portion of long-term liabilities:	
Compensated absences	3,020
Landfill post-closure	16,000
Noncurrent:	
Compensated absences, net of current portion	27,184
Landfill post-closure, net of current portion	<u>224,000</u>
TOTAL LIABILITIES	4,221,527
NET ASSETS	
Invested in capital assets	8,790,995
Restricted for:	
Grants and other	843,066
Permanent funds:	
Nonexpendable	209,389
Expendable	99,341
Unrestricted	<u>1,296,658</u>
TOTAL NET ASSETS	\$ <u><u>11,239,449</u></u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,119,314	\$ 62,919	\$ 19,895	\$ 1,398	\$ (1,035,102)
Public safety	783,266	62,012	4,704	13,860	(702,690)
Highways and streets	558,716	249	-	168,270	(390,197)
Sanitation	283,819	56,023	-	8,170	(219,626)
Health	41,934	-	-	-	(41,934)
Welfare	62,758	-	-	-	(62,758)
Culture and recreation	373,409	220,663	5,453	-	(147,293)
Conservation	3,285	-	31,921	-	28,636
Total	\$ 3,226,501	\$ 401,866	\$ 61,973	\$ 191,698	(2,570,964)
		General Revenues and Contributions:			
					1,840,059
					154,212
					679,255
					198,459
					4,761
					25,285
		Total general revenues			2,902,031
		Change in Net Assets			331,067
		Net Assets:			
		Beginning of year			10,908,382
		End of year			\$ 11,239,449

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 4,560,835	\$ 539,445	\$ 5,100,280
Investments	225,123	341,544	566,667
Receivables:			
Property taxes	1,034,230	-	1,034,230
Departmental	4,826	-	4,826
Due from other funds	<u>7,446</u>	<u>278,253</u>	<u>285,699</u>
TOTAL ASSETS	<u>\$ 5,832,460</u>	<u>\$ 1,159,242</u>	<u>\$ 6,991,702</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 26,605	\$ -	\$ 26,605
Accrued liabilities	34,790	-	34,790
Deferred revenues	904,284	-	904,284
Due to school district	3,814,432	-	3,814,432
Due to other funds	278,253	7,446	285,699
Other liabilities	<u>75,496</u>	<u>-</u>	<u>75,496</u>
TOTAL LIABILITIES	5,133,860	7,446	5,141,306
Fund Balances:			
Nonspendable	-	209,389	209,389
Restricted	-	942,407	942,407
Committed	225,504	-	225,504
Assigned	50,128	-	50,128
Unassigned	<u>422,968</u>	<u>-</u>	<u>422,968</u>
TOTAL FUND BALANCES	<u>698,600</u>	<u>1,151,796</u>	<u>1,850,396</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,832,460</u>	<u>\$ 1,159,242</u>	<u>\$ 6,991,702</u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

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

DECEMBER 31, 2011

Total governmental fund balances	\$ 1,850,396
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,790,995
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	868,262
<ul style="list-style-type: none">• Long-term liabilities, including compensated absences and landfill post-closure, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(270,204)</u>
Net assets of governmental activities	<u><u>\$ 11,239,449</u></u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,797,691	\$ -	\$ 1,797,691
Interest, penalties, and other taxes	154,212	30,100	184,312
Licenses, permits and fees	752,381	-	752,381
Intergovernmental	343,865	-	343,865
Charges for services	108,328	220,663	328,991
Investment income	20,020	24,739	44,759
Miscellaneous	<u>25,035</u>	<u>38,167</u>	<u>63,202</u>
Total Revenues	3,201,532	313,669	3,515,201
Expenditures:			
Current:			
General government	1,125,036	21,806	1,146,842
Public safety	770,571	-	770,571
Highways and streets	758,595	-	758,595
Sanitation	302,704	12,611	315,315
Health	41,934	-	41,934
Welfare	62,758	-	62,758
Culture and recreation	87,784	306,805	394,589
Conservation	<u>2,399</u>	<u>886</u>	<u>3,285</u>
Total Expenditures	<u>3,151,781</u>	<u>342,108</u>	<u>3,493,889</u>
Excess (deficiency) of revenues over expenditures	49,751	(28,439)	21,312
Other Financing Sources (Uses):			
Transfers in	31,250	107,220	138,470
Transfers out	<u>(107,220)</u>	<u>(31,250)</u>	<u>(138,470)</u>
Total Other Financing Sources (Uses)	<u>(75,970)</u>	<u>75,970</u>	<u>-</u>
Change in fund balance	(26,219)	47,531	21,312
Fund Equity, at Beginning of Year, as restated	<u>724,819</u>	<u>1,104,265</u>	<u>1,829,084</u>
Fund Equity, at End of Year	<u>\$ 698,600</u>	<u>\$ 1,151,796</u>	<u>\$ 1,850,396</u>

