

TOWN OF DEERFIELD, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2013

Town of Deerfield, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Deerfield, New Hampshire

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Deerfield, New Hampshire, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Deerfield, New Hampshire as of December 31, 2013, 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

July 9, 2014

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, 2013.

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 \$11,723,697 (i.e., net position), a change of \$(1,320) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$1,570,132, a change of \$(232,931) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$461,667, a change of \$202,818 in comparison to the prior year.
- Total long-term debt (i.e., capital leases) at the close of the current year was \$323,723, a change of \$(49,116) 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>2013</u>	<u>2012</u>
Current and other assets	\$ 7,652,210	\$ 7,815,413
Capital assets	<u>9,903,108</u>	<u>9,584,350</u>
Total assets	17,555,318	17,399,763
Current liabilities	5,127,992	5,111,353
Noncurrent liabilities	484,149	563,393
Deferred inflows	<u>219,480</u>	<u>-</u>
Total liabilities and deferred inflows	5,831,621	5,674,746
Net position:		
Net investment in capital assets	9,579,385	9,436,312
Restricted	841,292	998,318
Unrestricted	<u>1,303,020</u>	<u>1,290,387</u>
Total net position	<u>\$ 11,723,697</u>	<u>\$ 11,725,017</u>

CHANGES IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 423,587	\$ 449,331
Operating grants and contributions	60,803	53,970
Capital grants and contributions	138,060	156,925
General revenues:		
Property taxes	1,668,199	2,039,076
Interest, penalties, and other taxes	245,262	152,183
Motor vehicle registration fees	753,858	712,824
Grants and contributions not restricted to specific programs	208,167	198,017
Investment income	2,644	2,830
Miscellaneous	<u>53,939</u>	<u>19,967</u>
Total revenues	3,554,519	3,785,123

(continued)

(continued)

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Expenses:		
General government	1,156,996	1,147,745
Public safety	918,923	803,805
Highways and streets	678,940	593,664
Sanitation	269,244	269,510
Health	35,997	36,602
Welfare	49,161	50,623
Culture and recreation	429,178	376,873
Conservation	8,141	14,882
Debt service	9,259	5,851
Total expenses	<u>3,555,839</u>	<u>3,299,555</u>
Change in net position	(1,320)	485,568
Net position - beginning of year	<u>11,725,017</u>	<u>11,239,449</u>
Net position - end of year	<u>\$ 11,723,697</u>	<u>\$ 11,725,017</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 \$11,723,697 a change of \$(1,320) from the prior year.

The largest portion of net position is \$9,579,385, 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, \$841,292, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,303,020, 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 \$(1,320). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 149,011
Major fund change in fund balance	(224,917)
Nonmajor funds change in fund balance	(157,025)
Capital assets funded with operating monies	614,573
Depreciation expense in excess of principal debt service	(240,022)
Other	<u>(142,940)</u>
Total	<u>\$ (1,320)</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 \$1,570,132, a change of \$(232,931) in comparison with the prior year. Key elements of this change are as follows:

General fund operations, as discussed further below	\$ 149,011
Major fund change in fund balance	(224,917)
Nonmajor funds change in fund balance	<u>(157,025)</u>
Total	<u>\$ (232,931)</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$461,667, while total fund balance was \$728,840. 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>12/31/13</u>	<u>12/31/12</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 461,667	\$ 258,849	\$ 202,818	13.9%
Total fund balance	\$ 728,840	\$ 579,829	\$ 149,011	22.0%

Total fund balance of the general fund changed by \$149,011 during the current year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (350,000)
Revenues in excess of budget	413,031
Expenditures less than budget	119,226
Change in capital reserves	(264)
Expenditures of prior year encumbrances	(72,345)
Other	<u>39,363</u>
Total	<u>\$ 149,011</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>12/31/13</u>	<u>12/31/12</u>	<u>Change</u>
Capital reserve funds	\$ <u>232,437</u>	\$ <u>232,701</u>	\$ <u>(264)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the Town's original and final budgets in 2013.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$9,903,108 (net of accumulated depreciation), a change of \$318,758 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:

- \$255,430 for infrastructure improvements to various Town roads.
- \$224,669 for the balance due on a new fire pumper truck.
- \$79,030 for various building improvements.
- \$55,444 for various machinery, equipment, and vehicle purchases.
- \$(6,677) for the loss on disposal of a police cruiser.
- \$(289,138) for current year depreciation expense.

