

TOWN OF ASHLAND, NEW HAMPSHIRE

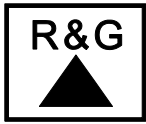
FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013

**TOWN OF ASHLAND, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Ashland
Ashland, New Hampshire 03217

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 Ashland, as of and for the year ended December 31, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements. These financial statements are the responsibility of the Town of Ashland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the proprietary funds, which represent 100 percent of the assets, net position, and revenues of the business-type activities and the enterprise funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities and the enterprise funds, is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

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 of 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, based on our audit and the report of other auditors, 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 Ashland, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 the budgetary comparison information on page 31 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. 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 sufficient evidence to express an opinion or provide any assurance.

The Town of Ashland has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Ashland. The combining nonmajor and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 combining nonmajor and fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

May 14, 2014

Robert & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,943,946	\$ 1,445,561	\$ 3,389,507
Investments	208,125	-	208,125
Intergovernmental receivable	177,046	-	177,046
Other receivables, net of allowance for uncollectibles	675,970	611,119	1,287,089
Inventory	-	48,915	48,915
Capital assets, not being depreciated:			
Land	1,446,700	-	1,446,700
Capital assets, net of accumulated depreciation:			
Buildings and building improvements	847,742	-	847,742
Machinery, vehicles and equipment	101,692	-	101,692
Infrastructure	8,647,122	-	8,647,122
Improvements other than buildings	488,654	-	488,654
Business-type activities' capital assets	-	7,726,226	7,726,226
Total assets	<u>14,536,997</u>	<u>9,831,821</u>	<u>24,368,818</u>
LIABILITIES			
Accounts payable	78,317	284,292	362,609
Accrued payroll and benefits	23,192	-	23,192
Accrued interest payable	38,714	-	38,714
Intergovernmental payable	1,575,115	-	1,575,115
Performance and escrow deposits	30	-	30
Customer deposits	-	8,643	8,643
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	120,331	124,820	245,151
Unamortized bond premium	5,349	-	5,349
Capital leases payable	101,397	-	101,397
Accrued landfill postclosure care costs	14,000	-	14,000
Due in more than one year:			
Bonds and notes payable	1,821,056	731,628	2,552,684
Unamortized bond premium	96,293	-	96,293
Capital leases payable	75,801	-	75,801
Compensated absences payable	56,069	-	56,069
Accrued landfill postclosure care costs	168,000	-	168,000
Total liabilities	<u>4,173,664</u>	<u>1,149,383</u>	<u>5,323,047</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	<u>600</u>	<u>-</u>	<u>600</u>