See notes to financial statements.

TOWN OF DEERFIELD, 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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 21,312
<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: 	
Capital outlay purchases	480,517
Depreciation	(220,461)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and land use change taxes) differ between the two statements. This amount represents the net change in deferred revenue. 	
	42,367
<ul style="list-style-type: none"> Governmental funds do not account for changes in long-term debt (i.e., compensated absences). However, in the Statement of Activities, these changes are reported as either revenue or expense. 	
	<u>7,332</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 331,067</u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 1,837,230	\$ 1,837,230	\$ 1,837,230	\$ -
Interest, penalties, and other taxes	151,200	151,200	154,212	3,012
Licenses, permits and fees	729,100	729,100	752,381	23,281
Intergovernmental	337,176	337,176	343,865	6,689
Charges for services	69,612	69,612	108,328	38,716
Investment income	3,845	3,845	4,761	916
Miscellaneous	25,780	25,780	25,035	(745)
Transfers in	34,700	34,700	28,556	(6,144)
Use of fund balance	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total Revenues and Other Sources	3,438,643	3,438,643	3,504,368	65,725
Expenditures and Other Uses:				
General government	1,194,369	1,194,369	1,139,503	54,866
Public safety	794,180	794,180	776,539	17,641
Highways and streets	718,591	718,591	725,995	(7,404)
Sanitation	366,208	366,208	306,704	59,504
Health	45,175	45,175	41,934	3,241
Welfare	68,769	68,769	62,758	6,011
Culture and recreation	71,721	71,721	69,073	2,648
Conservation	2,407	2,407	2,399	8
Debt service	2	2	-	2
Transfers out	<u>177,221</u>	<u>177,221</u>	<u>173,999</u>	<u>3,222</u>
Total Expenditures and Other Uses	<u>3,438,643</u>	<u>3,438,643</u>	<u>3,298,904</u>	<u>139,739</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>205,464</u>	\$ <u>205,464</u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2011

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 175,479
Investments	<u>5,876</u>	<u>814,684</u>
Total Assets	5,876	990,163
<u>LIABILITIES AND NET ASSETS</u>		
Trustees of Trust Funds:		
School funds	-	364,637
Historical society funds	-	470,978
Other funds	-	4,069
Escrow deposits	-	107,060
School impact fees	-	19,304
Other liabilities	<u>-</u>	<u>24,115</u>
Total Liabilities	<u>-</u>	<u>990,163</u>
<u>NET ASSETS</u>		
Restricted for:		
Endowment	4,585	-
Unrestricted	<u>1,291</u>	<u>-</u>
Total net assets held in trust	<u>\$ 5,876</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest earnings	\$ <u>296</u>
Total contributions	296
 Deductions:	
Other	-
Total deductions	<u>-</u>
Net increase (decrease)	296
 Net assets:	
Beginning of year	<u>5,580</u>
End of year	<u><u>\$ 5,876</u></u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2011, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary 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 are 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 and motor vehicle registration fees.

