

**TOWN OF AMHERST, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2014**

**Town of Amherst, New Hampshire**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Amherst, New Hampshire

### Additional Offices:

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Amherst, New Hampshire, as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Amherst, New Hampshire, as of June 30, 2014, 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.

*Melanson Heath*

February 9, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Amherst, we offer readers this narrative overview and analysis of the financial activities of the Town of Amherst for the year ended June 30, 2014.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include the Baboosic Lake septic 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 the Baboosic Lake septic 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. The proprietary fund financial statements provide separate information for the Baboosic Lake septic operations, which is considered to be a major fund.

**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 more like that used for proprietary funds.

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$23,127,123 (i.e., net position), a change of \$2,348,885 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$8,787,097, a change of \$2,394,887 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$3,771,599, a change of \$711,426 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$6,804,514, a change of \$2,323,964 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).

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 31,364	\$ 28,394	\$ 27	\$ (148)	\$ 31,391	\$ 28,246
Capital assets	<u>20,220</u>	<u>18,238</u>	<u>979</u>	<u>1,053</u>	<u>21,199</u>	<u>19,291</u>
Total assets	51,584	46,632	1,006	905	52,590	47,537
Long-term liabilities outstanding	6,208	4,394	342	387	6,550	4,781
Other liabilities	2,261	1,420	52	71	2,313	1,491
Deferred inflows	<u>20,600</u>	<u>20,488</u>	<u>-</u>	<u>-</u>	<u>20,600</u>	<u>20,488</u>
Total liabilities and deferred inflows	29,069	26,302	394	458	29,463	26,760
Net position:						
Net investment in capital assets	14,274	13,445	593	621	14,867	14,066
Restricted	3,184	2,064	-	-	3,184	2,064
Unrestricted	<u>5,057</u>	<u>4,821</u>	<u>19</u>	<u>(174)</u>	<u>5,076</u>	<u>4,647</u>
Total net position	<u>\$ 22,515</u>	<u>\$ 20,330</u>	<u>\$ 612</u>	<u>\$ 447</u>	<u>\$ 23,127</u>	<u>\$ 20,777</u>

CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 747	\$ 746	\$ 93	\$ 90	\$ 840	\$ 836
Operating grants	650	975	-	-	650	975
Capital grants and contributions	-	-	179	-	179	-
General revenues:						
Property taxes	7,890	7,211	-	-	7,890	7,211
Penalties and interest on taxes	305	229	-	-	305	229
Licenses and permits	2,625	2,500	-	-	2,625	2,500
Investment income	266	143	-	-	266	143
Intergovernmental	515	502	-	-	515	502
Other	284	62	-	-	284	62
Contributions to permanent funds	9	12	-	-	9	12
Total revenues	<u>13,291</u>	<u>12,380</u>	<u>272</u>	<u>90</u>	<u>13,563</u>	<u>12,470</u>
Expenses:						
General government	1,874	2,393	-	-	1,874	2,393
Public safety	4,173	3,793	-	-	4,173	3,793
Highways and streets	2,518	2,273	-	-	2,518	2,273
Sanitation	562	547	-	-	562	547
Health and welfare	107	91	-	-	107	91
Culture and recreation	1,694	1,567	-	-	1,694	1,567
Conservation	8	-	-	-	8	-
Interest on long-term debt	170	118	-	-	170	118
Baboosic lake septic fund	-	-	107	146	107	146
Total expenses	<u>11,106</u>	<u>10,782</u>	<u>107</u>	<u>146</u>	<u>11,213</u>	<u>10,928</u>
Change in net position	2,185	1,598	165	(56)	2,350	1,542
Net position - beginning of year, as restated	<u>20,330</u>	<u>18,732</u>	<u>447</u>	<u>503</u>	<u>20,777</u>	<u>19,235</u>
Net position - end of year	<u>\$ 22,515</u>	<u>\$ 20,330</u>	<u>\$ 612</u>	<u>\$ 447</u>	<u>\$ 23,127</u>	<u>\$ 20,777</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 \$23,127,123, a change of \$2,348,885 from the prior year.

