

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2012

Town of Goffstown, 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 Goffstown, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Goffstown, 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 Goffstown'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Goffstown, New Hampshire, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows 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 and Schedule of Funding Progress 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's basic financial statements. The accompanying supplementary information appearing on page 46 is presented for purposes of additional analysis and is 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.

Manchester, New Hampshire
August 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Goffstown, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town of Goffstown 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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, health and welfare, and culture and recreation. The business-type activities include sewer enterprise activities.

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 three categories: governmental funds, proprietary 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.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail.

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. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$45,536,750 (i.e., net position), a change of \$352,562 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,112,578, a change of \$985,318 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$4,305,804, a change of \$837,544 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current year was \$1,768,330, a change of \$(329,447) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|----------------------------------|------------------------------------|------------------|-------------------------------------|-----------------|------------------|------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Current and other assets | \$ 19,985 | \$ 16,676 | \$ 3,301 | \$ 3,511 | \$ 23,286 | \$ 20,187 |
| Capital assets | <u>32,104</u> | <u>32,052</u> | <u>7,006</u> | <u>7,461</u> | <u>39,110</u> | <u>39,513</u> |
| Total assets | 52,089 | 48,728 | 10,307 | 10,972 | 62,396 | 59,700 |
| Current liabilities | 10,704 | 8,385 | 2,843 | 2,772 | 13,547 | 11,157 |
| Noncurrent liabilities | 3,038 | 3,007 | 227 | 352 | 3,265 | 3,359 |
| Deferred inflows | <u>10</u> | <u>-</u> | <u>37</u> | <u>-</u> | <u>47</u> | <u>-</u> |
| Total liabilities | 13,752 | 11,392 | 3,107 | 3,124 | 16,859 | 14,516 |
| Net position: | | | | | | |
| Net investment in capital assets | 30,686 | 30,434 | 6,656 | 6,981 | 37,342 | 37,415 |
| Restricted | 845 | 779 | - | - | 845 | 779 |
| Unrestricted | <u>6,806</u> | <u>6,123</u> | <u>544</u> | <u>867</u> | <u>7,350</u> | <u>6,990</u> |
| Total net position | <u>\$ 38,337</u> | <u>\$ 37,336</u> | <u>\$ 7,200</u> | <u>\$ 7,848</u> | <u>\$ 45,537</u> | <u>\$ 45,184</u> |

CHANGES IN NET POSITION

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
|--|---------------------|------------------|----------------------|-----------------|------------------|------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,375 | \$ 1,109 | \$ 1,433 | \$ 1,427 | \$ 2,808 | \$ 2,536 |
| Operating grants and contributions | 514 | 280 | 35 | - | 549 | 280 |
| Capital grants and contributions | 373 | 516 | 102 | 988 | 475 | 1,504 |
| General revenues: | | | | | | |
| Property taxes | 12,096 | 12,855 | - | - | 12,096 | 12,855 |
| Motor vehicle permits | 2,335 | 2,302 | - | - | 2,335 | 2,302 |
| Penalties and interest on taxes | 302 | 525 | - | - | 302 | 525 |
| Grants and contributions not restricted to specific programs | 786 | 869 | - | - | 786 | 869 |
| Investment income | 97 | 33 | 1 | 2 | 98 | 35 |
| Miscellaneous | <u>439</u> | <u>331</u> | <u>29</u> | <u>2</u> | <u>468</u> | <u>333</u> |
| Total revenues | <u>18,317</u> | <u>18,820</u> | <u>1,600</u> | <u>2,419</u> | <u>19,917</u> | <u>21,239</u> |
| Expenses: | | | | | | |
| General government | 2,398 | 2,207 | - | - | 2,398 | 2,207 |
| Public safety | 7,449 | 7,391 | - | - | 7,449 | 7,391 |
| Public works | 6,304 | 6,340 | - | - | 6,304 | 6,340 |
| Health and welfare | 95 | 78 | - | - | 95 | 78 |
| Culture and recreation | 1,196 | 1,209 | - | - | 1,196 | 1,209 |
| Interest on long-term debt | 54 | 88 | - | - | 54 | 88 |
| Sewer services | <u>-</u> | <u>-</u> | <u>2,078</u> | <u>1,539</u> | <u>2,078</u> | <u>1,539</u> |
| Total expenses | <u>17,496</u> | <u>17,313</u> | <u>2,078</u> | <u>1,539</u> | <u>19,574</u> | <u>18,852</u> |
| Change in net position before transfers and permanent fund | 821 | 1,507 | (478) | 880 | 343 | 2,387 |
| Transfers in (out) | 170 | 158 | (170) | (158) | - | - |
| Permanent fund contributions | <u>10</u> | <u>3</u> | <u>-</u> | <u>-</u> | <u>10</u> | <u>3</u> |
| Change in net position | 1,001 | 1,668 | (648) | 722 | 353 | 2,390 |
| Net position - beginning of year (as restated) | <u>37,336</u> | <u>35,668</u> | <u>7,848</u> | <u>7,126</u> | <u>45,184</u> | <u>42,794</u> |
| Net position - end of year | <u>\$ 38,337</u> | <u>\$ 37,336</u> | <u>\$ 7,200</u> | <u>\$ 7,848</u> | <u>\$ 45,537</u> | <u>\$ 45,184</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 \$45,536,750, a change of \$352,562 from the prior year.

The largest portion of net position \$37,342,464 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$845,315 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,348,971 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,001,292. Key elements of this change are as follows:

| | |
|---|---------------------|
| General fund operations, as discussed further in Section D | \$ 663,089 |
| Nonmajor funds | 322,229 |
| Depreciation expense in excess of principal debt service | (1,095,763) |
| Capital assets acquired | 1,347,735 |
| OPEB liability | (257,134) |
| Other | <u>21,136</u> |
| Total | <u>\$ 1,001,292</u> |

Business-type activities. Business-type activities (Sewer Fund) for the year resulted in a change in net position of \$(648,730).