Fund Financial Statements

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

The government reports the following major governmental fund:

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

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand 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.

Investments managed by the Trustees of Trust Funds consist of bond mutual funds. Investments are reported at market value.

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of five 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 50
Building improvements	15 - 40
Infrastructure	15 - 60
Vehicles	6 - 20
Machinery & equipment	5 - 15
Furniture & fixtures	7 - 20

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

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 assets".

Fund Balance – In general, fund balance represents the difference between 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., cemetery 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 intended to be used for specific purposes as established by Town management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for, or have been designated for a specific future use.
- 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 Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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 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. All other net assets are 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 fiscal year. Actual results could vary from estimates that were used.

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

A. Budgetary Information

The Town's budget is originally prepared by the Board of Selectmen (Board) and Town Administrator with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the State's Municipal Budget Law. After review, the Town holds a public hearing for discussion of the proposed budget. This hearing must be held not later than 25 days before the annual town meeting, and public notice must be given at least 7 days in advance of the hearing.

After the required public hearing, the Board finalizes the budget and submits it for voter approval at the annual Town meeting. The approved budget is subsequently reported to the Municipal Services Division of the New Hampshire Department of Revenue Administration (NH DRA) on the "*Report of Appropriations Actually Voted*" (MS-2) form as part of the process of computing and establishing the Town's tax rate.

The Board 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 transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 3,201,532	\$ 3,151,781
Other financing sources/uses (GAAP basis)	<u>31,250</u>	<u>107,220</u>
Subtotal (GAAP Basis)	3,232,782	3,259,001
Adjust tax revenue to accrual basis	39,539	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(68,129)
Add end-of-year appropriation carryforwards from expenditures	-	41,253
Recognize use of fund balance as funding source	250,000	-
Reverse effects of nonbudgeted audit adjustments	(2,694)	(23,221)
Reverse effect of combining capital reserve funds with general fund	<u>(15,259)</u>	<u>90,000</u>
Budgetary basis	<u>\$ 3,504,368</u>	<u>\$ 3,298,904</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 41:29 stipulates that Town funds be deposited "in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:

- (a) United States government obligations;
- (b) United States government agency obligations; or
- (c) Obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case."

In addition, RSA 41:29 allows excess funds "which are not immediately needed for the purpose of expenditure" to be invested in the "public deposit

investment pool established pursuant to RSA 383:22, or in deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types on interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in obligations fully guaranteed as to principal and interest by the United States government.”

The Town’s and Trustees of Trust Funds’ (Trustees) deposit policies are in compliance with these statutes.

As of December 31, 2011, none of the Town’s and none of the Trustees’ bank balances of \$ 5,318,893 and \$ 28,155 respectively, were exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank’s trust department not in the Town’s name.

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 investor rule” whereby “a prudent investment is one which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived therefrom.”

Presented below is the actual rating as of year-end for each investment of the Trustees (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Bond mutual funds	\$ <u>1,387</u>		\$ <u>1,387</u>
Total investments	\$ <u>1,387</u>		\$ <u>1,387</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 Trustees’ investment policies follow the guidelines of RSA 31.

As of December 31, 2011, none of the Trustees’ investments were subject to custodial credit risk.

C. Concentration of Credit Risk

The Trustees' investment policies do not specifically limit the amount of funds that may be invested in any one issuer. As of December 31, 2011, approximately 97% of the Trustees' total investments were in the Fidelity Ginnie Mae Fund, a mortgage-backed bond mutual fund.

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 Trustees' investment policy does not specifically address interest rate risk. As of December 31, 2011, the interest rate risk associated with the Trustees' investments in various bond mutual funds cannot reasonably be determined.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Trustees' investment policy does not specifically address foreign currency risk. As of December 31, 2011, the foreign currency risk associated with the Trustees' investments in various bond mutual funds cannot reasonably be determined.