The largest portion of net position \$14,867,191 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 \$3,183,536 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$5,076,396 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 \$2,184,237. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 957,568
Road construction fund - accrual basis	(17,249)
Non-major funds operating results	291,287
Depreciation expense in excess of principal debt service	(319,888)
General fund capital asset additions	1,097,156
Other GAAP accruals	<u>175,363</u>
Total	<u>\$ 2,184,237</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$164,648. Key elements of this change are as follows:

Baboosic Lake septic operations	\$ <u>164,648</u>
Total	<u>\$ 164,648</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$8,787,097, a change of \$2,394,887 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 957,568
Road construction fund operating results	1,146,032
Non-major funds operating results	<u>291,287</u>
Total	<u>\$ 2,394,887</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3,771,599, while total fund balance was \$5,048,905. 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>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,771,599	\$ 3,060,173	\$ 711,426	33.6%
Total fund balance	\$ 5,048,905	\$ 4,091,337	\$ 957,568	45.0%

The total fund balance of the general fund changed by \$957,568 during the current year. Key factors in this change are as follows:

State and local revenues surplus	\$ 579,138
Budgetary appropriations turnbacks by departments	175,618
Tax collections excess compared to budget	44,615
Current year encumbrances to be spent in the subsequent year over prior year encumbrances to be spent in the current year	288,335
Change in capital reserve fund balance	158,083
Change in land use change tax fund balance	(45,032)
Use of fund balance	(200,000)
Other timing issues	<u>(43,189)</u>
Total	<u>\$ 957,568</u>

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

	<u>06/30/14</u>	<u>6/30/13</u>	<u>Change</u>
Capital reserve fund	\$ <u>782,893</u>	\$ <u>624,810</u>	\$ <u>158,083</u>
Total	\$ <u>782,893</u>	\$ <u>624,810</u>	\$ <u>158,083</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 \$19,465, a change of \$193,000 in comparison to 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**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$29,450. Major reasons for these amendments include:

- \$2,500 increase in general government appropriations
- \$6,950 increase in public safety appropriations
- \$20,000 increase in culture and recreation appropriations
- In addition there were other budgetary reclassifications that took place but did not impact the overall budget.

Of this increase, \$11,400 was funded from miscellaneous revenues and \$18,050 was funded from other funds.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$21,200,506 (net of accumulated depreciation), a change of \$1,909,598 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital events during the current year included the following:

- \$2,570,138 increase in road construction and road resurfacing
- \$287,006 relating to Town Hall structural repairs

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$6,804,514, all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

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

Town of Amherst  
Department of Finance  
2 Main Street  
P.O. Box 960  
Amherst, New Hampshire 03031

## TOWN OF AMHERST, NEW HAMPSHIRE

## STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 23,903,300	\$ -	\$ 23,903,300
Investments	3,081,934	-	3,081,934
Receivables, net of allowance for uncollectibles:			
Taxes	3,502,595	-	3,502,595
Departmental and other	190,054	-	190,054
User fees, net of allowance for uncollectibles	-	23,579	23,579
Intergovernmental	2,335	138,998	141,333
Other assets	36,033	-	36,033
Internal balances	135,989	(135,989)	-
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Taxes	511,631	-	511,631
Capital assets:			
Land and construction in progress	7,772,935	-	7,772,935
Other capital assets, net of accumulated depreciation	12,447,626	979,945	13,427,571
<b>TOTAL ASSETS</b>	<b>51,584,432</b>	<b>1,006,533</b>	<b>52,590,965</b>
<b>LIABILITIES</b>			
Current:			
Accounts payable	1,132,521	905	1,133,426
Accrued liabilities	30,553	6,217	36,770
Tax refunds payable	136,327	-	136,327
Other liabilities	104,817	-	104,817
Due to other governments	2,506	-	2,506
Current portion of long-term liabilities:			
Bonds payable	730,822	45,155	775,977
Capital lease payable	44,543	-	44,543
Compensated absence	13,079	-	13,079
Noncurrent:			
Bonds payable, net of current portion	5,686,583	341,954	6,028,537
Capital lease payable, net of current portion	38,854	-	38,854
Compensated absence, net of current portion	248,505	-	248,505
Accrued other post-employment benefits	233,148	-	233,148
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>20,667,353</b>	<b>-</b>	<b>20,667,353</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>29,069,611</b>	<b>394,231</b>	<b>29,463,842</b>
<b>NET POSITION</b>			
Net investment in capital assets	14,274,354	592,837	14,867,191
Restricted for:			
Grants and other statutory restrictions	1,035,942	-	1,035,942
Permanent funds:			
Nonexpendable	1,564,249	-	1,564,249
Expendable	583,345	-	583,345
Unrestricted	5,056,931	19,465	5,076,396
<b>TOTAL NET POSITION</b>	<b>\$ 22,514,821</b>	<b>\$ 612,302</b>	<b>\$ 23,127,123</b>

