

**TOWN OF DEERFIELD, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2012**

**Town of Deerfield, New Hampshire**

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MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Deerfield, New Hampshire

**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 Deerfield, New Hampshire, as of and for the year ended December 31, 2012, 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 of Deerfield, New Hampshire'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 Deerfield, New Hampshire as of December 31, 2012, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Deerfield, New Hampshire's basic financial statements. The schedules of Nonmajor Governmental Funds appearing on pages 38 - 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has

been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
September 6, 2013

## **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 year ended December 31, 2012.

### **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 comprise 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 fiscal 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 fiscal periods (e.g., uncollected taxes).

**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 the 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 \$11,725,017 (i.e., net position), a change of \$485,568 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$1,803,063, a change of \$(47,333) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$258,849, a change of \$(164,119) 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.

#### NET POSITION

	Governmental <u>Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 7,815,413	\$ 6,669,981
Capital assets	<u>9,584,350</u>	<u>8,790,995</u>
Total assets	17,399,763	15,460,976
Long-term liabilities outstanding	563,393	251,184
Other liabilities	<u>5,111,353</u>	<u>3,970,343</u>
Total liabilities	5,674,746	4,221,527
Net position:		
Net investment in capital assets	9,436,312	8,790,995
Restricted	998,318	1,151,796
Unrestricted	<u>1,290,387</u>	<u>1,296,658</u>
Total net position	<u>\$ 11,725,017</u>	<u>\$ 11,239,449</u>

#### CHANGES IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 449,331	\$ 401,866
Operating grants and contributions	53,970	61,973
Capital grants and contributions	156,925	191,698
General revenues:		
Property taxes	2,039,076	1,840,059
Interest, penalties, and other taxes	152,183	154,212
Motor vehicle registration fees	712,824	679,255
Grants and contributions not restricted to specific programs	198,017	198,459
Investment income	2,830	4,761
Miscellaneous	<u>19,967</u>	<u>25,285</u>
Total revenues	3,785,123	3,557,568

(continued)



(continued)

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Expenses:		
General government	1,147,745	1,119,314
Public safety	803,805	783,266
Highways and streets	593,664	558,716
Sanitation	269,510	283,819
Health	36,602	41,934
Welfare	50,623	62,758
Culture and recreation	376,873	373,409
Conservation	14,882	3,285
Debt service	5,851	-
Total expenses	<u>3,299,555</u>	<u>3,226,501</u>
Change in net position	485,568	331,067
Net position - beginning of year	<u>11,239,449</u>	<u>10,908,382</u>
Net position - end of year	<u>\$ 11,725,017</u>	<u>\$ 11,239,449</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 \$11,725,017 a change of \$485,568 from the prior year.

The largest portion of net position is \$9,436,312, which reflects our investment in capital assets (e.g., land, construction in progress, buildings, machinery, equipment and vehicles, and infrastructure), less any related debt used to acquire those assets that are 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 position, \$998,318, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,290,387, may be used to meet the Town's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$485,568. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (118,771)
Nonmajor funds change in fund balance (accrual basis)	72,385
Capital assets funded with operating monies	599,057
Depreciation expense in excess of principal debt service	(179,604)
Other	<u>112,501</u>
Total	<u>\$ 485,568</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 \$1,803,063, a change of \$(47,333) in comparison with the prior year. Key elements of this change are as follows:

General fund operations, as discussed further below	\$ (118,771)
Major fund change in fund balance	224,917
Nonmajor funds change in fund balance	<u>(153,479)</u>
Total	<u>\$ (47,333)</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$258,849, while total fund balance was \$579,829. 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>12/31/12</u>	<u>12/31/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 258,849	\$ 422,968	\$ (164,119)	7.7%
Total fund balance	\$ 579,829	\$ 698,600	\$ (118,771)	17.1%

The total fund balance of the general fund changed by \$(118,771) during the current year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (425,500)
Revenues in excess of budget	159,447
Expenditures less than budget	61,396
Change in capital reserves	7,197
Expenditures of prior year encumbrances	(41,253)
Other	<u>119,942</u>
Total	<u>\$ (118,771)</u>

As required by GASB Statement No. 54, the Town's capital reserve funds are now included in the total general fund balance as follows:

	<u>12/31/12</u>	<u>12/31/11</u>	<u>Change</u>
Capital reserve funds	\$ <u>232,701</u>	\$ <u>225,504</u>	\$ <u>7,197</u>

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no differences between the Town's original and final budgets in 2012.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$9,584,350 (net of accumulated depreciation), a change of \$793,355 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and vehicles, and infrastructure.