NET POSITION			
Net investment in capital assets	11,354,712	6,869,778	18,224,490
Restricted for:			
Endowments:			
Nonexpendable	8,750	-	8,750
Expendable	6,241	-	6,241
Other purposes	198,805	-	198,805
Unrestricted	(1,205,775)	1,812,660	606,885
Total net position	<u>\$ 10,362,733</u>	<u>\$ 8,682,438</u>	<u>\$ 19,045,171</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 546,578	\$ 712	\$ 27,060	\$ (518,806)	\$ -	\$ (518,806)
Public safety	816,383	22,389	-	(793,994)	-	(793,994)
Highways and streets	1,016,310	-	47,746	(968,564)	-	(968,564)
Sanitation	116,028	38,411	46,633	(30,984)	-	(30,984)
Health	24,307	-	-	(24,307)	-	(24,307)
Welfare	69,023	4,461	-	(64,562)	-	(64,562)
Culture and recreation	193,581	98,977	7	(94,597)	-	(94,597)
Conservation	847	-	-	(847)	-	(847)
Interest on long-term debt	83,931	-	-	(83,931)	-	(83,931)
Capital outlay	50,000	-	-	(50,000)	-	(50,000)
Total governmental activities	<u>2,916,988</u>	<u>164,950</u>	<u>121,446</u>	<u>(2,630,592)</u>	<u>-</u>	<u>(2,630,592)</u>
Business-type activities:						
Water	297,502	180,244	-	-	(117,258)	(117,258)
Sewer	376,981	436,430	-	-	59,449	59,449
Electric	2,645,079	2,923,106	-	-	278,027	278,027
Total business-type activities	<u>3,319,562</u>	<u>3,539,780</u>	<u>-</u>	<u>-</u>	<u>220,218</u>	<u>220,218</u>
Total primary government	<u>\$ 6,236,550</u>	<u>\$ 3,704,730</u>	<u>\$ 121,446</u>	<u>(2,630,592)</u>	<u>220,218</u>	<u>(2,410,374)</u>
General revenues:						
Property taxes				2,020,760	-	2,020,760
Other taxes				122,415	-	122,415
Licenses and permits				321,222	-	321,222
Grants and contributions not restricted to specific programs				92,840	-	92,840
Miscellaneous				56,147	22,682	78,829
Total general revenues				<u>2,613,384</u>	<u>22,682</u>	<u>2,636,066</u>
Change in net position				(17,208)	242,900	225,692
Net position, beginning, as restated, see Note III.E.				10,379,941	8,439,538	18,819,479
Net position, ending				<u>\$ 10,362,733</u>	<u>\$ 8,682,438</u>	<u>\$ 19,045,171</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3
TOWN OF ASHLAND, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,723,848	\$ 220,098	\$ 1,943,946
Investments	-	208,125	208,125
Receivables, net of allowances for uncollectible:			
Taxes	633,944	-	633,944
Accounts	29,695	-	29,695
Interfund receivable	-	2,525	2,525
Total assets	<u>\$ 2,387,487</u>	<u>\$ 430,748</u>	<u>\$ 2,818,235</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 78,317	\$ -	\$ 78,317
Accrued salaries and benefits	23,192	-	23,192
Intergovernmental payable	1,575,115	-	1,575,115
Interfund payable	2,525	-	2,525
Escrow and performance deposits	30	-	30
Total liabilities	<u>1,679,179</u>	<u>-</u>	<u>1,679,179</u>
Deferred inflows of resources:			
Deferred revenue	<u>395,664</u>	<u>-</u>	<u>395,664</u>
Fund balances:			
Nonspendable	-	54,985	54,985
Restricted	4,615	171,902	176,517
Committed	-	203,861	203,861
Assigned	15,902	-	15,902
Unassigned	292,127	-	292,127
Total fund balances	<u>312,644</u>	<u>430,748</u>	<u>743,392</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,387,487</u>	<u>\$ 430,748</u>	<u>\$ 2,818,235</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4
TOWN OF ASHLAND, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit 3)		\$ 743,392