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

## TOWN OF AMHERST, NEW HAMPSHIRE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<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>
<b>Governmental Activities:</b>							
General government	\$ 1,874,561	\$ 6,682	\$ 4,000	\$ -	\$ (1,863,879)	\$ -	\$ (1,863,879)
Public safety	4,172,599	396,524	365,425	-	(3,410,650)	-	(3,410,650)
Highways and streets	2,518,157	6,666	280,542	-	(2,230,949)	-	(2,230,949)
Sanitation	562,268	87,471	-	-	(474,797)	-	(474,797)
Health and welfare	107,261	-	-	-	(107,261)	-	(107,261)
Culture and recreation	1,693,771	250,050	-	-	(1,443,721)	-	(1,443,721)
Conservation	7,913	-	-	-	(7,913)	-	(7,913)
Interest	169,637	-	-	-	(169,637)	-	(169,637)
Total Governmental Activities	11,106,167	747,393	649,967	-	(9,708,807)	-	(9,708,807)
<b>Business-Type Activities:</b>							
Baboosic Septic Fund	106,884	92,996	-	178,536	-	164,648	164,648
Total Business-Type Activities	106,884	92,996	-	178,536	-	164,648	164,648
Total	\$ 11,213,051	\$ 840,389	\$ 649,967	\$ 178,536	(9,708,807)	164,648	(9,544,159)
<b>General Revenues and Contributions:</b>							
Taxes					7,890,208	-	7,890,208
Penalties, interest and other taxes					305,196	-	305,196
Licenses and permits					2,624,429	-	2,624,429
Investment income					265,446	-	265,446
Intergovernmental					515,009	-	515,009
Miscellaneous					283,756	-	283,756
Contributions to permanent funds					9,000	-	9,000
Total general revenues					11,893,044	-	11,893,044
Change in net position					2,184,237	164,648	2,348,885
<b>Net Position:</b>							
Beginning of year, as restated					20,330,584	447,654	20,778,238
End of year					\$ 22,514,821	\$ 612,302	\$ 23,127,123

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

## TOWN OF AMHERST, NEW HAMPSHIRE

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 23,382,145	\$ -	\$ 521,155	\$ 23,903,300
Investments	805,031	-	2,276,903	3,081,934
Receivables:				
Property taxes	4,058,545	-	-	4,058,545
Departmental and other	188,359	-	1,695	190,054
Intergovernmental	-	-	2,335	2,335
Other assets	36,033	-	-	36,033
Due from other funds	<u>229,195</u>	<u>1,073,778</u>	<u>499,112</u>	<u>1,802,085</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>28,699,308</u></b>	<b>\$ <u>1,073,778</u></b>	<b>\$ <u>3,301,200</u></b>	<b>\$ <u>33,074,286</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 677,947	\$ 430,118	\$ 24,456	\$ 1,132,521
Taxes refunds payable	136,327	-	-	136,327
Due to other funds	1,572,890	-	93,206	1,666,096
Due to other governments	2,506	-	-	2,506
Other liabilities	<u>15,811</u>	<u>89,006</u>	<u>-</u>	<u>104,817</u>
<b>TOTAL LIABILITIES</b>	<b>2,405,481</b>	<b>519,124</b>	<b>117,662</b>	<b>3,042,267</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>21,244,922</b>	<b>-</b>	<b>-</b>	<b>21,244,922</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,564,249	1,564,249
Restricted	-	554,654	1,619,289	2,173,943
Committed	782,893	-	-	782,893
Assigned	494,413	-	-	494,413
Unassigned	<u>3,771,599</u>	<u>-</u>	<u>-</u>	<u>3,771,599</u>
<b>TOTAL FUND BALANCES</b>	<b><u>5,048,905</u></b>	<b><u>554,654</u></b>	<b><u>3,183,538</u></b>	<b><u>8,787,097</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ <u>28,699,308</u></b>	<b>\$ <u>1,073,778</u></b>	<b>\$ <u>3,301,200</u></b>	<b>\$ <u>33,074,286</u></b>

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

TOWN OF AMHERST, NEW HAMPSHIRE

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

JUNE 30, 2014

<b>Total governmental fund balances</b>	\$ 8,787,097
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	20,220,561
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	533,250
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(30,553)
<ul style="list-style-type: none"><li>• Long-term liabilities, (net of prepaid debt service) including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(6,995,534)</u>
<b>Net position of governmental activities</b>	\$ <u><u>22,514,821</u></u>