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

- \$348,515 for various machinery, equipment, and vehicle purchases.
- \$236,839 for infrastructure improvements to various Town roads.
- \$209,199 for progress payments on a new fire pumper truck.
- \$150,669 for a conservation land purchase.
- \$88,898 for various building improvements.
- \$(240,765) for current year depreciation expense.

**Long-term debt.** At the end of the current fiscal year, the Town had long-term debt outstanding of \$372,839 for the lease/purchase of a new fire pumper truck.

Additional information on capital assets and 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, New Hampshire's finances for all those with an interest in the Town'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 POSITION

DECEMBER 31, 2012

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 6,058,874
Investments	600,918
Receivables, net of allowance for uncollectibles:	
Property taxes	889,026
Departmental	4,031
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	262,564
Land and construction in progress	5,242,140
Other capital assets, net of accumulated depreciation	<u>4,342,210</u>
<b>TOTAL ASSETS</b>	<b>17,399,763</b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	28,059
Accrued liabilities	50,605
Due to school district	4,960,957
Other	3,097
Current portion of long-term liabilities:	
Capital leases	49,116
Compensated absences	3,519
Landfill post-closure	16,000
Noncurrent:	
Capital leases, net of current portion	323,723
Compensated absences, net of current portion	31,670
Landfill post-closure, net of current portion	<u>208,000</u>
<b>TOTAL LIABILITIES</b>	<b>5,674,746</b>
<b>NET POSITION</b>	
Net investment in capital assets	9,436,312
Restricted for:	
Grants and other statutory restrictions	689,738
Permanent funds:	
Nonexpendable	208,018
Expendable	100,562
Unrestricted	<u>1,290,387</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>11,725,017</u></u></b>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General government	\$ 1,147,745	\$ 61,709	\$ 27,337	\$ 1,314	\$ (1,057,385)
Public safety	803,805	108,824	1,364	22,434	(671,183)
Highways and streets	593,664	266	-	131,735	(461,663)
Sanitation	269,510	40,986	-	1,442	(227,082)
Health	36,602	-	-	-	(36,602)
Welfare	50,623	-	401	-	(50,222)
Culture and recreation	376,873	237,546	9,360	-	(129,967)
Conservation	14,882	-	15,508	-	626
Debt service	5,851	-	-	-	(5,851)
Total	\$ 3,299,555	\$ 449,331	\$ 53,970	\$ 156,925	(2,639,329)
		<b>General Revenues and Contributions:</b>			
					2,039,076
					152,183
					712,824
					198,017
					2,830
					19,967
					3,124,897
					485,568
		<b>Net Position:</b>			
					11,239,449
					\$ 11,725,017

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2012

	General Fund	Fire Pumper Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 5,425,574	\$ 224,917	\$ 408,383	\$ 6,058,874
Investments	232,394	-	368,524	600,918
Receivables:				
Property taxes	1,191,833	-	-	1,191,833
Departmental	4,031	-	-	4,031
Due from other funds	<u>8,637</u>	<u>-</u>	<u>251,746</u>	<u>260,383</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,862,469</u></b>	<b><u>\$ 224,917</u></b>	<b><u>\$ 1,028,653</u></b>	<b><u>\$ 8,116,039</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 28,059	\$ -	\$ -	\$ 28,059
Accrued liabilities	42,905	-	1,849	44,754
Due to school district	4,960,957	-	-	4,960,957
Due to other funds	251,746	-	8,637	260,383
Other liabilities	<u>3,097</u>	<u>-</u>	<u>-</u>	<u>3,097</u>
<b>TOTAL LIABILITIES</b>	<b>5,286,764</b>	<b>-</b>	<b>10,486</b>	<b>5,297,250</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>995,876</b>	<b>-</b>	<b>19,850</b>	<b>1,015,726</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	208,018	208,018
Restricted	-	224,917	790,299	1,015,216
Committed	232,701	-	-	232,701
Assigned	88,279	-	-	88,279
Unassigned	<u>258,849</u>	<u>-</u>	<u>-</u>	<u>258,849</u>
<b>TOTAL FUND BALANCES</b>	<b><u>579,829</u></b>	<b><u>224,917</u></b>	<b><u>998,317</u></b>	<b><u>1,803,063</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 6,862,469</u></b>	<b><u>\$ 224,917</u></b>	<b><u>\$ 1,028,653</u></b>	<b><u>\$ 8,116,039</u></b>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