Long-term debt. At the end of the current fiscal year, the Town had long-term debt outstanding of \$323,723 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, 2013

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 6,146,336
Investments	275,961
Receivables, net of allowance for uncollectibles:	
Property taxes	784,349
Departmental	4,667
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	221,417
Tax deeded properties held for resale	219,480
Land and construction in progress	5,032,941
Other capital assets, net of accumulated depreciation	<u>4,870,167</u>
TOTAL ASSETS	17,555,318
LIABILITIES	
Current:	
Accounts payable	532,991
Accrued liabilities	56,544
Due to school district	4,468,270
Other	148
Current portion of long-term liabilities:	
Capital leases	50,438
Compensated absences	3,601
Landfill post-closure	16,000
Noncurrent:	
Capital leases, net of current portion	273,285
Compensated absences, net of current portion	18,864
Landfill post-closure, net of current portion	192,000
DEFERRED INFLOWS OF RESOURCES	<u>219,480</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,831,621
NET POSITION	
Net investment in capital assets	9,579,385
Restricted for:	
Grants and other statutory restrictions	539,930
Permanent funds:	
Nonexpendable	215,860
Expendable	85,502
Unrestricted	<u>1,303,020</u>
TOTAL NET POSITION	\$ <u><u>11,723,697</u></u>

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

TOWN OF DEERFIELD, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,156,996	\$ 63,064	\$ 38,170	\$ (430)	\$ (1,056,192)
Public safety	918,923	54,216	2,687	1,222	(860,798)
Highways and streets	678,940	642	5,084	133,935	(539,279)
Sanitation	269,244	45,775	-	3,333	(220,136)
Health	35,997	-	-	-	(35,997)
Welfare	49,161	-	1,055	-	(48,106)
Culture and recreation	429,178	259,890	5,870	-	(163,418)
Conservation	8,141	-	7,937	-	(204)
Debt service	9,259	-	-	-	(9,259)
Total	\$ 3,555,839	\$ 423,587	\$ 60,803	\$ 138,060	(2,933,389)
		General Revenues and Contributions:			
					1,668,199
					245,262
					753,858
					208,167
					2,644
					53,939
					2,932,069
					(1,320)
		Net Position:			
					11,725,017
					\$ 11,723,697

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

TOWN OF DEERFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 5,626,900	\$ 519,436	\$ 6,146,336
Investments	-	275,961	275,961
Receivables:			
Property taxes	1,042,086	-	1,042,086
Departmental	4,667	-	4,667
Due from other funds	8,780	79,234	88,014
Tax deeded property held for resale	<u>219,480</u>	<u>-</u>	<u>219,480</u>
TOTAL ASSETS	<u>\$ 6,901,913</u>	<u>\$ 874,631</u>	<u>\$ 7,776,544</u>
LIABILITIES			
Accounts payable	\$ 532,991	\$ -	\$ 532,991
Accrued liabilities	49,810	1,654	51,464
Due to school district	4,468,270	-	4,468,270
Due to other funds	79,234	8,780	88,014
Other liabilities	<u>148</u>	<u>-</u>	<u>148</u>
TOTAL LIABILITIES	5,130,453	10,434	5,140,887
DEFERRED INFLOWS OF RESOURCES	1,042,620	22,905	1,065,525
FUND BALANCES			
Nonspendable	-	215,860	215,860
Restricted	-	625,432	625,432
Committed	232,437	-	232,437
Assigned	34,736	-	34,736
Unassigned	<u>461,667</u>	<u>-</u>	<u>461,667</u>
TOTAL FUND BALANCES	<u>728,840</u>	<u>841,292</u>	<u>1,570,132</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,901,913</u>	<u>\$ 874,631</u>	<u>\$ 7,776,544</u>

The accompanying notes are an integral part of these 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, 2013

Total governmental fund balances	\$ 1,570,132
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,903,108
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	809,725
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(5,080)
<ul style="list-style-type: none">• 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.	<u>(554,188)</u>
Net position of governmental activities	<u><u>\$ 11,723,697</u></u>