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



## TOWN OF AMHERST, NEW HAMPSHIRE

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 7,759,458	\$ -	\$ -	\$ 7,759,458
Penalties, interest and other taxes	302,196	-	-	302,196
Licenses and permits	2,624,429	-	-	2,624,429
Intergovernmental	884,000	-	282,340	1,166,340
Charges for services	460,708	-	286,684	747,392
Investment income	46,557	-	218,889	265,446
Miscellaneous	153,023	-	139,370	292,393
Total Revenues	12,230,371	-	927,283	13,157,654
<b>Expenditures:</b>				
Current:				
General government	1,792,902	-	12,431	1,805,333
Public safety	3,503,352	-	307,672	3,811,024
Highways and streets	2,921,069	1,853,968	932	4,775,969
Sanitation	562,623	-	-	562,623
Health and welfare	107,261	-	-	107,261
Culture and recreation	1,195,431	-	357,101	1,552,532
Capital outlay	351,987	-	-	351,987
Debt service	788,125	-	-	788,125
Conservation	7,913	-	-	7,913
Total Expenditures	11,230,663	1,853,968	678,136	13,762,767
Excess (deficiency) of revenues over expenditures	999,708	(1,853,968)	249,147	(605,113)
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	3,000,000	-	3,000,000
Transfers in	-	-	42,140	42,140
Transfers out	(42,140)	-	-	(42,140)
Total Other Financing Sources (Uses)	(42,140)	3,000,000	42,140	3,000,000
Changes in Fund Balance	957,568	1,146,032	291,287	2,394,887
Fund Equity, at Beginning of Year, as restated	4,091,337	(591,378)	2,892,251	6,392,210
Fund Equity, at End of Year	\$ 5,048,905	\$ 554,654	\$ 3,183,538	\$ 8,787,097

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

TOWN OF AMHERST, 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 JUNE 30, 2014

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 2,394,887</b>																		
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases</td><td>2,933,875</td></tr> <tr> <td>Depreciation</td><td>(950,770)</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td><td>132,750</td></tr> </table> </li> <li>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Repayments of debt</td><td>630,882</td></tr> <tr> <td>Bond additions</td><td>(3,000,000)</td></tr> <tr> <td>Capital lease repayments</td><td>69,600</td></tr> </table> </li> <li>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>(12,394)</td></tr> </table> </li> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td>Compensated absences</td><td>25,190</td></tr> <tr> <td>Accrued other post-employment benefits</td><td>(39,783)</td></tr> </table> </li> </ul>	Capital outlay purchases	2,933,875	Depreciation	(950,770)		132,750	Repayments of debt	630,882	Bond additions	(3,000,000)	Capital lease repayments	69,600		(12,394)	Compensated absences	25,190	Accrued other post-employment benefits	(39,783)	
Capital outlay purchases	2,933,875																		
Depreciation	(950,770)																		
	132,750																		
Repayments of debt	630,882																		
Bond additions	(3,000,000)																		
Capital lease repayments	69,600																		
	(12,394)																		
Compensated absences	25,190																		
Accrued other post-employment benefits	(39,783)																		
<b>Change in net position of governmental activities</b>	<b>\$ <u>2,184,237</u></b>																		

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

TOWN OF AMHERST, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive ( <u>Negative</u> )
<b>Revenues and other sources:</b>				
Property taxes	\$ 7,714,843	\$ 7,714,843	\$ 7,714,843	\$ -
Penalties, interest and other taxes	203,299	203,299	218,088	14,789
Licenses and permits	2,443,971	2,443,971	2,624,429	180,458
Intergovernmental	858,826	858,826	884,000	25,174
Charges for services	393,132	393,132	589,871	196,739
Investment income	17,001	17,001	46,463	29,462
Miscellaneous	9,107	20,507	153,023	132,516
Transfers in	-	18,050	18,050	-
Use of fund balance	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Revenues	11,840,179	11,869,629	12,448,767	579,138
<b>Expenditures and other uses:</b>				
Current:				
General government	1,868,148	2,013,284	1,995,928	17,356
Public safety	3,600,244	3,523,541	3,499,152	24,389
Highways and streets	3,141,275	3,077,422	3,007,445	69,977
Sanitation	595,554	566,593	562,623	3,970
Health and welfare	109,047	109,047	107,261	1,786
Culture and recreation	1,196,519	1,260,549	1,214,864	45,685
Conservation	8,000	8,000	5,613	2,387
Debt service	808,392	798,193	788,125	10,068
Transfers out	<u>513,000</u>	<u>513,000</u>	<u>513,000</u>	<u>-</u>
Total Expenditures	<u>11,840,179</u>	<u>11,869,629</u>	<u>11,694,011</u>	<u>175,618</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>754,756</u>	\$ <u>754,756</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities <u>Enterprise Funds</u> Baboosic Septic <u>Fund</u>
<b>ASSETS</b>	
Current:	
User fees, net of allowance for uncollectibles	\$ 23,579
Intergovernmental receivables	<u>138,998</u>
Total current assets	162,577
Noncurrent:	
Capital assets	
Other capital assets, net of accumulated depreciation	<u>979,945</u>
Total noncurrent assets	<u>979,945</u>
<b>TOTAL ASSETS</b>	1,142,522
<b>LIABILITIES</b>	
Current:	
Accounts payable	905
Accrued liabilities	6,217
Due to other funds	135,989
Bonds payable	<u>45,155</u>
Total current liabilities	188,266
Noncurrent:	
Bonds payable, net of current portion	<u>341,954</u>
Total noncurrent liabilities	<u>341,954</u>
<b>TOTAL LIABILITIES</b>	530,220
<b>NET POSITION</b>	
Net investment in capital assets	592,837
Unrestricted	<u>19,465</u>
<b>TOTAL NET POSITION</b>	<u>\$ 612,302</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds Baboosic Septic Fund
<b>Operating Revenues:</b>	
Charges for services	\$ 92,996
Total Operating Revenues	92,996
<b>Operating Expenses:</b>	
Operating expenses	20,234
Depreciation	73,507
Total Operating Expenses	93,741
Operating Income	(745)
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental	178,536
Interest expense	(13,143)
Total Nonoperating Revenues (Expenses), Net	165,393
Change in Net Position	164,648
Net Position at Beginning of Year	447,654
Net Position at End of Year	\$ 612,302