5. Taxes Receivable

Property taxes are levied based on tax rates set by the NH DRA. The Town bills property taxes semiannually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes billed or collected in advance of the year for which they are levied are recorded as a prepaid tax liability.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged interest at a rate of 12%. At the time of tax sale, in March of the following year, a lien is recorded on the property at the Registry of Deeds. The Town purchases all delinquent accounts by paying the delinquent tax balance, recording costs and accrued interest. Accounts that are liened by the Town are reclassified from property taxes receivable to unredeemed tax liens receivable and are charged interest at a rate of 18%.

The Town annually budgets an amount (overlay) for property tax abatements and refunds.

Taxes receivable at December 31, 2011 consist of the following:

Property taxes		
2011 levy		\$ 576,597
Unredeemed tax liens		
2010 levy	221,158	
2009 levy	114,533	
2008 levy	44,433	
Prior levies	<u>60,401</u>	
		440,525
Land use change taxes		4,200
Yield taxes		819
Elderly deferrals		<u>12,089</u>
Total taxes receivable		<u>\$ 1,034,230</u>

Taxes Collected for Others

The Town collects property taxes for the Deerfield School District (SAU 53) and Rockingham County. Payments to the School District are normally made throughout the year and payment to the County is normally made in December. However, ultimate responsibility for the collection of these 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:

	<u>Governmental</u>
Property taxes	\$ 20,181
Tax liens	\$ 15,418
Elderly deferrals	\$ 423

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, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 7,446	\$ 278,253
Special Revenue Funds:		
FEMA Fund	221,930	-
Recreation Fund	55,973	-
Conservation Commission	350	-
Trust Funds:		
Cemetery Trusts	<u>-</u>	<u>7,446</u>
Total	<u>\$ 285,699</u>	<u>\$ 285,699</u>

8. Capital Assets

Capital asset activity for the year ended December 31, 2011 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	\$ 432	\$ 75	\$ -	\$ 507
Machinery, equipment, and furnishings	312	6	-	318
Vehicles	1,076	63	-	1,139
Infrastructure	<u>3,373</u>	<u>336</u>	<u>-</u>	<u>3,709</u>
Total capital assets, being depreciated	5,193	480	-	5,673
Less accumulated depreciation for:				
Buildings and improvements	(63)	(19)	-	(82)
Machinery, equipment, and furnishings	(120)	(34)	-	(154)
Vehicles	(587)	(73)	-	(660)
Infrastructure	<u>(774)</u>	<u>(94)</u>	<u>-</u>	<u>(868)</u>
Total accumulated depreciation	<u>(1,544)</u>	<u>(220)</u>	<u>-</u>	<u>(1,764)</u>
Total capital assets, being depreciated, net	3,649	260	-	3,909
Capital assets, not being depreciated:				
Land	<u>4,882</u>	<u>-</u>	<u>-</u>	<u>4,882</u>
Total capital assets, not being depreciated	<u>4,882</u>	<u>-</u>	<u>-</u>	<u>4,882</u>
Governmental activities capital assets, net	<u>\$ 8,531</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 8,791</u>

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

Governmental Activities:	
General government	\$ 18
Public safety	73
Highways and streets*	121
Sanitation	3
Culture and recreation	<u>5</u>
Total depreciation expense - governmental activities	<u>\$ 220</u>

*Note: Highways and streets includes depreciation costs for infrastructure.

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2011 expenditures paid after December 31, 2011.

10. Deferred Revenue

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

The balance of the General Fund *deferred revenues* account is equal to the total of all December 31, 2011 receivable balances, except property taxes that are accrued for subsequent 60-day collections.