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 28,728,118	
Less accumulated depreciation	<u>(17,196,208)</u>	
		11,531,910
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (2,525)	
Payables	<u>2,525</u>	
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$ 395,064	
Unavailable liens	12,331	
Long-term water pollution grant receivable	<u>177,046</u>	
		584,441
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(38,714)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 1,941,387	
Unamortized bond premium	101,642	
Capital leases outstanding	177,198	
Compensated absences payable	56,069	
Accrued landfill postclosure care costs	<u>182,000</u>	
		<u>(2,458,296)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 10,362,733</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,153,521	\$ 87	\$ 2,153,608
Licenses, permits and fees	321,222	-	321,222
Intergovernmental	193,716	-	193,716
Charges for services	163,498	1,452	164,950
Miscellaneous	54,481	30,830	85,311
Total revenues	<u>2,886,438</u>	<u>32,369</u>	<u>2,918,807</u>
Expenditures:			
Current:			
General government	537,810	-	537,810
Public safety	941,623	-	941,623
Highways and streets	544,305	-	544,305
Sanitation	124,798	-	124,798
Health	24,307	-	24,307
Welfare	69,023	-	69,023
Culture and recreation	154,120	14,565	168,685
Conservation	847	-	847
Debt service:			
Principal	206,733	-	206,733
Interest	121,932	-	121,932
Capital outlay	182,096	131,541	313,637
Total expenditures	<u>2,907,594</u>	<u>146,106</u>	<u>3,053,700</u>
Deficiency of revenues under expenditures	<u>(21,156)</u>	<u>(113,737)</u>	<u>(134,893)</u>
Other financing sources (uses):			
Transfers in	-	176,653	176,653
Transfers out	(176,653)	-	(176,653)
Inception of capital leases	132,096	-	132,096
Total other financing sources and uses	<u>(44,557)</u>	<u>176,653</u>	<u>132,096</u>
Net change in fund balances	(65,713)	62,916	(2,797)
Fund balances, beginning	378,357	367,832	746,189
Fund balances, ending	<u>\$ 312,644</u>	<u>\$ 430,748</u>	<u>\$ 743,392</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 6
TOWN OF ASHLAND, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balances of governmental funds (Exhibit 5)			\$ (2,797)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.			
Capitalized capital outlay	\$ 517,986		
Depreciation expense	(645,288)		
		(127,302)	
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in	\$ (176,653)		
Transfers out	176,653		
		-	
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.			
Change in deferred tax revenue	\$ (13,883)		
Change in unavailable liens	3,450		
Change in long-term grant receivable	(6,497)		
		(16,930)	
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Inception of capital lease	(132,096)		
Repayment of bond/note principal	123,319		
Amortization of bond premium	5,349		
Repayment of capital lease principal	105,308		
		101,880	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Decrease in accrued interest expense	\$ 32,652		
Increase in compensated absences payable	(18,711)		
Decrease in accrued landfill postclosure care costs	14,000		
		27,941	
Change in net position of governmental activities (Exhibit 2)			\$ (17,208)