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

TOWN OF AMHERST, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities <u>Enterprise Funds</u> Baboosic Septic <u>Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 84,505
Payments to vendors and employees	<u>(38,374)</u>
Net Cash Provided By Operating Activities	46,131
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Principal payments on bonds and notes	(45,155)
Intergovernmental revenue	39,539
Interest expense	<u>(13,144)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(18,760)</u>
Net Change in Cash and Short-Term Investments	27,371
Cash and Cash Equivalents (deficiency), Beginning of Year	<u>(163,360)</u>
Cash and Cash Equivalents (Deficiency), End of Year	<u><u>\$ (135,989)</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income	\$ (745)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	73,507
Changes in assets and liabilities:	
User fees	(8,490)
Accounts payable	(16,522)
Accrued liabilities	<u>(1,619)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 46,131</u></u>

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

TOWN OF AMHERST, NEW HAMPSHIRE  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ -	\$ 200,872
Investments	<u>1,214,656</u>	<u>529,960</u>
Total Assets	1,214,656	730,832
<b><u>LIABILITIES</u></b>		
Due to other governments	-	529,960
Due to others	<u>-</u>	<u>200,872</u>
Total Liabilities	<u>-</u>	<u>730,832</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	\$ <u><u>1,214,656</u></u>	\$ <u><u>-</u></u>

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

TOWN OF AMHERST, NEW HAMPSHIRE  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment income	\$ <u>135,162</u>
Total additions	135,162
<b>Deductions:</b>	
Education	<u>57,459</u>
Total deductions	<u>57,459</u>
Net increase	77,703
<b>Net position:</b>	
Beginning of year	<u>1,136,953</u>
End of year	\$ <u><u>1,214,656</u></u>

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



# TOWN OF AMHERST, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Amherst (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 was incorporated in 1760 and is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

### Fund Financial Statements

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

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

#### Government-wide Financial Statements

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

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

#### Fund Financial Statements

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

The Town reports the following major governmental funds:

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

- The *road construction fund* accounts for the financial transactions related to the reconstruction of Town roads.

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 following major proprietary funds:

- The Baboosic Lake Septic Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

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

The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for the capital reserve funds of the Amherst School District, Souhegan Cooperative School District, and the SAU 39 Capital Facilities Fund, which are held by the Town as required by State law. Other agency funds consist of escrow and developer's performance bonds.

#### D. Cash and Short-Term Investments

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

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

*E. Investments*

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

*F. Interfund Receivables and Payables*

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

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in governmental activities in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15 – 20
Infrastructure	40
Vehicles and equipment	5 – 10
Library media	10

*H. Compensated Absences*

It is the Town’s policy to permit employees to accumulate earned but unused sick/vacation pay benefits. All vested vacation pay is accrued

when incurred in the government-wide financial statements. A liability for this amount is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

*I. Long-Term Obligations*

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

*J. Fund Equity*

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.
- 5) Unassigned funds are available to be spent in future periods.