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

DECEMBER 31, 2012

<b>Total governmental fund balances</b>	\$ 1,803,063
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	9,584,350
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	975,483
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(5,851)
<ul style="list-style-type: none"><li>• Long-term liabilities, including capital leases, compensated absences and landfill post-closure, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(632,028)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 11,725,017</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, 2012

	General Fund	Fire Pumper Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 1,931,854	\$ -	\$ -	\$ 1,931,854
Interest, penalties, and other taxes	152,183	-	13,815	165,998
Licenses, permits and fees	784,462	-	-	784,462
Intergovernmental	324,609	-	13,315	337,924
Charges for services	140,146	-	237,546	377,692
Investment income	10,027	116	5,379	15,522
Miscellaneous	<u>20,815</u>	<u>-</u>	<u>43,634</u>	<u>64,449</u>
Total Revenues	3,364,096	116	313,689	3,677,901
<b>Expenditures:</b>				
Current:				
General government	1,141,374	-	64,927	1,206,301
Public safety	851,427	-	17,304	868,731
Highways and streets	707,548	-	-	707,548
Sanitation	323,637	-	-	323,637
Health	36,602	-	-	36,602
Welfare	50,623	-	-	50,623
Culture and recreation	67,007	-	321,335	388,342
Conservation	2,077	-	163,473	165,550
Debt service	61,161	-	-	61,161
Capital outlay	<u>141,540</u>	<u>209,199</u>	<u>-</u>	<u>350,739</u>
Total Expenditures	3,382,996	209,199	567,039	4,159,234
Excess (deficiency) of revenues over expenditures	(18,900)	(209,083)	(253,350)	(481,333)
<b>Other Financing Sources (Uses):</b>				
Lease proceeds	-	434,000	-	434,000
Transfers in	8,637	-	108,508	117,145
Transfers out	<u>(108,508)</u>	<u>-</u>	<u>(8,637)</u>	<u>(117,145)</u>
Total Other Financing Sources (Uses)	(99,871)	434,000	99,871	434,000
Change in fund balance	(118,771)	224,917	(153,479)	(47,333)
Fund Equity, at Beginning of Year	<u>698,600</u>	<u>-</u>	<u>1,151,796</u>	<u>1,850,396</u>
Fund Equity, at End of Year	<u>\$ 579,829</u>	<u>\$ 224,917</u>	<u>\$ 998,317</u>	<u>\$ 1,803,063</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, 2012

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (47,333)</b>
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li> </ul>	
Capital outlay purchases	1,034,120
Depreciation	(240,765)
<ul style="list-style-type: none"> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and land use change taxes) differ between the two statements. This amount represents the net change in deferred revenue.</li> </ul>	
	107,220
<ul style="list-style-type: none"> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</li> </ul>	
Issuance of debt	(434,000)
Repayments of debt	61,161
<ul style="list-style-type: none"> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	
	(5,850)
<ul style="list-style-type: none"> <li>• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li> </ul>	
	<u>11,015</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u><u>485,568</u></u></b>