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 \$7,112,578, a change of \$985,318 in comparison to the prior year. Key elements of this change are as follows:

| | | |
|-------------------------|----|-----------------------|
| General fund operations | \$ | 663,089 |
| Nonmajor funds | | <u>322,229</u> |
| Total | \$ | <u><u>985,318</u></u> |

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4,305,804, while total fund balance was \$5,396,267. 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> | % of Total General Fund Expenditures |
|-------------------------|-----------------|-----------------|---------------|--|
| Unassigned fund balance | \$ 4,305,804 | \$ 3,468,260 | \$ 837,544 | 25.2% |
| Total fund balance | \$ 5,396,267 | \$ 4,733,178 | \$ 663,089 | 31.6% |

The fund balance of the general fund changed by \$663,089 during the current year. Key factors in this change are as follows:

| | | |
|--------------------------------------|----|-----------------------|
| Revenues in excess of budget | \$ | 316,550 |
| Expenditures less than budget | | 261,867 |
| Collection of prior year tax revenue | | 82,047 |
| Other GAAP differences | | 2,332 |
| Change in capital reserves | | <u>293</u> |
| Total | \$ | <u><u>663,089</u></u> |

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

| | <u>12/31/12</u> | <u>12/30/11</u> | <u>Change</u> |
|------------------|--------------------------|--------------------------|----------------------|
| Capital reserves | \$ <u>269,429</u> | \$ <u>269,136</u> | \$ <u>293</u> |
| Total | \$ <u><u>269,429</u></u> | \$ <u><u>269,136</u></u> | \$ <u><u>293</u></u> |

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$543,311, a change of \$(324,242) in comparison with the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$39,110,794 (net of accumulated depreciation), a change of \$(401,963) from the prior year. This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

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

| | |
|--------------------------|------------|
| Purchase of | |
| DPW communications | \$ 64,547 |
| Fire Station #18 | \$ 97,941 |
| Fire Station #19 | \$ 102,290 |
| Police communications | \$ 164,505 |
| Trash Packer | \$ 230,021 |
| Construction in Progress | |
| Uncanoonuc Dam | \$ 15,600 |
| Green Drainage Project | \$ 137,081 |
| Sewer Line Upgrade | \$ 199,370 |

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

Long-term debt. At the end of the current year, total bonded debt outstanding was \$1,768,330, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Office of Finance Director
Town of Goffstown
16 Main Street
Goffstown, New Hampshire 03045

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2012

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|--|-----------------------------------|------------------------------------|-----------------------------|
| ASSETS | | | |
| Current: | | | |
| Cash and short-term investments | \$ 15,180,844 | \$ 2,716,574 | \$ 17,897,418 |
| Investments | 724,517 | - | 724,517 |
| Restricted cash | 269,429 | - | 269,429 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 1,532,376 | - | 1,532,376 |
| User fees | 317,681 | 182,343 | 500,024 |
| Special assessment | 23,208 | 839 | 24,047 |
| Intergovernmental | 324,064 | 17,892 | 341,956 |
| Other assets | 103,028 | 355,228 | 458,256 |
| Noncurrent: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 697,449 | - | 697,449 |
| Special assessment | 812,293 | - | 812,293 |
| Intergovernmental | - | 27,339 | 27,339 |
| Capital assets: | | | |
| Land and construction in progress | 5,468,672 | - | 5,468,672 |
| Other capital assets, net of accumulated depreciation | <u>26,635,808</u> | <u>7,006,314</u> | <u>33,642,122</u> |
| TOTAL ASSETS | 52,089,369 | 10,306,529 | 62,395,898 |
| LIABILITIES | | | |
| Current: | | | |
| Vouchers payable | 1,261,946 | 185,565 | 1,447,511 |
| Accrued liabilities | 258,709 | 5,501 | 264,210 |
| Tax refunds payable | 37,913 | - | 37,913 |
| Due to school district | 8,392,009 | - | 8,392,009 |
| Due to other governments | 3,971 | - | 3,971 |
| Notes payable | 407,257 | 2,500,000 | 2,907,257 |
| Other current liabilities | 106,288 | 10,661 | 116,949 |
| Internal balances | (15,955) | 15,955 | - |
| Current portion of long-term liabilities: | | | |
| Bonds payable | 200,339 | 125,000 | 325,339 |
| Other liabilities | 51,961 | 198 | 52,159 |
| Noncurrent: | | | |
| Bonds payable, net of current portion | 1,217,991 | 225,000 | 1,442,991 |
| Other liabilities, net of current portion | 1,819,469 | 1,783 | 1,821,252 |
| DEFERRED INFLOWS OF RESOURCES | <u>10,346</u> | <u>37,241</u> | <u>47,587</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 13,752,244 | 3,106,904 | 16,859,148 |
| NET POSITION | | | |
| Net investment in capital assets | 30,686,150 | 6,656,314 | 37,342,464 |
| Restricted for: | | | |
| Permanent funds: | | | |
| Nonexpendable | 568,562 | - | 568,562 |
| Expendable | 276,753 | - | 276,753 |
| Unrestricted | <u>6,805,660</u> | <u>543,311</u> | <u>7,348,971</u> |
| TOTAL NET POSITION | <u><u>\$ 38,337,125</u></u> | <u><u>\$ 7,199,625</u></u> | <u><u>\$ 45,536,750</u></u> |

See notes to financial statements.