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

TOWN OF DEERFIELD, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Fire Pumper Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 1,833,958	\$ -	\$ -	\$ 1,833,958
Interest, penalties, and other taxes	245,262	-	2,500	247,762
Licenses, permits and fees	825,757	-	-	825,757
Intergovernmental	330,133	-	32,469	362,602
Charges for services	92,236	-	259,890	352,126
Investment income	(2,620)	287	6,049	3,716
Miscellaneous	<u>56,802</u>	<u>-</u>	<u>37,554</u>	<u>94,356</u>
Total Revenues	3,381,528	287	338,462	3,720,277
Expenditures:				
Current:				
General government	1,089,446	-	44,227	1,133,673
Public safety	826,907	-	9,202	836,109
Highways and streets	819,456	-	4,808	824,264
Sanitation	277,391	-	-	277,391
Health	35,997	-	-	35,997
Welfare	49,161	-	-	49,161
Culture and recreation	97,260	-	353,291	450,551
Conservation	2,075	-	6,066	8,141
Debt service	59,146	-	-	59,146
Capital outlay	<u>54,106</u>	<u>224,669</u>	<u>-</u>	<u>278,775</u>
Total Expenditures	3,310,945	224,669	417,594	3,953,208
Excess (deficiency) of revenues over expenditures	70,583	(224,382)	(79,132)	(232,931)
Other Financing Sources (Uses):				
Transfers in	191,173	-	112,745	303,918
Transfers out	<u>(112,745)</u>	<u>(535)</u>	<u>(190,638)</u>	<u>(303,918)</u>
Total Other Financing Sources (Uses)	78,428	(535)	(77,893)	-
Change in fund balance	149,011	(224,917)	(157,025)	(232,931)
Fund Equity, at Beginning of Year	<u>579,829</u>	<u>224,917</u>	<u>998,317</u>	<u>1,803,063</u>
Fund Equity, at End of Year	<u>\$ 728,840</u>	<u>\$ -</u>	<u>\$ 841,292</u>	<u>\$ 1,570,132</u>

The accompanying notes are an integral part of these 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, 2013

Net changes in fund balances - total governmental funds	\$ (232,931)						
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">614,573</td> </tr> <tr> <td>Loss on disposal of capital assets</td> <td style="text-align: right;">(6,677)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(289,138)</td> </tr> </table> 		Capital outlay purchases	614,573	Loss on disposal of capital assets	(6,677)	Depreciation	(289,138)
Capital outlay purchases	614,573						
Loss on disposal of capital assets	(6,677)						
Depreciation	(289,138)						
<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. <div style="float: right; text-align: right;">(165,757)</div> 							
<ul style="list-style-type: none"> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">49,116</td> </tr> </table> 		Repayments of debt	49,116				
Repayments of debt	49,116						
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="float: right; text-align: right;">770</div> 							
<ul style="list-style-type: none"> • 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. <div style="float: right; text-align: right;"><u>28,724</u></div> 							
Change in net position of governmental activities	\$ <u>(1,320)</u>						

The accompanying notes are an integral part of these 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, 2013

	<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:				
Property taxes	\$ 1,818,310	\$ 1,818,310	\$ 1,818,310	\$ -
Interest, penalties, and other taxes	84,378	84,378	211,206	126,828
Licenses, permits and fees	767,240	767,240	825,757	58,517
Intergovernmental	322,522	322,522	330,133	7,611
Charges for services	60,000	60,000	92,236	32,236
Investment income	2,000	2,000	3,179	1,179
Miscellaneous	88,362	88,362	93,163	4,801
Transfers in	8,637	8,637	190,496	181,859
Use of fund balance	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total Revenues and Other Sources	3,501,449	3,501,449	3,914,480	413,031
Expenditures and Other Uses:				
General government	1,177,533	1,177,533	1,077,338	100,195
Public safety	835,713	835,713	806,477	29,236
Highways and streets	737,473	737,473	820,709	(83,236)
Sanitation	328,409	328,409	280,427	47,982
Health	42,204	42,204	36,863	5,341
Welfare	68,612	68,612	48,335	20,277
Culture and recreation	165,502	165,502	166,903	(1,401)
Conservation	2,081	2,081	2,075	6
Capital outlay	54,775	54,775	53,950	825
Debt service	59,147	59,147	59,146	1
Transfers out	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>3,501,449</u>	<u>3,501,449</u>	<u>3,382,223</u>	<u>119,226</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>532,257</u>	\$ <u>532,257</u>