11. Long-Term Debt

Changes in General Long-Term Liabilities

During the year ended December 31, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/11	Additions	Reductions	Total Balance 12/31/11	Less Current Portion	Equals Long-Term Portion 12/31/11
<u>Governmental Activities</u>						
Compensated absences	\$ 21	\$ 9	\$ -	\$ 30	\$ (3)	\$ 27
Landfill post-closure	<u>256</u>	<u>-</u>	<u>(16)</u>	<u>240</u>	<u>(16)</u>	<u>224</u>
Total	<u>\$ 277</u>	<u>\$ 9</u>	<u>\$ (16)</u>	<u>\$ 270</u>	<u>\$ (19)</u>	<u>\$ 251</u>

12. Landfill Closure and Post-closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although post-closure care costs will be paid over a period of years, the Town reports the total remaining estimated future post-closure care costs as a liability in the financial statements.

The Town closed its landfill in 1996. The \$ 240,000 reported as the landfill post-closure care liability at December 31, 2011 represents the Town's estimated future post-closure care costs for the remaining fifteen years of the mandated thirty year post-closure monitoring period. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Town expects to continue financing post-closure care costs by annual appropriation.

13. Restricted Net Assets

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

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

14. 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.

In fiscal year 2011, the Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2011:

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 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 capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54).

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, and fund balance designated for flood insurance.

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, 2011:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 209,389	\$ 209,389
Restricted			
Special revenue funds	-	843,066	843,066
Expendable permanent funds	-	99,341	99,341
	<u>-</u>	<u>942,407</u>	<u>942,407</u>
Committed			
Capital reserve funds	<u>225,504</u>	<u>-</u>	<u>225,504</u>
Assigned			
Encumbrances	41,253	-	41,253
Reserved for flood insurance	8,875	-	8,875
	<u>50,128</u>	<u>-</u>	<u>50,128</u>
Unassigned	<u>422,968</u>	<u>-</u>	<u>422,968</u>
Total Fund Balances	<u>\$ 698,600</u>	<u>\$ 1,151,796</u>	<u>\$ 1,850,396</u>

15. 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 to 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 the GAAP basis and the budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$	422,968
Deferred revenues		<u>904,284</u>
Tax Rate Setting Balance	\$	<u><u>1,327,252</u></u>

16. Subsequent Events

Subsequent to December 31, 2011, the Town entered into an eight year lease/purchase agreement in the principal amount of \$ 435,000 for the acquisition of a fire engine. This transaction was authorized by a 2012 special warrant article approved by the Town's voters.

17. Commitments and Contingencies

Outstanding Legal Issues - There are 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

In July 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governmental

employers that provide employees with post-employment benefits other than pension benefits to measure, recognize, and display the value of these benefits in their financial statements.

The Town participates in a community-rated insurance plan in which the premium rates reflect the health claim experience of all participating employers. As a result, it is appropriate for the Town to use the unadjusted premium as a basis for projecting retiree benefit costs. Since the Town does not currently provide direct other post-employment benefits to its retirees, the Town does not have an OPEB liability at December 31, 2011.

19. Pension Plan

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

A. Plan Description

The Town contributes to the New Hampshire Retirement System (the System), a cost-sharing, multiple-employer contributory public employee defined benefit pension plan qualified under Section 401(a) of the Internal Revenue Code and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The System was established in 1967 and is governed by New Hampshire RSA 100-A, rules and regulations, federal laws, and policies adopted by its Board of Trustees. Membership in the System may be mandatory or optional, depending on employment position. Members are required to make regular contributions to the System. Member contribution rates are established and may be amended by the New Hampshire State Legislature.

System membership is divided into two groups. *Group I* includes full-time state employees (except police officers and firefighters) and teachers, as well as employees of a political subdivision (i.e., school district, county, town or other unit of local government) that has elected to participate in the System. *Group II* includes permanent police officers and permanent firefighters. Membership is a condition of employment and System contributions are mandatory for both *Group I* and *Group II* employees who meet specific eligibility requirements.

Additional information on the System's eligibility requirements, group membership parameters, funding policies, benefits, and the System's annual financial report can be obtained from the New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire, 03301-8507, or from the System's website at www.nhrs.org.