The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Total
ASSETS				
Cash and cash equivalents	\$ 275,740	\$ 753,844	\$ 415,977	\$ 1,445,561
Receivables, net of allowance	23,949	26,751	560,419	611,119
Inventories	-	-	48,915	48,915
Capital assets, net of accumulated depreciation	3,474,660	1,949,478	2,302,088	7,726,226
Total assets	<u>3,774,349</u>	<u>2,730,073</u>	<u>3,327,399</u>	<u>9,831,821</u>
LIABILITIES				
Current liabilities				
Municipal revenue bond payable - current	-	-	124,820	124,820
Accounts payable	20,089	27,027	237,176	284,292
Customer deposits	100	-	8,543	8,643
Total current liabilities	<u>20,189</u>	<u>27,027</u>	<u>370,539</u>	<u>417,755</u>
Long-term liability				
Municipal revenue bond payable	-	-	731,628	731,628
Total liabilities	<u>20,189</u>	<u>27,027</u>	<u>1,102,167</u>	<u>1,149,383</u>
NET POSITION				
Net investment in capital assets	3,474,660	1,949,478	1,445,640	6,869,778
Unrestricted	279,500	753,568	779,592	1,812,660
Total net position	<u>\$ 3,754,160</u>	<u>\$ 2,703,046</u>	<u>\$ 2,225,232</u>	<u>\$ 8,682,438</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 8
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Total
Operating revenues:				
User charges	\$ 180,244	\$ 436,430	\$ 2,883,350	\$ 3,500,024
Street lighting	-	-	39,756	39,756
Miscellaneous	5,319	-	11,867	17,186
Total revenues	<u>185,563</u>	<u>436,430</u>	<u>2,934,973</u>	<u>3,556,966</u>
Operating expenses:				
Administration	51,652	44,181	251,296	347,129
Operations	105,397	231,914	2,230,002	2,567,313
Depreciation and amortization	140,453	100,886	133,759	375,098
Total expenditures	<u>297,502</u>	<u>376,981</u>	<u>2,615,057</u>	<u>3,289,540</u>
Operating income (loss)	<u>(111,939)</u>	<u>59,449</u>	<u>319,916</u>	<u>267,426</u>
Nonoperating revenues (expenses):				
Gain on sale of asset	-	-	-	-
Interest income	653	3,400	1,443	5,496
Long-term debt issued				-
Premium received on long-term debt				-
Interest expense	-	-	(30,022)	(30,022)
Total nonoperating revenues and expenses	<u>653</u>	<u>3,400</u>	<u>(28,579)</u>	<u>(24,526)</u>
Change in net fund assets	(111,286)	62,849	291,337	242,900
Net assets, beginning	<u>3,865,446</u>	<u>2,640,197</u>	<u>1,933,895</u>	<u>8,439,538</u>
Net assets, ending	<u>\$ 3,754,160</u>	<u>\$ 2,703,046</u>	<u>\$ 2,225,232</u>	<u>\$ 8,682,438</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 9
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and other	\$ 179,325	\$ 436,148	\$ 2,765,841	\$ 3,381,314
Payments to suppliers	(116,887)	(248,161)	(2,135,789)	(2,500,837)
Payments to employees	(17,833)	(17,833)	(225,080)	(260,746)
Net cash flows provided by (used in) operating activities	<u>44,605</u>	<u>170,154</u>	<u>404,972</u>	<u>619,731</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Change in interfund balance, net	-	-	-	-
Net cash flows provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Repayment of debt	-	-	(118,395)	(118,395)
Proceeds on sale of asset	-	-	-	-
Interest paid on municipal revenue bond	-	-	(30,022)	(30,022)
Acquisition of capital assets	-	(60,756)	(434,772)	(495,528)
Net cash flows used for capital and related financing activities	<u>-</u>	<u>(60,756)</u>	<u>(583,189)</u>	<u>(643,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments redeemed				-
Interest income	653	3,400	1,443	5,496
Net cash provided by (used in) investing activities	<u>653</u>	<u>3,400</u>	<u>1,443</u>	<u>5,496</u>
Net increase (decrease) in cash	45,258	112,798	(176,774)	(18,718)
Cash - beginning of year	230,482	641,046	592,751	1,464,279
Cash - end of year	<u>\$ 275,740</u>	<u>\$ 753,844</u>	<u>\$ 415,977</u>	<u>\$ 1,445,561</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (111,939)	\$ 59,449	\$ 319,916	\$ 267,426
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	140,453	100,886	133,759	375,098
(Increase) decrease in assets:				
Accounts receivable	(3,833)	(2,787)	(165,912)	(172,532)
Inventory	-	-	70,385	70,385
Prepaid expenses	-	-	7,963	7,963
Increase (decrease) in liabilities:				
Accounts payable	19,924	12,606	42,081	74,611
Customer deposits	-	-	(3,220)	(3,220)
Net cash flows provided by (used in) operating activities	<u>\$ 44,605</u>	<u>\$ 170,154</u>	<u>\$ 404,972</u>	<u>\$ 619,731</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 10
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 596	\$ 127,314
Investments	17,254	-
Total assets	<u>17,850</u>	<u>127,314</u>
Liabilities:		
Accounts payable	-	48,611
Due to other governmental units	-	76,503
Due to developers	-	2,200
Total liabilities	<u>-</u>	<u>127,314</u>
Net position:		
Held in trust for specific purposes	<u>\$ 17,850</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 11
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2013