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

TOWN OF DEERFIELD, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2013

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 1,152	\$ 572,437
Investments	<u>5,238</u>	<u>418,606</u>
Total Assets	6,390	991,043
 <u>LIABILITIES AND NET POSITION</u>		
Trustees of Trust Funds:		
School funds	-	418,566
Historical society funds	-	466,180
Other funds	-	16,669
Escrow deposits	-	24,704
School impact fees	-	41,638
Other liabilities	-	<u>23,286</u>
Total Liabilities	<u>-</u>	<u>991,043</u>
 <u>NET POSITION</u>		
Restricted for:		
Endowment	5,133	-
Unrestricted	<u>1,257</u>	<u>-</u>
Total net position held in trust	<u>\$ 6,390</u>	<u>\$ -</u>

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

TOWN OF DEERFIELD, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment income	\$ 94
Change in value of investments	<u>259</u>
Total contributions	353
 Deductions:	
Investment management fees	<u>7</u>
Total deductions	<u>7</u>
Net increase (decrease)	346
 Net position:	
Beginning of year	<u>6,044</u>
End of year	<u><u>\$ 6,390</u></u>

The accompanying notes are an integral part of these 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 2013, 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, savings accounts, and money market mutual funds. 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 certificates of deposit, bond mutual funds, bond exchange traded funds (ETFs), individual equities, equity mutual funds, and equity ETFs. 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 Town's highest decision making authority (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 (if any).

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)	\$ 3,381,528	\$ 3,310,945
Other financing sources/uses (GAAP basis)	<u>191,173</u>	<u>112,745</u>
Subtotal (GAAP Basis)	3,572,701	3,423,690
Adjust tax revenue to accrual basis	(15,648)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(72,345)
Add end-of-year appropriation carryforwards to expenditures	-	25,861
Recognize use of fund balance as funding source	350,000	-
Reverse effects of nonbudgeted audit adjustments	2,163	17
Reverse effect of combining capital reserve funds with general fund	<u>5,264</u>	<u>5,000</u>
Budgetary basis	<u>\$ 3,914,480</u>	<u>\$ 3,382,223</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, 2013, \$62,411 of the Town’s bank balances totaling \$6,394,082 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank’s trust department not in the Town’s name.

As of December 31, 2013, \$783,264 of capital reserve and trust fund assets in the custody of the Trustees of Trust Funds (Trustees) were held in shares of a money market mutual fund registered with the Securities and Exchange Commission in accordance with RSA 31:25. These funds are not collateralized, FDIC-insured, or guaranteed by any other government agency.

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 31:25.

The Trustees’ investments are exposed to custodial credit risk because the related securities are uninsured, unregistered, and/or held by the Trustees’ investment management company, which is also the counterparty to these securities. The Trustees manage this custodial credit risk with SIPC and excess SIPC insurance.

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. The Trustees investment policy mirrors this rule.

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>
Certificates of deposits	\$ 40	N/A	\$ 40
Bond mutual funds and ETFs	186	N/A	186
Corporate equities and ETFs	<u>474</u>	N/A	<u>474</u>
Total investments	<u>\$ 700</u>		<u>\$ 700</u> \$

C. Concentration of Credit Risk

The Trustees' investment policy includes asset allocation guidelines for investments held in cash equivalents, fixed income, equities, and other securities, but it does not specifically limit the amount of funds that may be invested in any one issuer. As of December 31, 2013, the Trustees did not hold investments in any one issuer (other than mutual funds, ETFs, and an FDIC-insured certificate of deposit) exceeding 5% of total trust fund investments.

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, 2013, the interest rate risk associated with the Trustees' investments in various bond mutual funds and ETFs 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, 2013, the foreign currency risk associated with the Trustees' investments in various bond and equity mutual funds and ETFs 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 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, 2013 consist of the following:

Property taxes		
2013 levy		\$ 568,953
Unredeemed tax liens		
2012 levy	236,774	
2011 levy	139,362	
Prior levies	<u>76,125</u>	
		452,261
Land use change taxes		6,110
Yield taxes		900
Elderly deferrals		<u>13,862</u>
Total taxes receivable		<u>\$ 1,042,086</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	\$ 20,006
Tax liens	\$ 15,829
Elderly deferrals	\$ 485