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 1,867,849	\$ 1,867,849	\$ 1,867,849	\$ -
Interest, penalties, and other taxes	142,533	142,533	175,650	33,117
Licenses, permits and fees	727,873	727,873	784,462	56,589
Intergovernmental	325,196	325,196	324,609	(587)
Charges for services	75,000	75,000	140,146	65,146
Investment income	1,700	1,700	2,830	1,130
Miscellaneous	18,000	18,000	20,815	2,815
Transfers in	7,400	7,400	8,637	1,237
Use of fund balance	<u>425,500</u>	<u>425,500</u>	<u>425,500</u>	<u>-</u>
Total Revenues and Other Sources	3,591,051	3,591,051	3,750,498	159,447
<b>Expenditures and Other Uses:</b>				
General government	1,183,745	1,183,745	1,145,560	38,185
Public safety	844,612	844,612	869,756	(25,144)
Highways and streets	709,286	709,286	707,548	1,738
Sanitation	348,396	348,396	312,362	36,034
Health	44,114	44,114	36,602	7,512
Welfare	69,769	69,769	50,623	19,146
Culture and recreation	157,882	157,882	177,270	(19,388)
Conservation	2,083	2,083	2,077	6
Capital outlay	145,000	145,000	141,696	3,304
Debt service	61,164	61,164	61,161	3
Transfers out	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>3,591,051</u>	<u>3,591,051</u>	<u>3,529,655</u>	<u>61,396</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>220,843</u>	\$ <u>220,843</u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2012

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ -	\$ 100,253
Investments	<u>6,044</u>	<u>876,456</u>
Total Assets	6,044	976,709
<b><u>LIABILITIES AND NET POSITION</u></b>		
Trustees of Trust Funds:		
School funds	-	402,476
Historical society funds	-	484,985
Other funds	-	13,995
Escrow deposits	-	25,052
School impact fees	-	26,650
Other liabilities	<u>-</u>	<u>23,551</u>
Total Liabilities	<u>-</u>	<u>976,709</u>
<b><u>NET POSITION</u></b>		
Restricted for:		
Endowment	4,585	-
Unrestricted	<u>1,459</u>	<u>-</u>
Total net position held in trust	<u>\$ 6,044</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF DEERFIELD, NEW HAMPSHIRE  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Interest earnings	\$ <u>168</u>
Total contributions	168
 <b>Deductions:</b>	
Other	-
Total deductions	<u>-</u>
Net increase (decrease)	168
 <b>Net position:</b>	
Beginning of year	<u>5,876</u>
End of year	<u><u>\$ 6,044</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, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The 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 fiscal year 2012, 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 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 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 Town 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 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 *fire pumper fund* is used to account for all of the activities associated with the Town's purchase of a new fire pumper truck.

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.

Trust fund 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 Town 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.

Capital assets are 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 Town’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 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 – In general, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. 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 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 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)	\$ 3,364,096	\$ 3,382,996
Other financing sources/uses (GAAP basis)	<u>8,637</u>	<u>108,508</u>
Subtotal (GAAP Basis)	3,372,733	3,491,504
Adjust tax revenue to accrual basis	(64,005)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(41,253)
Add end-of-year appropriation carryforwards to expenditures	-	79,404
Recognize use of fund balance as funding source	425,500	-
Reverse effects of nonbudgeted audit adjustments	23,467	-
Reverse effect of combining capital reserve funds with general fund	<u>(7,197)</u>	<u>-</u>
Budgetary basis	<u>\$ 3,750,498</u>	<u>\$ 3,529,655</u>

### 3. Cash and Investments

#### A. Custodial Credit Risk

*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.”

As of December 31, 2012, none of the Town’s or Trustees’ bank balances were exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank’s trust department not in the Town’s name.

*Custodial Credit Risk - Investments.* 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, 2012, none of the Trustees’ investments were subject to custodial credit risk.

**B. Credit Risk**

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

Presented below is the actual rating as of year-end for each investment of the 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>1,483</u>		\$ <u>1,483</u>
Total investments	\$ <u><u>1,483</u></u>		\$ <u><u>1,483</u></u>

**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, 2012, 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, 2012, 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, 2012, the foreign currency risk associated with the Trustees' investments in various bond mutual funds cannot reasonably be determined.

**4. 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 lienied 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, 2012 consist of the following:

Property taxes		
2012 levy		\$ 591,634
Unredeemed tax liens		
2011 levy	244,122	
2010 levy	132,321	
2009 levy	82,856	
Prior levies	<u>84,911</u>	
		544,210
Land use change taxes		39,700
Yield taxes		3,617
Elderly deferrals		<u>12,672</u>
Total taxes receivable		<u>\$ 1,191,833</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.