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest	\$ 1,229
Net change in fair value of investments	<u>2,434</u>
Change in net position	3,663
Net position, beginning	<u>14,187</u>
Net position, ending	<u><u>\$ 17,850</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Ashland (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2013.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Town of Ashland is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters (five after Town Meeting 2014). These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. 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. Individual funds are not displayed.

The statement of activities reports the direct expenses of a given function or segment offset by program revenues directly connected with the functional or segment program. Direct expenses are those that are clearly identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; and (2) operating grants and contributions, which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

and revenue from other sources not properly included with program revenues are reported as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to users for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual, governmental funds and major, individual enterprise funds are reported in separate columns in the basic fund financial statements with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. As well, the proprietary funds apply all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued in or before 1989, unless those pronouncements conflict with or contradict the GASB.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

The Town considers revenues to be available if they are collected within sixty days of the end of the fiscal year. However, for purposes of setting the tax rate, taxes are not so deferred, in accordance with the directions of the New Hampshire Department of Revenue Administration.

Expenditures are recorded when the related fund liability is incurred, except for general obligation bond, note and capital lease principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The Town reports the following major governmental fund:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

In addition, the Town reports eight nonmajor governmental funds.

Proprietary Funds

The Town reports the following major proprietary funds:

Water Utility Fund – Accounts for the financial activity associated with the provision of water to the residents and businesses of the Town.

Sewer Utility Fund – Accounts for the financial activity associated with sewage collection and disposal in the Town.

Electric Utility Fund – Accounts for the activities of the Town's electric distribution operations.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Fiduciary Funds

The Town also reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency funds are used to account for the various capital reserve accounts held by the trustees of trust funds on behalf of the local school district.

I.C. Assets, Liabilities, and Net Position or Fund Equity

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen, or the Board of Commissioners for the enterprise funds. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the banking commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

I.C.2. *Receivables*

Receivables include taxes, and amounts due for water, sewer and electric service provided to users. An allowance for doubtful accounts has been reflected for the Electric Utility Fund, which is estimated at 2.3% of customer receivables, and amounts to \$10,000 at December 31, 2013.

I.C.3. *Inventory*

Inventory consists of materials and supplies, primarily poles and transformers, and is valued at the lower of cost or market on a first-in, first-out basis.

I.C.4. *Capital Assets and Depreciation*

Generally, the Town's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Buildings and building improvements	20-40
Equipment	5-10
Vehicles	10
Infrastructure	50
Business-type capital assets	5-50

I.C.5. *Long-Term Debt*

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

I.C.6. *Equity Balances*

The government-wide statement of net position reports net position in the following components:

- Net investments in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

- Restricted for perpetual care, nonexpendable, which consists of the principal of endowments in the permanent funds that must be permanently invested, with the income used for perpetual care.
- Restricted for perpetual care, expendable, which consists of the income earned on nonexpendable endowments reported in the permanent funds that is to be used for perpetual care.
- Restricted for other purposes, which consists of the balance of the permanent funds.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds.
- Restricted, which represents the expendable portion of the permanent funds and the library fund, whose use is limited by law.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen.
- Assigned, which consists of encumbrances approved by the Board of Selectmen or open purchase orders.
- Unassigned, which is comprised of the remaining balance of the fund balance in the General Fund.

I.D. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

Budgetary Information

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as the enterprise funds. Unless encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

fund balance to balance the budget. During 2013, \$227,688 of the fund balance from 2012 was used to reduce the tax rate.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures in the General Fund are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2013, the Town had \$225,379 invested in mutual funds. The investments appear in the financial statements as follow:

Governmental and business-type activities - statement of net position (Exhibit 1)	\$ 208,125
Fiduciary funds - statement of fiduciary net assets (Exhibit 10)	17,254
Total	<u>\$ 225,379</u>

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2013, the Town had \$38,642 in the Income Fund of America, Inc., Class A; \$35,189 in the First Eagle Funds, Inc., Global Fund Class I; \$33,157 in the Capital World Growth & Income Fund, Class F-1; \$24,101 in the Permanent Portfolio Fund; \$16,718 in the Prudential Jennison Natural Resources Fund, Class Z; \$14,369 in the American Funds Investment Company of America, Class A; and \$13,303 in the Alliance Bernstein High Income Fund, Inc. These investments represent 17.15%, 15.61%, 14.71%, 10.69%, 7.42%, 6.38% and 5.90% respectively of the Town's total investments.