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, 2013 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ <u>8,780</u>	\$ <u>79,234</u>
Special Revenue Funds:		
FEMA Fund	1	-
Recreation Fund	53,744	-
Joe Stone Good Sport Fund	2,534	
Conservation Fund	22,905	-
Trust Funds:		
Cemetery Trusts	-	8,780
Other Trusts	<u>50</u>	<u>-</u>
Subtotal	<u>79,234</u>	<u>8,780</u>
Total	<u>\$ 88,014</u>	<u>\$ 88,014</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2013 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	\$ 596	\$ 79	\$ -	\$ 675
Machinery, equipment, and furnishings	578	29	-	607
Vehicles	1,227	460	(138)	1,549
Infrastructure	<u>3,946</u>	<u>255</u>	<u>-</u>	<u>4,201</u>
Total capital assets, being depreciated	6,347	823	(138)	7,032
Less accumulated depreciation for:				
Buildings and improvements	(106)	(27)	-	(133)
Machinery, equipment, and furnishings	(190)	(57)	-	(247)
Vehicles	(732)	(89)	132	(689)
Infrastructure	<u>(977)</u>	<u>(116)</u>	<u>-</u>	<u>(1,093)</u>
Total accumulated depreciation	<u>(2,005)</u>	<u>(289)</u>	<u>132</u>	<u>(2,162)</u>
Total capital assets, being depreciated, net	4,342	534	(6)	4,870
Capital assets, not being depreciated:				
Land	5,033	-	-	5,033
Construction in progress	<u>209</u>	<u>-</u>	<u>(209)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>5,242</u>	<u>-</u>	<u>(209)</u>	<u>5,033</u>
Governmental activities capital assets, net	<u>\$ 9,584</u>	<u>\$ 534</u>	<u>\$ (215)</u>	<u>\$ 9,903</u>

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

Governmental Activities:	
General government	\$ 25
Public safety	101
Highways and streets*	144
Sanitation	8
Culture and recreation	<u>11</u>
Total depreciation expense - governmental activities	<u>\$ 289</u>

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

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent 2013 expenditures paid after December 31, 2013.

9. Capital Lease Obligations

The Town is the lessee of a fire pumper truck under a capital lease obligation that matures in 2019. Future minimum lease payments under this capital lease consist of the following as of December 31, 2013:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
2014	\$ 59,146
2015	59,146
2016	59,146
2017	59,146
2018	59,146
Thereafter	<u>59,145</u>
Total minimum lease payments	354,875
Less amounts representing interest	<u>31,152</u>
Present Value of Minimum Lease Payments	<u>\$ 323,723</u>

10. Long-Term Debt

Changes in General Long-Term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>1/1/13</u>	Additions	Reductions	Total Balance <u>12/31/13</u>	Less Current Portion <u> </u>	Equals Long-Term Portion <u>12/31/13</u>
<u>Governmental Activities</u>						
Capital lease	\$ 373	\$ -	\$ (49)	\$ 324	\$ (50)	\$ 274
Compensated absences	35	-	(13)	22	(4)	18
Landfill post-closure	<u>224</u>	<u>-</u>	<u>(16)</u>	<u>208</u>	<u>(16)</u>	<u>192</u>
Total	<u>\$ 632</u>	<u>\$ -</u>	<u>\$ (78)</u>	<u>\$ 554</u>	<u>\$ (70)</u>	<u>\$ 484</u>

11. Landfill 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 \$208,000 reported as the landfill post-closure care liability at December 31, 2013 represents the Town's estimated future post-closure care costs for the remaining thirteen 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, 2013:

	Entity-wide Basis	Fund Basis	
	Governmental Activities	Governmental Funds General Fund	Nonmajor Funds
Unearned revenues:			
Committed taxes	\$ -	\$ 407,456	\$ 3,055
Tax liens	-	415,684	19,850
Tax deeded property	<u>219,480</u>	<u>219,480</u>	<u>-</u>
Total	<u>\$ 219,480</u>	<u>\$ 1,042,620</u>	<u>\$ 22,905</u>

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, 2013:

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 and expendable trust 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.