**5. 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	\$ 20,752
Tax liens	\$ 19,047
Elderly deferrals	\$ 444

**6. 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, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 8,637	\$ 251,746
Special Revenue Funds:		
FEMA Fund	173,276	-
Recreation Fund	58,947	-
Conservation Commission	18,583	-
Trust Funds:		
Cemetery Trusts	-	8,637
Other Trusts	940	-
Total	<u>\$ 260,383</u>	<u>\$ 260,383</u>

## 7. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 507	\$ 89	\$ -	\$ 596
Machinery, equipment, and furnishings	318	260	-	578
Vehicles	1,139	88	-	1,227
Infrastructure	3,709	237	-	3,946
Total capital assets, being depreciated	<u>5,673</u>	<u>674</u>	<u>-</u>	<u>6,347</u>
Less accumulated depreciation for:				
Buildings and improvements	(82)	(24)	-	(106)
Machinery, equipment, and furnishings	(154)	(36)	-	(190)
Vehicles	(660)	(72)	-	(732)
Infrastructure	(868)	(109)	-	(977)
Total accumulated depreciation	<u>(1,764)</u>	<u>(241)</u>	<u>-</u>	<u>(2,005)</u>
Total capital assets, being depreciated, net	3,909	433	-	4,342
Capital assets, not being depreciated:				
Land	4,882	151	-	5,033
Construction in progress	-	209	-	209
Total capital assets, not being depreciated	<u>4,882</u>	<u>360</u>	<u>-</u>	<u>5,242</u>
Governmental activities capital assets, net	<u>\$ 8,791</u>	<u>\$ 793</u>	<u>\$ -</u>	<u>\$ 9,584</u>



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

Governmental Activities:	
General government	\$ 21
Public safety	74
Highways and streets*	135
Sanitation	4
Culture and recreation	<u>7</u>
Total depreciation expense - governmental activities	<u>\$ 241</u>

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

## 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2012 expenditures paid after December 31, 2012.

## 9. Capital Lease Obligations

In 2012, the Town entered into a capital lease agreement for the purchase of a new fire pumper truck. Future minimum lease payments under this capital lease consist of the following as of December 31, 2012:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
2013	\$ 59,146
2014	59,146
2015	59,146
2016	59,146
2017	59,146
Thereafter	<u>118,291</u>
Total minimum lease payments	414,021
Less amounts representing interest	<u>41,182</u>
Present Value of Minimum Lease Payments	<u>\$ 372,839</u>

**10. Long-Term Debt**

*Changes in General Long-Term Liabilities*

During the year ended December 31, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total			Total		Less	Equals
	Balance			Balance	Current	Long-Term	
	<u>1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u>	<u>Portion</u>	<u>Portion</u>	<u>12/31/12</u>
<u>Governmental Activities</u>							
Capital lease	\$ -	\$ 434	\$ (61)	\$ 373	\$ (49)	\$	324
Compensated absences	30	5	-	35	(4)		31
Landfill post-closure	<u>240</u>	<u>-</u>	<u>(16)</u>	<u>224</u>	<u>(16)</u>		<u>208</u>
Total	<u>\$ 270</u>	<u>\$ 439</u>	<u>\$ (77)</u>	<u>\$ 632</u>	<u>\$ (69)</u>		<u>\$ 563</u>

**11. Landfill Closure and Post-closure Care Costs**

State and Federal laws and regulations required the Town to place a final cover on its landfill site when it stopped 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 \$224,000 reported as the landfill post-closure care liability at December 31, 2012 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.

**12. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the Town 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, 2012:

	<u>Governmental Funds</u>	
	<u>General</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Fund</u>
Fund Basis:		
Deferred Revenues	\$ 995,876	\$ 19,850

### 13. **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.

### 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.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which seeks to enhance 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, 2012:

**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, unspent capital lease proceeds held in escrow for a new fire pumper, 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.