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

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expenses) Revenues and Changes in Net Position</u> | | |
|--|----------------------|-----------------------------|---|---|--|---------------------------------|----------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Governmental Activities: | | | | | | | |
| General government | \$ 2,397,619 | \$ 265,228 | \$ 10,698 | \$ - | \$ (2,121,693) | \$ - | \$ (2,121,693) |
| Public safety | 7,448,708 | 855,704 | 367,626 | - | (6,225,378) | - | (6,225,378) |
| Public works | 6,303,657 | 197,815 | 135,721 | 373,028 | (5,597,093) | - | (5,597,093) |
| Health and welfare | 95,093 | - | - | - | (95,093) | - | (95,093) |
| Culture and recreation | 1,195,933 | 55,930 | - | - | (1,140,003) | - | (1,140,003) |
| Interest | 54,371 | - | - | - | (54,371) | - | (54,371) |
| Total Governmental Activities | 17,495,381 | 1,374,677 | 514,045 | 373,028 | (15,233,631) | - | (15,233,631) |
| Business-Type Activities: | | | | | | | |
| Sewer services | <u>2,078,202</u> | <u>1,433,062</u> | <u>35,050</u> | <u>101,787</u> | - | <u>(508,303)</u> | <u>(508,303)</u> |
| Total Business-Type Activities | <u>2,078,202</u> | <u>1,433,062</u> | <u>35,050</u> | <u>101,787</u> | - | <u>(508,303)</u> | <u>(508,303)</u> |
| Total | <u>\$ 19,573,583</u> | <u>\$ 2,807,739</u> | <u>\$ 549,095</u> | <u>\$ 474,815</u> | (15,233,631) | (508,303) | (15,741,934) |
| General Revenues, Interfund, and Contributions: | | | | | | | |
| Taxes | | | | | 12,095,960 | - | 12,095,960 |
| Motor vehicle permits | | | | | 2,334,767 | - | 2,334,767 |
| Penalties, interest, and other taxes | | | | | 301,843 | - | 301,843 |
| Grants and contributions not restricted to specific programs | | | | | 786,158 | - | 786,158 |
| Investment income | | | | | 96,958 | 673 | 97,631 |
| Miscellaneous | | | | | 439,458 | 28,829 | 468,287 |
| Interfund | | | | | 169,929 | (169,929) | - |
| Permanent fund contributions | | | | | <u>9,850</u> | <u>-</u> | <u>9,850</u> |
| Total general revenues, interfund, and contributions | | | | | <u>16,234,923</u> | <u>(140,427)</u> | <u>16,094,496</u> |
| Change in Net Position | | | | | 1,001,292 | (648,730) | 352,562 |
| Net Position: | | | | | | | |
| Beginning of year, as restated | | | | | <u>37,335,833</u> | <u>7,848,355</u> | <u>45,184,188</u> |
| End of year | | | | | <u>\$ 38,337,125</u> | <u>\$ 7,199,625</u> | <u>\$ 45,536,750</u> |

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2012

| | <u>General</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|----------------------|--|---------------------------------------|
| ASSETS | | | |
| Cash and short-term investments | \$ 14,121,624 | \$ 1,059,220 | \$ 15,180,844 |
| Investments | - | 724,517 | 724,517 |
| Restricted cash | 269,429 | - | 269,429 |
| Receivables: | | | |
| Property taxes | 2,331,020 | - | 2,331,020 |
| User fees | 21,486 | 428,505 | 449,991 |
| Intergovernmental | 324,064 | - | 324,064 |
| Other | 103,028 | - | 103,028 |
| Due from other funds | <u>76,244</u> | <u>-</u> | <u>76,244</u> |
| TOTAL ASSETS | <u>\$ 17,246,895</u> | <u>\$ 2,212,242</u> | <u>\$ 19,459,137</u> |
| LIABILITIES | | | |
| Vouchers payable | \$ 1,258,442 | \$ 3,504 | \$ 1,261,946 |
| Accrued payroll | 230,017 | 3,633 | 233,650 |
| Tax refunds payable | 37,913 | - | 37,913 |
| Due to school district | 8,392,009 | - | 8,392,009 |
| Due to other governments | 3,971 | - | 3,971 |
| Due to other funds | - | 60,289 | 60,289 |
| Other liabilities | <u>106,288</u> | <u>-</u> | <u>106,288</u> |
| TOTAL LIABILITIES | 10,028,640 | 67,426 | 10,096,066 |
| DEFERRED INFLOWS OF RESOURCES | 1,821,988 | 428,505 | 2,250,493 |
| FUND BALANCES | | | |
| Nonspendable | 83,540 | 568,562 | 652,102 |
| Restricted | - | 1,147,749 | 1,147,749 |
| Committed | 269,429 | - | 269,429 |
| Assigned | 737,494 | - | 737,494 |
| Unassigned | <u>4,305,804</u> | <u>-</u> | <u>4,305,804</u> |
| TOTAL FUND BALANCES | <u>5,396,267</u> | <u>1,716,311</u> | <u>7,112,578</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 17,246,895</u> | <u>\$ 2,212,242</u> | <u>\$ 19,459,137</u> |

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

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

DECEMBER 31, 2012

| | |
|---|-----------------------------|
| Total governmental fund balances | \$ 7,112,578 |
| • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 32,104,480 |
| • Long term receivables not yet billed. | 835,501 |
| • Revenues are reported on the accrual basis of accounting and are not deferred until collection. | 2,006,642 |
| • Note Payable: State revolving loan. | (407,257) |
| • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (25,059) |
| • Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(3,289,760)</u> |
| Net position of governmental activities | <u><u>\$ 38,337,125</u></u> |

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>General</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|---------------------|--|---------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 12,105,885 | \$ - | \$ 12,105,885 |
| Penalties, interest, and other taxes | 301,843 | - | 301,843 |
| Charges for services | 472,266 | 597,998 | 1,070,264 |
| Intergovernmental | 1,798,729 | - | 1,798,729 |
| Licenses and permits | 2,432,886 | - | 2,432,886 |
| Investment income | 2,122 | 94,836 | 96,958 |
| Contributions | - | 9,850 | 9,850 |
| Miscellaneous | 421,332 | 18,126 | 439,458 |
| Total Revenues | <u>17,535,063</u> | <u>720,810</u> | <u>18,255,873</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,152,175 | 9,112 | 2,161,287 |
| Public safety | 6,852,341 | 337,408 | 7,189,749 |
| Public works | 4,954,222 | - | 4,954,222 |
| Health and welfare | 94,200 | - | 94,200 |
| Culture and recreation | 1,172,527 | 3,160 | 1,175,687 |
| Capital outlay | 1,612,320 | - | 1,612,320 |
| Debt service | 253,019 | - | 253,019 |
| Total Expenditures | <u>17,090,804</u> | <u>349,680</u> | <u>17,440,484</u> |
| Excess (deficiency) of revenues over expenditures | 444,259 | 371,130 | 815,389 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 218,830 | - | 218,830 |
| Transfers out | - | (48,901) | (48,901) |
| Total Other Financing Sources (Uses) | <u>218,830</u> | <u>(48,901)</u> | <u>169,929</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 663,089 | 322,229 | 985,318 |
| Fund Equity, at Beginning of Year | <u>4,733,178</u> | <u>1,394,082</u> | <u>6,127,260</u> |
| Fund Equity, at End of Year | <u>\$ 5,396,267</u> | <u>\$ 1,716,311</u> | <u>\$ 7,112,578</u> |

See notes to financial statements.