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, 2013:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 215,860	\$ 215,860
Total Nonspendable	-	215,860	215,860
Restricted			
Special revenue funds	-	539,930	539,930
Expendable permanent funds	-	85,502	85,502
Total Restricted	-	625,432	625,432
Committed			
Capital reserve funds	232,437	-	232,437
Total Committed	232,437	-	232,437
Assigned			
Encumbrances	25,861	-	25,861
Reserved for flood insurance	8,875	-	8,875
Total Assigned	34,736	-	34,736
Unassigned	461,667	-	461,667
Total Unassigned	461,667	-	461,667
Total Fund Balances	\$ 728,840	\$ 841,292	\$ 1,570,132

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	\$ 461,667
Deferred inflows of resources	<u>1,042,620</u>
Tax Rate Setting Balance	<u>\$ 1,504,287</u>

16. Commitments and Contingencies

Property Tax Abatement/Refund Claims – The Town is currently in litigation with two commercial entities that have filed petitions for abatement of taxes with the Rockingham County Superior Court. As of December 31, 2013, the Town’s potential exposure for these claims is estimated to be \$315,000; however, the outcome of these claims is not reasonably determinable. As a result, no liability for these claims is reported in the Town’s Statement of Net Position or Governmental Funds Balance Sheet at December 31, 2013.

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 state and federal governments. 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 currently 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, 2013.

18. Retirement System

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 Retire-

ment 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 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 30th on the odd numbered years (2011, 2013, etc.).

From January to June 2013, 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. From July to December 2013, the Town was required to contribute 10.77% to the System for its eligible *Group I* employees, 25.30% for its eligible *Group II* police employees, and 27.74% for its eligible *Group II* fire employees.

The Town's total contributions to the System for the years ended December 31, 2013, 2012, and 2011 were \$138,639, \$120,837 and \$113,079 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, 2013

	<u>Special Revenue Funds</u>						
	<u>FEMA Fund</u>	<u>Recreation Funds</u>	<u>Conservation Fund</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	\$ -	\$ -	\$ 244,314	\$ 62,426	\$ 28,607	\$ 58,457	\$ 28,095
Investments	-	-	-	-	-	-	-
Due from other funds	<u>1</u>	<u>56,278</u>	<u>22,905</u>	<u>-</u>	<u>-</u>	<u>91</u>	<u>-</u>
Total Assets	<u>\$ 1</u>	<u>\$ 56,278</u>	<u>\$ 267,219</u>	<u>\$ 62,426</u>	<u>\$ 28,607</u>	<u>\$ 58,548</u>	<u>\$ 28,095</u>
<u>LIABILITIES</u>							
Accrued liabilities	\$ -	\$ 1,654	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	1,654	-	-	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-	22,905	-	-	-	-
<u>FUND BALANCES</u>							
Nonspendable	-	-	-	-	-	-	-
Restricted	<u>1</u>	<u>54,624</u>	<u>244,314</u>	<u>62,426</u>	<u>28,607</u>	<u>58,548</u>	<u>28,095</u>
Total Fund Balance	<u>1</u>	<u>54,624</u>	<u>244,314</u>	<u>62,426</u>	<u>28,607</u>	<u>58,548</u>	<u>28,095</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1</u>	<u>\$ 56,278</u>	<u>\$ 267,219</u>	<u>\$ 62,426</u>	<u>\$ 28,607</u>	<u>\$ 58,548</u>	<u>\$ 28,095</u>

(continued)

TOWN OF DEERFIELD, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2013

(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	\$ 37,630	\$ 459,529	\$ 49,350	\$ 10,557	\$ 59,907	\$ 519,436
Investments	25,635	25,635	202,303	48,023	250,326	275,961
Due from other funds	50	79,325	-	-	-	79,325
Total Assets	<u>\$ 63,315</u>	<u>\$ 564,489</u>	<u>\$ 251,653</u>	<u>\$ 58,580</u>	<u>\$ 310,233</u>	<u>\$ 874,722</u>
<u>LIABILITIES</u>						
Accrued liabilities	\$ -	\$ 1,654	\$ -	\$ -	\$ -	\$ 1,654
Due to other funds	-	-	8,780	91	8,871	8,871
Total Liabilities	-	1,654	8,780	91	8,871	10,525
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	22,905	-	-	-	22,905
<u>FUND BALANCES</u>						
Nonspendable	-	-	159,507	56,353	215,860	215,860
Restricted	63,315	539,930	83,366	2,136	85,502	625,432
Total Fund Balance	<u>63,315</u>	<u>539,930</u>	<u>242,873</u>	<u>58,489</u>	<u>301,362</u>	<u>841,292</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 63,315</u>	<u>\$ 564,489</u>	<u>\$ 251,653</u>	<u>\$ 58,580</u>	<u>\$ 310,233</u>	<u>\$ 874,722</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, 2013