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 5.00% of member's compensation for *Group I* members (employees and teachers) and 9.30% of member's compensation for *Group II* members (police and fire). Employer contributions are set by the System's Board of Trustees based on biennial actuarial valuations prepared as of June 30th on the odd numbered years (2005, 2007, 2009, etc.).

In 2011, the Town was required to contribute 8.80% to the System for its eligible *Group I* employees and 19.95% for its eligible *Group II* employees. The Town's total contributions to the System for the years ended December 31, 2011, 2010, and 2009 were \$ 113,079, \$ 105,873 and \$ 97,091 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 government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

21. Beginning Fund Balance Restatement

The beginning January 1, 2011 fund balances of the Town have been restated as follows:

Fund Basis Financial Statements:

	General Fund	Nonmajor Governmental Funds
As previously reported	\$ 604,574	\$ 1,224,510
Reclassify capital reserve funds	<u>120,245</u>	<u>(120,245)</u>
As restated	<u>\$ 724,819</u>	<u>\$ 1,104,265</u>

TOWN OF DEERFIELD, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	<u>Special Revenue Funds</u>						
	<u>FEMA Fund</u>	<u>Recreation Fund</u>	<u>Conservation Commission</u>	<u>Impact Fees</u>	<u>Library Operating</u>	<u>Library Building</u>	<u>Other Special Funds</u>
<u>ASSETS</u>							
Cash and short-term investments	\$ -	\$ -	\$ 390,064	\$ 40,538	\$ 39,540	\$ 36,380	\$ 30,149
Investments	-	-	-	-	-	-	-
Due from other funds	<u>221,930</u>	<u>55,973</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 221,930</u>	<u>\$ 55,973</u>	<u>\$ 390,414</u>	<u>\$ 40,538</u>	<u>\$ 39,540</u>	<u>\$ 36,380</u>	<u>\$ 30,149</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	-	-	-	-	-	-	-
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	<u>221,930</u>	<u>55,973</u>	<u>390,414</u>	<u>40,538</u>	<u>39,540</u>	<u>36,380</u>	<u>30,149</u>
Total Fund Balance	<u>221,930</u>	<u>55,973</u>	<u>390,414</u>	<u>40,538</u>	<u>39,540</u>	<u>36,380</u>	<u>30,149</u>
Total Liabilities and Fund Balance	<u>\$ 221,930</u>	<u>\$ 55,973</u>	<u>\$ 390,414</u>	<u>\$ 40,538</u>	<u>\$ 39,540</u>	<u>\$ 36,380</u>	<u>\$ 30,149</u>

(continued)

TOWN OF DEERFIELD, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2011

(continued)

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	<u>Expendable Trust Funds</u>	<u>Subtotals</u>	<u>Cemetery Funds</u>	<u>Library Funds</u>	<u>Subtotals</u>	
<u>ASSETS</u>						
Cash and short-term investments	\$ 1,974	\$ 538,645	\$ 800	\$ -	\$ 800	\$ 539,445
Investments	26,168	26,168	256,253	59,123	315,376	341,544
Due from other funds	-	278,253	-	-	-	278,253
Total Assets	<u>\$ 28,142</u>	<u>\$ 843,066</u>	<u>\$ 257,053</u>	<u>\$ 59,123</u>	<u>\$ 316,176</u>	<u>\$ 1,159,242</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ 7,446	\$ -	\$ 7,446	\$ 7,446
Total Liabilities	-	-	7,446	-	7,446	7,446
Fund Balances:						
Nonspendable	-	-	153,220	56,169	209,389	209,389
Restricted	28,142	843,066	96,387	2,954	99,341	942,407
Total Fund Balance	<u>28,142</u>	<u>843,066</u>	<u>249,607</u>	<u>59,123</u>	<u>308,730</u>	<u>1,151,796</u>
Total Liabilities and Fund Balance	<u>\$ 28,142</u>	<u>\$ 843,066</u>	<u>\$ 257,053</u>	<u>\$ 59,123</u>	<u>\$ 316,176</u>	<u>\$ 1,159,242</u>