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

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

K. *Use of Estimates*

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

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

A. *Budgetary Information*

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

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

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

B. *Budgetary Basis*

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

### C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 12,230,371	\$ 11,230,663
Other financing sources/uses (GAAP basis)	-	42,140
Subtotal (GAAP Basis)	12,230,371	11,272,803
Adjust tax revenue to accrual basis	(44,615)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(65,872)
Add end-of-year appropriation carryforwards from expenditures	-	354,207
To remove capital reserve funds	114,810	272,893
To remove land use change tax fund	(84,108)	(129,140)
To record use of fund balance	200,000	-
Other timing issues	32,309	(10,880)
Budgetary basis	<u>\$ 12,448,767</u>	<u>\$ 11,694,011</u>

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." In accordance with the Town's investment policy for its governmental funds, all security transactions must be secured by collateral having a value at least equal to the amount of

funds in excess of the FDIC deposit limits. Such collateral shall be segregated for the exclusive benefit of the Town and may consist of obligations of the United States government, United States government agencies or obligations of the State of New Hampshire.

As of June 30, 2014, \$76,073 of the Town's bank balances of \$23,266,839 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.

The Trustees of Trust Funds and Library Trustees do not have formal investment policies for managing its investments exposure from credit risk.

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

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End							Not Rated
				AAA	A1	A2	A3	Baa1	Baa2		
Certificates of deposits	\$ 115		\$ -	\$ 115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Corporate bonds	831		-	-	215	\$ 170	\$ 171	\$ 168	\$ 51	\$ 56	
Corporate equities	1,961	N/A	1,961	-	-	-	-	-	-	-	
Mutual funds	<u>1,920</u>	N/A	<u>1,920</u>	-	-	-	-	-	-	-	
Total investments	<u>\$ 4,827</u>		<u>\$ 3,881</u>	<u>\$ 115</u>	<u>\$ 215</u>	<u>\$ 170</u>	<u>\$ 171</u>	<u>\$ 168</u>	<u>\$ 51</u>	<u>\$ 56</u>	

##### B. **Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Trustees of Trust Funds and the Library Trustees have no policy regarding custodial credit risk.



**C. Concentration of Credit Risk**

The Town does not have an investment in one issuer greater than 5% of total investments.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its 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 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Debt Related Securities:					
Certificates of deposit	\$ 115	\$ 85	\$ -	\$ -	\$ 30
Corporate bonds	<u>831</u>	<u>155</u>	<u>564</u>	<u>112</u>	<u>-</u>
Total	<u>\$ 946</u>	<u>\$ 240</u>	<u>\$ 564</u>	<u>\$ 112</u>	<u>\$ 30</u>

**5. Taxes Receivable**

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied 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 June 30, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ <u>3,388</u>	
		3,388
Unredeemed Taxes		
2013	279	
2012	163	
2011	37	
2010	18	
Prior	<u>25</u>	
		522
Yield tax		2
Welfare and elderly liens		<u>147</u>
Total		\$ <u><u>4,059</u></u>

#### Taxes Collected for Others

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

#### **6. Allowance for Doubtful Accounts**

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

	<u>Governmental</u>
Property taxes	\$ 44
Ambulance	\$ 91

#### **7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

#### **8. 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 June 30, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 229	\$ 1,573
Special Revenue Funds:		
Recreation revolving	302	60
Peabody Mill Environmental Center	144	-
Grants fund	1	-
Police detail fund	51	-
Conservation	1	-
Capital Project Funds:		
Road construction fund	1,073	-
Enterprise Funds:		
Baboosic Lake septic fund	-	136
Trust and Agency Funds:		
Cemetery trust	-	32
Total	<u>\$ 1,801</u>	<u>\$ 1,801</u>

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,509	\$ 325	\$ -	\$ 3,834
Machinery, equipment, and furnishings	9,237	38	-	9,275
Infrastructure	<u>6,065</u>	<u>3,581</u>	<u>-</u>	<u>9,646</u>
Total capital assets, being depreciated	18,811	3,944	-	22,755
Less accumulated depreciation for:				
Buildings and improvements	(1,295)	(107)	-	(1,402)
Machinery, equipment, and furnishings	(7,899)	(692)	-	(8,591)
Infrastructure	<u>(163)</u>	<u>(152)</u>	<u>-</u>	<u>(315)</u>
Total accumulated depreciation	<u>(9,357)</u>	<u>(951)</u>	<u>-</u>	<u>(10,308)</u>
Total capital assets, being depreciated, net	9,454	2,993	-	12,447
Capital assets, not being depreciated:				
Land	7,751	-	-	7,751
Works of art	22	-	-	22
Construction in progress	<u>1,011</u>	<u>-</u>	<u>(1,011)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>8,784</u>	<u>-</u>	<u>(1,011)</u>	<u>7,773</u>
Governmental activities capital assets, net	<u>\$ 18,238</u>	<u>\$ 2,993</u>	<u>\$ (1,011)</u>	<u>\$ 20,220</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,552	\$ -	\$ -	\$ 1,552
Total capital assets, being depreciated	1,552	-	-	1,552
Less accumulated depreciation for:				
Buildings and improvements	(499)	(74)	-	(573)
Total accumulated depreciation	(499)	(74)	-	(573)
Total capital assets, being depreciated, net	1,053	(74)	-	979
Business-type activities capital assets, net	<u>\$ 1,053</u>	<u>\$ (74)</u>	<u>\$ -</u>	<u>\$ 979</u>