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, 2012:

	<u>General Fund</u>	<u>Fire Pumper Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 208,018	\$ 208,018
Total Nonspendable	-	-	208,018	208,018
Restricted				
Special revenue funds	-	-	689,737	689,737
Capital project funds	-	224,917	-	224,917
Expendable permanent funds	-	-	100,562	100,562
Total Restricted	-	224,917	790,299	1,015,216
Committed				
Capital reserve funds	232,701	-	-	232,701
Total Committed	232,701	-	-	232,701
Assigned				
Encumbrances	79,404	-	-	79,404
Reserved for flood insurance	8,875	-	-	8,875
Total Assigned	88,279	-	-	88,279
Unassigned	258,849	-	-	258,849
Total Unassigned	258,849	-	-	258,849
Total Fund Balances	\$ 579,829	\$ 224,917	\$ 998,317	\$ 1,803,063

## 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	\$ 258,849
Deferred revenues	<u>995,876</u>
Tax Rate Setting Balance	<u>\$ 1,254,725</u>

## 16. Commitments and Contingencies

Property Tax Abatement/Refund Claims – The Town is currently in litigation with two commercial entities that have filed for abatements of a portion of two years' property taxes. The Town's potential exposure for these claims is estimated to be approximately \$220,000; however, the ultimate outcome of these claims cannot reasonably be determined as of December 31, 2012.

Other Outstanding Legal Issues – There are various other pending legal issues in which the Town is involved. The Town's management is of the opinion that any 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.

## 17. Post-Employment Healthcare and Life Insurance Benefits

The Town has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governmental employers 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 post-employment benefits, rather than when they use them. 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.

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 provide direct other post-employment benefits to its retirees, and it is reasonable for the Town to project benefits using unadjusted premiums, the Town does not have an OPEB liability at December 31, 2012.

## 18. 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](http://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 7.00% of member's compensation for *Group I* members (employees and teachers), 11.55% of member's compensation for *Group II* police members, and 11.80% of member's compensation for *Group II* fire members. Employer contributions are set by the System's Board of Trustees based on biennial actuarial valuations prepared as of June 30<sup>th</sup> on the odd numbered years (2009, 2011, etc.).

In 2012, 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* fire employees. The Town's total contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$120,837, \$113,079 and \$105,873 respectively, which equaled its annual required contributions for each of these years.

**19. 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 fiscal years.

**20. Implementation of New GASB Standards**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Town will be required to implement in 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by requiring the Town to recognize, as a liability and expense, the Town's applicable portion of the New Hampshire Retirement System's actuarially accrued unfunded pension liability.

TOWN OF DEERFIELD, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	<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	\$ -	\$ -	\$ 243,713	\$ 47,123	\$ 44,559	\$ 39,454	\$ 30,382
Investments	-	-	-	-	-	-	-
Due from other funds	<u>173,276</u>	<u>58,947</u>	<u>18,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 173,276</u>	<u>\$ 58,947</u>	<u>\$ 262,296</u>	<u>\$ 47,123</u>	<u>\$ 44,559</u>	<u>\$ 39,454</u>	<u>\$ 30,382</u>
<u>LIABILITIES</u>							
Accrued liabilities	\$ -	\$ 1,849	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	1,849	-	-	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-	19,850	-	-	-	-
<u>FUND BALANCES</u>							
Nonspendable	-	-	-	-	-	-	-
Restricted	<u>173,276</u>	<u>57,098</u>	<u>242,446</u>	<u>47,123</u>	<u>44,559</u>	<u>39,454</u>	<u>30,382</u>
Total Fund Balance	<u>173,276</u>	<u>57,098</u>	<u>242,446</u>	<u>47,123</u>	<u>44,559</u>	<u>39,454</u>	<u>30,382</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 173,276</u>	<u>\$ 58,947</u>	<u>\$ 262,296</u>	<u>\$ 47,123</u>	<u>\$ 44,559</u>	<u>\$ 39,454</u>	<u>\$ 30,382</u>

(continued)



TOWN OF DEERFIELD, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2012

(continued)

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotals	Cemetery Funds	Library Funds	Subtotals	
<u>ASSETS</u>						
Cash and short-term investments	\$ 1,952	\$ 407,183	\$ 1,200	\$ -	\$ 1,200	\$ 408,383
Investments	52,507	52,507	257,054	58,963	316,017	368,524
Due from other funds	940	251,746	-	-	-	251,746
Total Assets	<u>\$ 55,399</u>	<u>\$ 711,436</u>	<u>\$ 258,254</u>	<u>\$ 58,963</u>	<u>\$ 317,217</u>	<u>\$ 1,028,653</u>
<u>LIABILITIES</u>						
Accrued liabilities	\$ -	\$ 1,849	\$ -	\$ -	\$ -	\$ 1,849
Due to other funds	-	-	8,637	-	8,637	8,637
Total Liabilities	-	1,849	8,637	-	8,637	10,486
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	19,850	-	-	-	19,850
<u>FUND BALANCES</u>						
Nonspendable	-	-	152,211	55,807	208,018	208,018
Restricted	55,399	689,737	97,406	3,156	100,562	790,299
Total Fund Balance	<u>55,399</u>	<u>689,737</u>	<u>249,617</u>	<u>58,963</u>	<u>308,580</u>	<u>998,317</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 55,399</u>	<u>\$ 711,436</u>	<u>\$ 258,254</u>	<u>\$ 58,963</u>	<u>\$ 317,217</u>	<u>\$ 1,028,653</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, 2012