III.A.2. *Receivables, Uncollectible Accounts and Deferred Revenue*

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. The tax collector executed a tax lien for the balance of the uncollected 2012 property taxes on May 15, 2013.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Ashland School District, the Pemi-Baker Regional School District and Grafton County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2013, upon which the 2013 property tax levy was based was:

For the New Hampshire education tax	\$222,342,165
For all other taxes	\$227,688,265

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

The tax rates and amounts assessed for the year ended December 31, 2013 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$9.15	\$ 2,082,138
State of New Hampshire	\$2.52	561,182
County portion	\$1.67	381,181
Total property taxes assessed		<u>\$ 5,706,057</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2013	\$ 480,564
Unredeemed (under tax lien):	
Levy of 2012	114,412
Levy of 2011	61,995
Levy of 2010	19,432
Levy of 2009	6,501
Timber	1,040
Less: allowance for estimated uncollectible taxes	(50,000)
Net taxes receivable	<u>\$ 633,944</u>

Other Receivables and Uncollectible/Unavailable Amounts

Significant receivables include amounts due from customers primarily for utility services. The fund financial statements report accounts receivable net of any allowance for uncollectible/unavailable accounts and revenues net of uncollectibles. The allowance amounts consist of all of the elderly and welfare liens, and 2.9% of the Electric Department customer receivables.

Related amounts are shown in the following table:

	Governmental Funds	Proprietary Funds
Accounts	\$ 29,695	\$ 621,119
Liens	12,331	-
Less: allowance for uncollectible amounts	(12,331)	(10,000)
Net total receivables	<u>\$ 29,695</u>	<u>\$ 611,119</u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Deferred Revenue

Deferred revenue of \$395,664 at December 31, 2013 represents uncollected taxes (\$395,064) that were not collected within sixty days from year-end; and prepayments of taxes to be applied to a subsequent levy (\$600). In the Governmental Activities and on the budgetary statements, only the prepayments are reported as deferred/unearned.

III.A.3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets of the governmental activities:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 1,446,700	\$ -	\$ -	\$ 1,446,700
Being depreciated:				
Buildings and building improvements	1,728,073	197,325	-	1,925,398
Equipment	326,336	-	-	326,336
Vehicles	1,241,237	170,730	(20,647)	1,391,320
Infrastructure	23,488,433	149,931	-	23,638,364
Total capital assets being depreciated	<u>26,784,079</u>	<u>517,986</u>	<u>(20,647)</u>	<u>27,281,418</u>
Total all capital assets	<u>28,230,779</u>	<u>517,986</u>	<u>(20,647)</u>	<u>28,728,118</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,019,244)	(58,412)	-	(1,077,656)
Equipment	(197,722)	(26,922)	-	(224,644)
Vehicles	(799,231)	(124,082)	20,647	(902,666)
Infrastructure	<u>(14,555,370)</u>	<u>(435,872)</u>	<u>-</u>	<u>(14,991,242)</u>
Total accumulated depreciation	<u>(16,571,567)</u>	<u>(645,288)</u>	<u>20,647</u>	<u>(17,196,208)</u>
Net book value, capital assets being depreciated	<u>10,212,512</u>	<u>(127,302)</u>	<u>-</u>	<u>10,085,210</u>
Net book value, all capital assets	<u><u>\$ 11,659,212</u></u>	<u><u>\$ (127,302)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,531,910</u></u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

The changes in the capital assets of the business-type activities were as follow:

	Balance, beginning	Additions	Balance, ending
Business-type activities:			
At cost:			
Not being depreciated:			
Land	\$ 21,440	\$ -	\$ 21,440
Construction in progress	27,344	25,868	53,212
Total capital assets not being depreciated	<u>48,784</u>	<u>25,868</u>	<u>74,652</u>
Being depreciated:			
Distribution mains	1,128,152	-	1,128,152
Services	637,253	-	637,253
Structures and equipment	5,268,748	46,819	5,315,567
Intangible property	967,915	-	967,915
North Ashland Road expansion	1,903,500	422,841	2,326,341
Water system improvements	5,324,233	-	5,324,233
Total capital assets being depreciated	<u>15,229,801</u>	<u>469,660</u>	<u>15,699,461</u>
Total all capital assets	<u>15,278,585</u>	<u>495,528</u>	<u>15,774,113</u>
Less accumulated depreciation	<u>(7,672,788)</u>	<u>(375,098)</u>	<u>(8,047,886)</u>
Net book value, capital assets being depreciated	<u>7,557,013</u>	<u>94,562</u>	<u>7,651,575</u>
Net book value, all capital assets	<u><u>\$ 7,605,797</u></u>	<u><u>\$ 120,430</u></u>	<u><u>\$ 7,726,227</u></u>