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

Governmental Activities:	
General government	\$ 28
Public safety	369
Highway	389
Culture and recreation	<u>165</u>
Total depreciation expense - governmental activities	<u>\$ 951</u>
Business-Type Activities:	
Baboosic lake septic	<u>\$ 74</u>
Total depreciation expense - business-type activities	<u>\$ 74</u>

## 10. Accounts Payable and Accrued Expenses

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

## 11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

## 12. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2016. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2014:

<u>Year</u>	<u>Capital Leases</u>
2015	\$ 47,031
2016	<u>39,976</u>
Total minimum lease payments	87,007
Less amounts representing interest	<u>(3,610)</u>
Present Value of Minimum Lease Payments	<u>\$ 83,397</u>

## 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 governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
Road Reconstruction	06/01/26	3.67%	\$ 1,460,000
Spring Road	08/01/20	3.02%	350,000
Open Space Advisory Committee (OSAC) Land	10/01/17	3.56%	120,000
Tanker	07/01/16	4.45%	87,465
Road Reconstruction	06/01/22	2.95%	1,600,000
Road Reconstruction	06/07/23	2.25%	1,800,000
Road Reconstruction	03/10/24	2.30%	<u>1,000,000</u>
Total Governmental Activities:			<u>\$ 6,417,465</u>

<u>Business-Type Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/14</u>
Baboosic Lake Septic - phase 2	09/30/22	4.20%	\$ 107,100
Baboosic Lake Septic	07/01/16	4.45%	39,684
Baboosic Lake Septic	08/01/25	3.17%	136,560
Baboosic Lake Septic	04/01/26	2.91%	<u>103,764</u>
Total Business-Type Activities:			<u>\$ 387,108</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 730,822	\$ 180,696	\$ 911,518
2016	730,822	160,399	891,221
2017	730,822	139,033	869,855
2018	701,667	118,786	820,453
2019	671,667	99,576	771,243
2020 - 2024	2,608,335	228,229	2,836,564
2025 - 2029	<u>243,330</u>	<u>13,383</u>	<u>256,713</u>
Total	<u>\$ 6,417,465</u>	<u>\$ 940,102</u>	<u>\$ 7,357,567</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 45,155	\$ 10,737	\$ 55,892
2016	45,155	9,463	54,618
2017	45,155	7,947	53,102
2018	31,927	6,704	38,631
2019	31,927	5,766	37,693
2020 - 2024	147,735	14,991	162,726
2025 - 2029	<u>40,054</u>	<u>1,320</u>	<u>41,374</u>
Total	<u>\$ 387,108</u>	<u>\$ 56,928</u>	<u>\$ 444,036</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Total Balance 7/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<u>Governmental Activities</u>						
Bonds payable	\$ 4,048	\$ 3,000	\$ (631)	\$ 6,417	\$ (730)	\$ 5,687
Other:						-
Capital lease	154	-	(70)	84	(45)	39
Compensated absences	287	-	(25)	262	(13)	249
Accrued other post-employment benefits	193	40	-	233	-	233
Totals	<u>\$ 4,682</u>	<u>\$ 3,040</u>	<u>\$ (726)</u>	<u>\$ 6,996</u>	<u>\$ (788)</u>	<u>\$ 6,208</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 432	\$ -	\$ (45)	\$ 387	\$ (45)	\$ 342
Totals	<u>\$ 432</u>	<u>\$ -</u>	<u>\$ (45)</u>	<u>\$ 387</u>	<u>\$ (45)</u>	<u>\$ 342</u>

**14. Deferred Inflows of Resources**

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

The following is a summary of deferred inflow of resources balances as of June 30, 2014:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>
	<u>Governmental Activities</u>	<u>Governmental General Fund</u>
Unearned revenue	\$ 3,320,579	\$ 3,898,148
Taxes paid in advance	<u>17,346,774</u>	<u>17,346,774</u>
	<u>\$ 20,667,353</u>	<u>\$ 21,244,922</u>