See Independent Auditors' Report

TOWN OF DEERFIELD, NEW HAMPSHIRE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds						
	FEMA Fund	Recreation Fund	Conservation Commission	Impact Fees	Library Operating	Library Building	Other Special Funds
Revenues:							
Interest, penalties, and other taxes	\$ -	\$ -	\$ 30,100	\$ -	\$ -	\$ -	\$ -
Charges for services	-	220,663	-	-	-	-	-
Investment income	-	-	634	80	51	17	45
Miscellaneous	-	-	1,185	30,953	784	-	5,245
Total Revenues	-	220,663	31,919	31,033	835	17	5,290
Expenditures:							
Current:							
General government	20,835	-	-	-	-	-	546
Sanitation	-	-	-	12,611	-	-	-
Culture and recreation	-	222,332	-	-	84,473	-	-
Conservation	-	-	886	-	-	-	-
Total Expenditures	20,835	222,332	886	12,611	84,473	-	546
Excess (deficiency) of revenues over (under) expenditures	(20,835)	(1,669)	31,033	18,422	(83,638)	17	4,744
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	82,499	1,336	23,221
Transfers out	-	-	-	(23,804)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(23,804)	82,499	1,336	23,221
Change in fund balances	(20,835)	(1,669)	31,033	(5,382)	(1,139)	1,353	27,965
Fund Balances, beginning of year, as restated	242,765	57,642	359,381	45,920	40,679	35,027	2,184
Fund Balances, end of year	\$ 221,930	\$ 55,973	\$ 390,414	\$ 40,538	\$ 39,540	\$ 36,380	\$ 30,149

(continued)

TOWN OF DEERFIELD, NEW HAMPSHIRE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

(continued)

	Special Revenue Funds		Permanent Funds			Total Nonmajor Governmental Funds
	Trust Funds	Subtotals	Cemetery Funds	Library Funds	Subtotals	
Revenues:						
Interest, penalties, and other taxes	\$ -	\$ 30,100	\$ -	\$ -	\$ -	\$ 30,100
Charges for services	-	220,663	-	-	-	220,663
Investment income	1,161	1,988	18,733	4,018	22,751	24,739
Miscellaneous	-	38,167	-	-	-	38,167
	<u>1,161</u>	<u>290,918</u>	<u>18,733</u>	<u>4,018</u>	<u>22,751</u>	<u>313,669</u>
Total Revenues						
Expenditures:						
Current:						
General government	425	21,806	-	-	-	21,806
Sanitation	-	12,611	-	-	-	12,611
Culture and recreation	-	306,805	-	-	-	306,805
Conservation	-	886	-	-	-	886
	<u>425</u>	<u>342,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,108</u>
Total Expenditures						
Excess (deficiency) of revenues over (under) expenditures	736	(51,190)	18,733	4,018	22,751	(28,439)
Other Financing Sources (Uses):						
Transfers in	700	107,756	800	-	800	108,556
Transfers out	-	(23,804)	(7,446)	(1,336)	(8,782)	(32,586)
	<u>700</u>	<u>83,952</u>	<u>(6,646)</u>	<u>(1,336)</u>	<u>(7,982)</u>	<u>75,970</u>
Total Other Financing Sources (Uses)						
Change in fund balances	1,436	32,762	12,087	2,682	14,769	47,531
Fund Balances, beginning of year, as restated	<u>26,706</u>	<u>810,304</u>	<u>237,520</u>	<u>56,441</u>	<u>293,961</u>	<u>1,104,265</u>
Fund Balances, end of year	<u>\$ 28,142</u>	<u>\$ 843,066</u>	<u>\$ 249,607</u>	<u>\$ 59,123</u>	<u>\$ 308,730</u>	<u>\$ 1,151,796</u>

See Independent Auditors' Report