TOWN OF GOFFSTOWN, 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

| | | | | | | | | | | | | | | | |
|--|----------------------------|--|-----------|--------------|-------------|--|---------|--------------------|---------|-------------------------------|-----------|--|-------|--|------------------|
| NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 985,318 | | | | | | | | | | | | | | |
| <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> <tr> <td style="padding-left: 40px;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">1,347,735</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(1,295,210)</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property tax) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">122,288</td> </tr> </table> The issuance of long-term debt (e.g., bonds) 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> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">199,447</td> </tr> <tr> <td style="padding-left: 40px;">State revolving loan proceeds</td> <td style="text-align: right;">(125,498)</td> </tr> </table> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td> <td style="text-align: right;">(799)</td> </tr> </table> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td></td> <td style="text-align: right;"><u>(231,989)</u></td> </tr> </table> | | Capital outlay purchases, net of disposals | 1,347,735 | Depreciation | (1,295,210) | | 122,288 | Repayments of debt | 199,447 | State revolving loan proceeds | (125,498) | | (799) | | <u>(231,989)</u> |
| Capital outlay purchases, net of disposals | 1,347,735 | | | | | | | | | | | | | | |
| Depreciation | (1,295,210) | | | | | | | | | | | | | | |
| | 122,288 | | | | | | | | | | | | | | |
| Repayments of debt | 199,447 | | | | | | | | | | | | | | |
| State revolving loan proceeds | (125,498) | | | | | | | | | | | | | | |
| | (799) | | | | | | | | | | | | | | |
| | <u>(231,989)</u> | | | | | | | | | | | | | | |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ <u>1,001,292</u> | | | | | | | | | | | | | | |

See notes to financial statements.

TOWN OF GOFFSTOWN, 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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-------------------|---|
| | Original Budget | Final Budget | | |
| Revenues and Other Sources: | | | | |
| Taxes | \$ 12,023,838 | \$ 12,023,838 | \$ 12,023,838 | \$ - |
| Licenses, permits, and fees | 2,421,500 | 2,421,500 | 2,432,886 | 11,386 |
| Intergovernmental | 1,336,321 | 1,336,321 | 1,376,075 | 39,754 |
| Charges for services | 431,706 | 431,706 | 472,266 | 40,560 |
| Investment income | 1,750 | 1,750 | 1,829 | 79 |
| Penalties, interest, and other taxes | 255,283 | 255,283 | 301,843 | 46,560 |
| Miscellaneous | 290,876 | 290,876 | 421,332 | 130,456 |
| Transfers in | 171,075 | 171,075 | 218,830 | 47,755 |
| Total Revenues and Other Sources | 16,932,349 | 16,932,349 | 17,248,899 | 316,550 |
| Expenditures and Other Uses: | | | | |
| General government | 2,147,712 | 2,147,712 | 2,093,146 | 54,566 |
| Public safety | 6,963,866 | 6,963,866 | 6,792,657 | 171,209 |
| Public works | 4,868,653 | 4,868,653 | 4,788,672 | 79,981 |
| Health and welfare | 81,622 | 81,622 | 94,200 | (12,578) |
| Culture and recreation | 1,184,160 | 1,184,160 | 1,174,527 | 9,633 |
| Capital outlay | 1,349,664 | 1,349,664 | 1,474,261 | (124,597) |
| Debt service | 336,672 | 336,672 | 253,019 | 83,653 |
| Total Expenditures and Other Uses | 16,932,349 | 16,932,349 | 16,670,482 | 261,867 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | \$ - | \$ - | \$ 578,417 | \$ 578,417 |

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2012

| | Business-Type Activities <u>Enterprise Funds</u> Sewer <u>Fund</u> |
|--|---|
| ASSETS | |
| Current: | |
| Cash and short-term investments | \$ 2,716,574 |
| User fees, net of allowance for uncollectibles | 182,343 |
| Special assessment | 839 |
| Intergovernmental receivables | 17,892 |
| Other assets | <u>355,228</u> |
| Total current assets | 3,272,876 |
| Noncurrent: | |
| Receivables, net of allowance for uncollectibles: | |
| Intergovernmental receivable, net of current portion | 27,339 |
| Capital assets: | |
| Other capital assets, net | |
| of accumulated depreciation | <u>7,006,314</u> |
| Total noncurrent assets | <u>7,033,653</u> |
| TOTAL ASSETS | 10,306,529 |
| LIABILITIES | |
| Current: | |
| Vouchers payable | 185,565 |
| Accrued liabilities | 5,501 |
| Due to other funds | 15,955 |
| Notes payable | 2,500,000 |
| Other liabilities | 10,661 |
| Current portion of long-term liabilities: | |
| Bonds payable | 125,000 |
| Other liabilities | <u>198</u> |
| Total current liabilities | 2,842,880 |
| Noncurrent: | |
| Bonds payable, net of current portion | 225,000 |
| Other liabilities, net of current portion | <u>1,783</u> |
| Total noncurrent liabilities | <u>226,783</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>37,241</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 3,106,904 |
| NET POSITION | |
| Net investment in capital assets | 6,656,314 |
| Unrestricted | <u>543,311</u> |
| TOTAL NET POSITION | <u>\$ 7,199,625</u> |