**15. 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.

## **16. Governmental Funds - Balances**

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

The following types of fund balances are reported at June 30, 2014:

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

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

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

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

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



Following is a breakdown of the Town's fund balances at June 30, 2014:

	General Fund	Road Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 1,564,249	\$ 1,564,249
Total Nonexpendable	-	-	1,564,249	1,564,249
Restricted				
Special Revenue Fund	-	-	1,035,944	1,035,944
Bonded Projects	-	554,654	-	554,654
Expendable Permanent Funds	-	-	583,345	583,345
Total Restricted	-	554,654	1,619,289	2,173,943
Committed				
Capital reserve funds	782,893	-	-	782,893
Total Committed	782,893	-	-	782,893
Assigned				
For encumbrances:				
General government	239,265	-	-	239,265
Public safety	3,000	-	-	3,000
Highway	101,957	-	-	101,957
Culture and recreation	9,985	-	-	9,985
Reserved for other purposes:				
Library capital reserve funds	86,445	-	-	86,445
Land use change tax fund	53,761	-	-	53,761
Total Assigned	494,413	-	-	494,413
Unassigned				
Unassigned	3,771,599	-	-	3,771,599
Total Unassigned	3,771,599	-	-	3,771,599
Total Fund Balance	\$ 5,048,905	\$ 554,654	\$ 3,183,538	\$ 8,787,097

## 17. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 3,771,599
Tax refund estimate	136,327
Other	<u>(217,092)</u>
Tax Rate Setting Balance	<u>\$ 3,690,834</u>

## 18. **Subsequent Events**

### Debt

Subsequent to June 30, 2014, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 3,060,000	2.39%	01/05/15	01/05/25

## 19. **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.

## 20. **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 July 1, 2012, the actuarial valuation date, approximately 3 retirees and 59 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides dental, medical, and pharmacy benefits to eligible retirees. 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 fiscal 2014 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 June 30, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 109,844
Interest on net OPEB obligation	7,735
Adjustment to ARC	<u>(7,685)</u>
Annual OPEB cost	<u>109,894</u>
Contributions made	<u>(70,111)</u>
Increase in net OPEB obligation	<u>39,783</u>
Net OPEB obligation - beginning of year	<u>193,365</u>
Net OPEB obligation - end of year	<u><u>\$ 233,148</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>
2014	\$ 109,894	64%	\$ 233,148
2013	\$ 109,882	59%	\$ 193,365
2012	\$ 114,601	62%	\$ 147,805
2011	\$ 115,915	53%	\$ 104,013

The Town's net OPEB obligation as of June 30, 2014 is recorded as a component of the "other long-term liabilities" line item.

*E. Funded Status and Funding Progress*

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

Actuarial accrued liability (AAL)	\$ 1,212,589
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,212,589</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,192,264</u>
UAAL as a percentage of covered payroll	<u>38%</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 July 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 9 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open group basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

## **21. Retirement System**

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

### **A. Plan Description**

The Town's police and fire employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

## **B. Funding Policy**

Plan members are required to contribute a percentage of their gross earnings to the pension plan. *Group II* members (police and fire) contribute 9.3%. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, which is 25.30% for police and 27.74% for fire. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$351,893, \$286,442, and \$298,889, 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 June 30, 2014, was \$1,370,568.

## **22. 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.

## **23. Beginning Fund Balance Restatement and Reclassification**

The beginning (July 1, 2013) net position of the Town has been restated as follows:

### Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 23,389,665
To adjust for prior year depreciation on books	(2,996,095)
Other	<u>(62,986)</u>
As restated	<u><u>\$ 20,330,584</u></u>

### Fund Basis Financial Statements:

	<u>General Fund</u>	<u>Nonmajor Funds</u>
As previously reported	\$ 4,030,905	\$ 2,767,244
To reclass various funds to special revenue funds	(125,007)	125,007
Other	<u>185,439</u>	<u>-</u>
As restated	<u><u>\$ 4,091,337</u></u>	<u><u>\$ 2,892,251</u></u>

## **24. Implementation of New GASB Standards**

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

**TOWN OF AMHERST, NEW HAMPSHIRE  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014  
(Unaudited)**

<b>Other Post-Employment Benefits</b>						
Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/12	\$ -	\$ 1,212,589	\$ 1,212,589	0.0%	\$ 3,192,264	38.0%
07/01/09	\$ -	\$ 1,255,353	\$ 1,255,353	0.0%	\$ 3,265,756	38.4%

See Independent Auditors' Report.