	Special Revenue Funds						
	FEMA Fund	Recreation Funds	Conservation Fund	Impact Fees	Library Operating	Library Building	Other Special Funds
Revenues:							
Interest, penalties, and other taxes	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ -
Intergovernmental	32,469	-	-	-	-	-	-
Charges for services	-	259,533	-	-	357	-	-
Investment income	-	-	367	78	-	21	46
Miscellaneous	-	4,580	5,067	15,225	575	-	12,807
Total Revenues	<u>32,469</u>	<u>264,113</u>	<u>7,934</u>	<u>15,303</u>	<u>932</u>	<u>21</u>	<u>12,853</u>
Expenditures:							
Current:							
General government	23,885	-	-	-	-	-	1,130
Public safety	-	-	-	-	-	-	9,202
Highways and streets	-	-	-	-	-	-	4,808
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	266,587	-	-	86,629	-	-
Conservation	-	-	6,066	-	-	-	-
Total Expenditures	<u>23,885</u>	<u>266,587</u>	<u>6,066</u>	<u>-</u>	<u>86,629</u>	<u>-</u>	<u>15,140</u>
Excess (deficiency) of revenues over (under) expenditures	8,584	(2,474)	1,868	15,303	(85,697)	21	(2,287)
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	87,745	19,073	-
Transfers out	(181,858)	-	-	-	(18,000)	-	-
Total Other Financing Sources (Uses)	<u>(181,858)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,745</u>	<u>19,073</u>	<u>-</u>
Change in fund balances	(173,274)	(2,474)	1,868	15,303	(15,952)	19,094	(2,287)
Fund Balances, beginning of year	<u>173,275</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>
Fund Balances, end of year	<u>\$ 1</u>	<u>\$ 54,624</u>	<u>\$ 244,314</u>	<u>\$ 62,426</u>	<u>\$ 28,607</u>	<u>\$ 58,548</u>	<u>\$ 28,095</u>

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

(continued)

	Special Revenue Funds		Permanent Funds			Total Nonmajor Governmental Funds
	Trust Funds	Subtotals	Cemetery Funds	Library Funds	Subtotals	
Revenues:						
Interest, penalties, and other taxes	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Intergovernmental	-	32,469	-	-	-	32,469
Charges for services	-	259,890	-	-	-	259,890
Investment income	1,622	2,134	3,241	674	3,915	6,049
Miscellaneous	<u>300</u>	<u>38,554</u>	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>	<u>37,554</u>
Total Revenues	1,922	335,547	2,241	674	2,915	338,462
Expenditures:						
Current:						
General government	19,007	44,022	205	-	205	44,227
Public safety	-	9,202	-	-	-	9,202
Highways and streets	-	4,808	-	-	-	4,808
Sanitation	-	-	-	-	-	-
Culture and recreation	-	353,216	-	75	75	353,291
Conservation	<u>-</u>	<u>6,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,066</u>
Total Expenditures	<u>19,007</u>	<u>417,314</u>	<u>205</u>	<u>75</u>	<u>280</u>	<u>417,594</u>
Excess (deficiency) of revenues over (under) expenditures	(17,085)	(81,767)	2,036	599	2,635	(79,132)
Other Financing Sources (Uses):						
Transfers in	25,000	131,818	-	-	-	131,818
Transfers out	<u>-</u>	<u>(199,858)</u>	<u>(8,780)</u>	<u>(1,073)</u>	<u>(9,853)</u>	<u>(209,711)</u>
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>(68,040)</u>	<u>(8,780)</u>	<u>(1,073)</u>	<u>(9,853)</u>	<u>(77,893)</u>
Change in fund balances	7,915	(149,807)	(6,744)	(474)	(7,218)	(157,025)
Fund Balances, beginning of year	<u>55,400</u>	<u>689,737</u>	<u>249,617</u>	<u>58,963</u>	<u>308,580</u>	<u>998,317</u>
Fund Balances, end of year	<u>\$ 63,315</u>	<u>\$ 539,930</u>	<u>\$ 242,873</u>	<u>\$ 58,489</u>	<u>\$ 301,362</u>	<u>\$ 841,292</u>

See Independent Auditors' Report