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2012

| | Business-Type Activities Enterprise Funds Sewer Fund |
|--|---|
| Operating Revenues: | |
| Charges for services | \$ 1,433,062 |
| Miscellaneous | <u>28,829</u> |
| Total Operating Revenues | 1,461,891 |
| Operating Expenses: | |
| Sewer treatment | 1,407,733 |
| Depreciation | <u>653,858</u> |
| Total Operating Expenses | <u>2,061,591</u> |
| Operating Income (Loss) | (599,700) |
| Nonoperating Revenues (Expenses): | |
| Investment income | 673 |
| Intergovernmental revenue | 136,837 |
| Interest expense | <u>(16,611)</u> |
| Total Nonoperating Revenues (Expenses), Net | <u>120,899</u> |
| Income (Loss) Before Transfers | (478,801) |
| Transfers: | |
| Transfers out | <u>(169,929)</u> |
| Change in Net Position | (648,730) |
| Net Position at Beginning of Year, as restated | <u>7,848,355</u> |
| Net Position at End of Year | <u>\$ 7,199,625</u> |

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2012

| | Business-Type Activities <u>Enterprise Funds</u> Sewer Fund |
|---|--|
| <u>Cash Flows From Operating Activities:</u> | |
| Receipts from customers and users | \$ 1,469,837 |
| Payments to vendors and employees | <u>(1,140,205)</u> |
| Net Cash Provided By (Used For) Operating Activities | 329,632 |
| <u>Cash Flows from Noncapital and Related Financing Activities:</u> | |
| Transfers to other funds | <u>(169,929)</u> |
| Net Cash (Used For) Noncapital and Related Financing Activities | (169,929) |
| <u>Cash Flows From Capital and Related Financing Activities:</u> | |
| Acquisition and construction of capital assets | (199,370) |
| Subsidy from State grants | 258,779 |
| Principal payments on bonds and notes | (130,000) |
| Interest expense | <u>(16,611)</u> |
| Net Cash (Used For) Capital and Related Financing Activities | (87,202) |
| <u>Cash Flows From Investing Activities:</u> | |
| Investment income | <u>673</u> |
| Net Cash (Used For) Investing Activities | <u>673</u> |
| Net Change in Cash and Short-Term Investments | 73,174 |
| Cash and Short-Term Investments, Beginning of Year | <u>2,643,400</u> |
| Cash and Short-Term Investments, End of Year | <u>\$ 2,716,574</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u> | |
| Operating income (loss) | \$ (599,700) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | 653,858 |
| Changes in assets and liabilities: | |
| User fees | (3,089) |
| Special assessments | 11,035 |
| Other assets | 153,844 |
| Vouchers payable | 39,468 |
| Accrued liabilities | (65,585) |
| Other liabilities | <u>139,801</u> |
| Net Cash Provided By (Used For) Operating Activities | <u>\$ 329,632</u> |

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2012

| | Private Purpose Trust <u>Funds</u> | Agency <u>Funds</u> |
|--|---|------------------------|
| <u>ASSETS</u> | | |
| Cash and short term investments | \$ - | \$ 923,285 |
| Investments | <u>425,760</u> | <u>-</u> |
| Total Assets | 425,760 | 923,285 |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Escrow deposits | <u>-</u> | <u>923,285</u> |
| Total Liabilities | <u>-</u> | <u>923,285</u> |
| <u>NET POSITION</u> | | |
| Total net position held in trust | \$ <u><u>425,760</u></u> | \$ <u><u>-</u></u> |

See notes to financial statements.

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

| | <u>Private Purpose Trust Funds</u> |
|----------------------|--|
| Additions: | |
| Investment income | \$ <u>22,498</u> |
| Total additions | 22,498 |
| Deductions: | |
| Other | <u>9,700</u> |
| Total deductions | <u>9,700</u> |
| Net increase | 12,798 |
| Net position: | |
| Beginning of year | <u>412,962</u> |
| End of year | \$ <u><u>425,760</u></u> |

See notes to financial statements.

TOWN OF GOFFSTOWN, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Goffstown, 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 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-

mental funds and major individual enterprise 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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from

providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the sewer enterprise fund as a major proprietary fund.

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

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

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

Investments for the trust funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40 |
| Building improvements | 40 |
| Infrastructure | 30 - 75 |
| Vehicles | 5 |
| Office equipment | 5 |
| Computer equipment | 5 |

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund 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, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities/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., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

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

A. Budgetary Information

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

The final version of the budget is then submitted for approval at the annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP).

Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

| <u>General Fund</u> | <u>Revenues and Other Financing Sources</u> | <u>Expenditures and Other Financing Uses</u> |
|---|---|--|
| Revenues/Expenditures (GAAP basis) | \$ 17,535,063 | \$ 17,090,804 |
| Other financing sources/uses (GAAP basis) | <u>218,830</u> | <u>-</u> |
| Subtotal (GAAP Basis) | 17,753,893 | 17,090,804 |
| Adjust tax revenue to accrual basis | (82,047) | - |
| Reverse beginning of year appropriation carryforwards from expenditures | - | (820,705) |
| Add end-of-year appropriation carryforwards from expenditures | - | 683,759 |
| GAAP timing differences | (422,654) | (283,376) |
| To eliminate capital reserve activity | <u>(293)</u> | <u>-</u> |
| Budgetary basis | <u>\$ 17,248,899</u> | <u>\$ 16,670,482</u> |

3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a 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.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in

excess of the paid-up capital surplus of said bank.” Although the Town has an investment policy, it does not discuss custodial credit risk.