	Special Revenue Funds						
	FEMA Fund	Recreation Fund	Conservation Commission	Impact Fees	Library Operating	Library Building	Other Special Funds
Revenues:							
Interest, penalties, and other taxes	\$ -	\$ -	\$ 13,815	\$ -	\$ -	\$ -	\$ -
Intergovernmental	13,315	-	-	-	-	-	-
Charges for services	-	237,344	-	-	202	-	-
Investment income	-	-	414	60	25	19	47
Miscellaneous	-	5,779	1,276	6,525	621	1,170	20,448
Total Revenues	13,315	243,123	15,505	6,585	848	1,189	20,495
Expenditures:							
Current:							
General government	61,969	-	-	-	-	-	2,958
Public safety	-	-	-	-	-	-	17,304
Culture and recreation	-	241,998	-	-	79,337	-	-
Conservation	-	-	163,473	-	-	-	-
Total Expenditures	61,969	241,998	163,473	-	79,337	-	20,262
Excess (deficiency) of revenues over (under) expenditures	(48,654)	1,125	(147,968)	6,585	(78,489)	1,189	233
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	83,508	1,885	-
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	83,508	1,885	-
Change in fund balances	(48,654)	1,125	(147,968)	6,585	5,019	3,074	233
Fund Balances, beginning of year	221,930	55,973	390,414	40,538	39,540	36,380	30,149
Fund Balances, end of year	\$ 173,276	\$ 57,098	\$ 242,446	\$ 47,123	\$ 44,559	\$ 39,454	\$ 30,382

(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, 2012

(continued)

	Special Revenue Funds		Permanent Funds			Total Nonmajor Governmental Funds
	Trust Funds	Subtotals	Cemetery Funds	Library Funds	Subtotals	
Revenues:						
Interest, penalties, and other taxes	\$ -	\$ 13,815	\$ -	\$ -	\$ -	\$ 13,815
Intergovernmental	-	13,315	-	-	-	13,315
Charges for services	-	237,546	-	-	-	237,546
Investment income	642	1,207	2,447	1,725	4,172	5,379
Miscellaneous	<u>1,615</u>	<u>37,434</u>	<u>6,200</u>	<u>-</u>	<u>6,200</u>	<u>43,634</u>
Total Revenues	2,257	303,317	8,647	1,725	10,372	313,689
Expenditures:						
Current:						
General government	-	64,927	-	-	-	64,927
Public safety	-	17,304	-	-	-	17,304
Culture and recreation	-	321,335	-	-	-	321,335
Conservation	-	163,473	-	-	-	163,473
Total Expenditures	<u>-</u>	<u>567,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>567,039</u>
Excess (deficiency) of revenues over (under) expenditures	2,257	(263,722)	8,647	1,725	10,372	(253,350)
Other Financing Sources (Uses):						
Transfers in	25,000	110,393	-	-	-	110,393
Transfers out	<u>-</u>	<u>-</u>	<u>(8,637)</u>	<u>(1,885)</u>	<u>(10,522)</u>	<u>(10,522)</u>
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>110,393</u>	<u>(8,637)</u>	<u>(1,885)</u>	<u>(10,522)</u>	<u>99,871</u>
Change in fund balances	27,257	(153,329)	10	(160)	(150)	(153,479)
Fund Balances, beginning 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>
Fund Balances, end of year	<u>\$ 55,399</u>	<u>\$ 689,737</u>	<u>\$ 249,617</u>	<u>\$ 58,963</u>	<u>\$ 308,580</u>	<u>\$ 998,317</u>

See Independent Auditors' Report