As of December 31, 2012, \$136,799 of the Town’s bank balance of \$20,428,273 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

Presented below is the actual rating as of year-end for each investment of the Town:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Rating as Year End</u> <u>Aaa</u> |
|---------------------------|---------------------|-----------------------------|-------------------------------|---|
| U.S. Treasury notes | \$ 51,389 | N/A | \$ - | \$ 51,389 |
| Corporate equities | 282,675 | N/A | 282,675 | - |
| Mutual funds | 536,972 | N/A | 536,972 | - |
| Federal agency securities | <u>279,241</u> | | <u>-</u> | <u>279,241</u> |
| Total investments | <u>\$ 1,150,277</u> | | <u>\$ 819,647</u> | <u>\$ 330,630</u> |

B. Concentration of Credit Risk

Since the Town’s investments all relate to trust funds, the Trustees of Trust Funds determines investment allocations for the Town’s current investments. The Trustees policy to limit the amount the Town may invest in any one issuer is 8%.

C. 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. Although the Trustees of Trust Funds have an investment policy, the policy does not limit investment maturities as a means of managing the Town’s exposure to fair value losses arising from increasing interest rates.

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

| <u>Investment Type</u> | <u>Investment Maturities (in Years)</u> | | |
|---------------------------|---|--------------------|-------------------|
| | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1-5</u> |
| Debt Related Securities: | | | |
| U.S. Treasury notes | \$ 51,389 | \$ 51,389 | \$ - |
| Federal agency securities | <u>279,241</u> | <u>-</u> | <u>279,241</u> |
| Total | <u>\$ 330,630</u> | <u>\$ 51,389</u> | <u>\$ 279,241</u> |

5. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds as of December 31, 2012.

6. Taxes Receivable

The Town bills property taxes semi-annually, in June and November. Property tax revenues are recognized in the year for which taxes have been levied to the extent that they become available, i.e., due or receivable, within the current year and collected within the current period or within 60 days of year-end.

Property taxes billed or collected in advance of the year for which they are levied, are recorded as a prepaid tax liability as they are intended to finance the subsequent year's budget.

The Town annually raises through tax levy an amount (overlay for abatements) for property tax abatements and interest refunds. All abatements and interest refunds are charged to overlay.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2012 consist of the following:

| | | |
|---------------------|----|-------------------------|
| Real estate: | | |
| 2012 levy | \$ | 1,625,637 |
| Current use tax: | | |
| 2012 levy | | 7,934 |
| Unredeemed taxes | | |
| 2011 levy | | 388,646 |
| 2010 levy | | 218,265 |
| 2009 levy | | 29,623 |
| 2008 levy | | 3,809 |
| 2007 and prior levy | | 732 |
| Elderly liens | | <u>56,374</u> |
| Total | \$ | <u><u>2,331,020</u></u> |

7. 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> | <u>Business-Type</u> |
|----------------------------|---------------------|----------------------|
| Property taxes | \$ 101,195 | \$ - |
| Emergency Medical Services | \$ 132,310 | \$ - |
| Utilities | \$ - | \$ 20,640 |

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2012, while the balance in the Sewer fund represents reimbursements from the State of New Hampshire to help finance future debt service costs on certain bonds payable.

9. 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 | \$ 76,244 | \$ - |
| Special Revenue Funds: | | |
| Emergency medical services | - | 33,740 |
| Permanent Funds | - | 26,549 |
| Enterprise Funds | - | 15,955 |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 76,244</u> | <u>\$ 76,244</u> |

10. 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> |
|--|------------------------------|------------------|-------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 3,789 | \$ - | \$ - | \$ 3,789 |
| Machinery, equipment, and furnishings | 9,819 | 753 | (151) | 10,421 |
| Infrastructure | <u>27,147</u> | <u>2,085</u> | <u>-</u> | <u>29,232</u> |
| Total capital assets, being depreciated | 40,755 | 2,838 | (151) | 43,442 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,978) | (80) | - | (2,058) |
| Machinery, equipment, and furnishings | (5,501) | (542) | 131 | (5,912) |
| Infrastructure | <u>(8,164)</u> | <u>(673)</u> | <u>-</u> | <u>(8,837)</u> |
| Total accumulated depreciation | <u>(15,643)</u> | <u>(1,295)</u> | <u>131</u> | <u>(16,807)</u> |
| Total capital assets, being depreciated, net | 25,112 | 1,543 | (20) | 26,635 |
| Capital assets, not being depreciated: | | | | |
| Land | 5,453 | - | - | 5,453 |
| Construction in progress | <u>1,487</u> | <u>153</u> | <u>(1,624)</u> | <u>16</u> |
| Total capital assets, not being depreciated | <u>6,940</u> | <u>153</u> | <u>(1,624)</u> | <u>5,469</u> |
| Governmental activities capital assets, net | <u>\$ 32,052</u> | <u>\$ 1,696</u> | <u>\$ (1,644)</u> | <u>\$ 32,104</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------------|-------------------|-------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery, equipment, and furnishings | \$ 31 | \$ - | \$ - | \$ 31 |
| Infrastructure | <u>13,077</u> | <u>2,587</u> | <u>-</u> | <u>15,664</u> |
| Total capital assets, being depreciated | 13,108 | 2,587 | - | 15,695 |
| Less accumulated depreciation for: | | | | |
| Machinery, equipment, and furnishings | (31) | - | - | (31) |
| Infrastructure | <u>(8,004)</u> | <u>(654)</u> | <u>-</u> | <u>(8,658)</u> |
| Total accumulated depreciation | <u>(8,035)</u> | <u>(654)</u> | <u>-</u> | <u>(8,689)</u> |
| Total capital assets, being depreciated, net | 5,073 | 1,933 | - | 7,006 |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | <u>2,388</u> | <u>200</u> | <u>(2,588)</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>2,388</u> | <u>200</u> | <u>(2,588)</u> | <u>-</u> |
| Business-type activities capital assets, net | <u>\$ 7,461</u> | <u>\$ 2,133</u> | <u>\$ (2,588)</u> | <u>\$ 7,006</u> |

Depreciation expense was charged to functions of the Town as follows:

| | |
|---|---------------------|
| Governmental Activities: | |
| General government | \$ 15,564 |
| Public safety | 321,375 |
| Public works | 935,359 |
| Culture and recreation | <u>22,912</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,295,210</u> |
| Business-Type Activities: | |
| Sewer | <u>\$ 653,858</u> |
| Total depreciation expense - business-type activities | <u>\$ 653,858</u> |

11. Vouchers Payable

Vouchers payable represent 2012 expenditures paid after December 31, 2012.

12. Notes Payable

This balance represents draw down proceeds from the State of New Hampshire through the State Revolving Loan Program. The program provides interest loans to assist communities with the design and construction of various types of projects and the proceeds are disbursed as eligible costs are incurred. Upon completion of the project the original financial assistant agreement shall be amended to reflect actual project expenditures. A supplemental agreement is then executed between the State and the Town containing the loan interest rate and the repayment schedule based on final project cost.

13. Long-Term Debt

A. General Obligation Bonds

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

| <u>Governmental Activities:</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s) %</u> | <u>Amount Outstanding as of 12/31/12</u> |
|---------------------------------|----------------------------------|---------------------------|--|
| State revolving loan program | 06/16/16 | 2.78% | \$ 656,000 |
| State revolving loan program | 10/01/17 | 3.47% | 21,552 |
| Lynchvill/Danis Park | 07/01/20 | 2.86% | <u>740,778</u> |
| Total Governmental Activities: | | | <u>\$ 1,418,330</u> |

| <u>Business-Type Activities:</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s) %</u> | <u>Amount Outstanding as of 12/31/12</u> |
|----------------------------------|----------------------------------|---------------------------|--|
| 07/98 Sewer Bond | 08/15/13 | 3.90-5.00% | \$ 50,000 |
| 08/01 Sewer Bond | 08/15/16 | 4.50% | <u>300,000</u> |
| Total Business-Type Activities: | | | <u>\$ 350,000</u> |

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2012 are as follows:

| <u>Governmental</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 200,339 | \$ 46,416 | \$ 246,755 |
| 2014 | 201,256 | 39,237 | 240,493 |
| 2015 | 202,200 | 32,030 | 234,230 |
| 2016 | 203,170 | 24,796 | 227,966 |
| 2017 | 40,165 | 17,536 | 57,701 |
| 2018 - 2022 | 195,292 | 70,925 | 266,217 |
| 2023 - 2027 | 224,908 | 45,637 | 270,545 |
| Thereafter | <u>151,000</u> | <u>4,406</u> | <u>155,406</u> |
| Total | <u>\$ 1,418,330</u> | <u>\$ 280,983</u> | <u>\$ 1,699,313</u> |

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2012.

| <u>Business-Type</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|-------------------|------------------|-------------------|
| 2013 | \$ 125,000 | \$ 16,581 | \$ 141,581 |
| 2014 | 75,000 | 10,631 | 85,631 |
| 2015 | 75,000 | 7,163 | 82,163 |
| 2016 | <u>75,000</u> | <u>3,600</u> | <u>78,600</u> |
| Total | <u>\$ 350,000</u> | <u>\$ 37,975</u> | <u>\$ 387,975</u> |

C. Changes in General Long-Term Liabilities

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

| | Total Balance <u>1/1/12</u> | <u>Additions</u> | <u>Reductions</u> | Total Balance <u>12/31/12</u> | Less Current Portion | Equals Long-Term Portion <u>12/31/12</u> |
|---------------------------------|-----------------------------------|------------------|-------------------|-------------------------------------|----------------------------|---|
| <u>Governmental Activities</u> | | | | | | |
| Bonds payable | \$ 1,618 | \$ - | \$ (200) | \$ 1,418 | \$ (200) | \$ 1,218 |
| Other: | | | | | | |
| Landfill closure | 714 | - | (34) | 680 | (34) | 646 |
| OPEB liability | 755 | 257 | - | 1,012 | - | 1,012 |
| Accrued employee benefits | <u>171</u> | <u>9</u> | <u>-</u> | <u>180</u> | <u>(18)</u> | <u>162</u> |
| Totals | <u>\$ 3,258</u> | <u>\$ 266</u> | <u>\$ (234)</u> | <u>\$ 3,290</u> | <u>\$ (252)</u> | <u>\$ 3,038</u> |
| <u>Business-Type Activities</u> | | | | | | |
| Bonds payable | \$ 480 | \$ - | \$ (130) | \$ 350 | \$ (125) | \$ 225 |
| Other: | | | | | | |
| Accrued employee benefits | <u>2</u> | <u>-</u> | <u>-</u> | <u>2</u> | <u>-</u> | <u>2</u> |
| Totals | <u>\$ 482</u> | <u>\$ -</u> | <u>\$ (130)</u> | <u>\$ 352</u> | <u>\$ (125)</u> | <u>\$ 227</u> |

14. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill the Town used as of each balance sheet date.

The final capping of the landfill site was completed in September, 2002. The Town has reflected \$680,000 as the estimate of the remaining postclosure care liability at December 31, 2012 in the Governmental Activities Statement of Net Position. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. 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:

| | Entity-wide Basis | | Fund Basis | | Fund Basis |
|----------------------------------|-------------------|------------------|---------------------|-------------------|-------------------|
| | Governmental | Business-type | Governmental Funds | | Proprietary Funds |
| | Activities | Activities | General Fund | Nonmajor Fund | Sewer Fund |
| Taxes paid in advance | \$ 10,346 | \$ - | \$ 10,346 | \$ - | \$ - |
| Deferred Revenue- property tax | - | - | 1,487,578 | - | - |
| Deferred Revenue- grants | - | 37,241 | 324,064 | - | 37,241 |
| Deferred Revenue- ambulance fees | - | - | - | 428,505 | - |
| Total | \$ <u>10,346</u> | \$ <u>37,241</u> | \$ <u>1,821,988</u> | \$ <u>428,505</u> | \$ <u>37,241</u> |

16. 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.

17. 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 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 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 general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

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

Following is a breakdown of the Town's fund balances at December 31, 2012:

| | Non Spendable | Restricted | Committed | Assigned | Unassigned | Total |
|------------------|-------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| General Fund | | | | | | |
| Reserve for: | | | | | | |
| Encumbrance | \$ - | \$ - | \$ - | \$ 683,759 | \$ - | \$ 683,759 |
| Prepaid items | 83,540 | - | - | - | - | 83,540 |
| Special purposes | - | - | - | 53,735 | - | 53,735 |
| Capital Reserve | - | - | 269,429 | - | - | 269,429 |
| Undesignated | - | - | - | - | 4,305,804 | 4,305,804 |
| sub total | <u>83,540</u> | <u>-</u> | <u>269,429</u> | <u>737,494</u> | <u>4,305,804</u> | <u>5,396,267</u> |
| Non Major | | | | | | |
| Special Revenue | - | 690,184 | - | - | - | 690,184 |
| Permanent Funds | <u>568,562</u> | <u>457,565</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,026,127</u> |
| sub total | <u>568,562</u> | <u>1,147,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,716,311</u> |
| Grand Total | <u>\$ 652,102</u> | <u>\$ 1,147,749</u> | <u>\$ 269,429</u> | <u>\$ 737,494</u> | <u>\$ 4,305,804</u> | <u>\$ 7,112,578</u> |

18. 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 unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

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

| | |
|---------------------------------|---------------------|
| GAAP basis balance | \$ 4,305,804 |
| Deferred revenue | 1,487,578 |
| Allowance for doubtful accounts | (148,818) |
| Other GAAP differences | <u>37,913</u> |
| Tax Rate Setting Balance | <u>\$ 5,682,477</u> |

19. Subsequent Events

Debt

Subsequent to December 31, 2012, the Town executed a supplemental agreement with the State of New Hampshire:

| | <u>Amount</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> |
|----------------------|---------------|----------------------|-------------------|----------------------|
| State revolving loan | \$ 407,257 | 0.85% | 02/04/13 | 12/01/16 |

In accordance with the original financial assistance agreement, the Town has signed a supplemental loan agreement with the State of New Hampshire Revolving Loan Program. The agreement represents final costs incurred for the South Main Drainage project and will be the basis for the repayment of the loan. Of the \$2,907,257 presented as notes payable, as of the date of the financial statements, \$407,257 has been executed and the balance of \$2,500,000 is anticipated to be executed in future periods.

20. Commitments and Contingencies

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

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

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

Other Post-Employment Benefits

GASB Statement 45 *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2012, the actuarial valuation date, approximately 33 retirees and 121 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount

actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2012.

| | |
|---|----------------------------|
| Annual Required Contribution (ARC) | \$ 309,633 |
| Interest on net OPEB obligation | 30,187 |
| Adjustment to ARC | <u>(35,124)</u> |
| Annual OPEB cost | 304,696 |
| Contributions made | <u>(47,562)</u> |
| Increase in net OPEB obligation | 257,134 |
| Net OPEB obligation - beginning of year | <u>754,687</u> |
| Net OPEB obligation - end of year | <u><u>\$ 1,011,821</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|--|----------------------------|
| 2012 | \$ 304,696 | 15.6% | \$ 1,011,821 |
| 2011 | \$ 253,439 | 23.9% | \$ 754,687 |
| 2010 | \$ 253,439 | 23.9% | \$ 561,874 |

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation was as follows:

| | |
|---|----------------------------|
| Actuarial accrued liability (AAL) | \$ 2,534,515 |
| Actuarial value of plan assets | <u>-</u> |
| Unfunded actuarial accrued liability (UAAL) | <u><u>\$ 2,534,515</u></u> |
| Funded ratio (actuarial value of plan assets/AAL) | <u><u>0.0%</u></u> |
| Covered payroll (active plan members) | <u><u>\$ 7,103,062</u></u> |
| UAAL as a percentage of covered payroll | <u><u>35.7%</u></u> |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 9% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2.5%.

22. Retirement System

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

A. Plan Description

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

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

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

B. Funding Policy

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 19.95% for police, 22.89% for fire, and 8.80% for all other covered employees. The Town's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$995,843, \$957,429, and \$842,459, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended December 31, 2012 was \$7,118,813.

23. Risk Management

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

24. Beginning Net Position Restatement

The beginning (January 1, 2012) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> Sewer <u>Fund</u> |
|--|-----------------------------------|--|
| As previously reported | \$ 37,617,592 | \$ 10,210,177 |
| Reclass SRF loan proceeds to liability | <u>(281,759)</u> | <u>(2,361,822)</u> |
| As restated | <u>\$ 37,335,833</u> | <u>\$ 7,848,355</u> |

25. Implementation of New GASB Standards

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

TOWN OF GOFFSTOWN, NEW HAMPSHIRE
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 ANNUALLY BUDGETED SPECIAL REVENUE FUNDS (EMERGENCY MEDICAL SERVICES)
 FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|--------------------------------------|----------------------------|-------------------------|---------------------------|--------------------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Positive (Negative)</u> |
| Revenues: | | | | |
| Charges for services | \$ 378,363 | \$ 378,363 | \$ 438,077 | \$ 59,714 |
| Investment income | <u>-</u> | <u>-</u> | <u>53</u> | <u>53</u> |
| Total Revenues | 378,363 | 378,363 | 438,130 | 59,767 |
| Expenditures: | | | | |
| Public safety | <u>378,363</u> | <u>378,363</u> | <u>349,972</u> | <u>28,391</u> |
| Total Expenditures | <u>378,363</u> | <u>378,363</u> | <u>349,972</u> | <u>28,391</u> |
| Excess of revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 88,158</u> | <u>\$ 88,158</u> |

See Independent Auditors' Report.

**TOWN OF GOFFSTOWN, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2012
(Unaudited)**

Other Post-Employment Benefits

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent- age of Covered Payroll [(b-a)/c] |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 01/01/12 | \$ - | \$ 2,534,515 | \$ 2,534,515 | 0.0% | \$ 7,103,062 | 35.7% |
| 01/01/08 | \$ - | \$ 2,065,337 | \$ 2,065,337 | 0.0% | \$ 5,745,877 | 35.9% |

See Independent Auditors' Report.