Depreciation and Amortization Expense

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

Governmental activities:	
General government	\$ 7,394
Public safety	102,416
Highways and streets	509,126
Sanitation	3,425
Culture and recreation	22,927
Total depreciation expense	<u><u>\$ 645,288</u></u>
Business-type activities:	
Water	\$ 140,453
Sewer	100,886
Electric	133,759
Total depreciation expense	<u><u>\$ 375,098</u></u>

III.A.4. Restricted Net Position

The government-wide statement of net position includes restricted amounts of \$14,991 for perpetual care and \$198,805 for culture and recreation representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

III.B. Liabilities

III.B.1 Intergovernmental Payables

Amounts due to other governments at December 31, 2013 consist of:

Balance of the 2013-2014 district assessment due to the:	
Ashland School District	\$ 1,031,854
Pemi-Baker Regional School District	542,882
Fees due to the State of NH	379
Total	<u>\$ 1,575,115</u>

III.B.2 Long-Term Debt

General obligation bonds and notes are approved by the voters and repaid with general revenues (property taxes). These liabilities are backed by the full faith and credit of the Town. Municipal revenue bonds were utilized to fund the purchase and construction of the Electric Department's North Ashland Road expansion project in 2005. Long-term debt also includes capital leases, compensated absences and the accrued landfill postclosure care costs.

Debt currently outstanding is as follows:

Governmental activities:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2013	Current Portion
General obligation bonds/notes payable:						
Water system	\$ 300,000	1996	2027	4.501	\$ 169,176	\$ 12,084
Water	\$ 1,600,000	1999	2026	4.501	835,211	64,247
Water and sewer mains	\$ 944,000	2012	2029	2.0-5.0	937,000	44,000
					<u>1,941,387</u>	<u>120,331</u>
Unamortized bond premium					96,293	5,349
Capital leases payable:						
Ladder truck	\$ 438,699	2005	2014	4.45	57,678	57,678
Police cruiser	\$ 23,153	2011	2014	5.6	5,937	5,937
Fire department defibrillator	\$ 23,591	2011	2014	6.9	2,871	2,871
Police department Expedition	\$ 26,533	2011	2014	5.6	6,804	6,804
Loader	\$ 132,096	2013	2017	3.3	103,908	24,708
					<u>177,198</u>	<u>97,998</u>
Compensated absences payable					56,069	-
Accrued landfill postclosure care costs					182,000	14,000
					<u>\$ 2,452,947</u>	<u>\$ 237,678</u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Business-type activities:

The Electric Department is indebted to the Franklin Savings Bank for a Municipal Revenue Bond Note with an original amount of \$1,700,000 which was utilized to fund the purchase and construction of the North Ashland Road expansion in 2005. As of December 31, 2013, the total balance due was \$856,448.

The original terms of repayment called for 180 monthly payments of \$12,789, which included principal and interest through May 2020. Interest was stated at 4.25%. As of May 29, 2013, this note was modified to reduce the interest rate to 2.5% and adjust the monthly payment to \$12,067. This note is secured by all revenue received or to be received on goods or services produced by the Electric Department. In addition, Community Guaranty Savings Bank is a participant in this revenue bond note in the original amount of \$599,998 of the total \$1,700,000. As of December 31, 2013, the outstanding balance due to Community Guaranty Savings Bank was \$302,275 which is included in the total balance due reflected above.

Changes in Long-Term Liabilities

The following is a summary of changes in governmental activities' long-term liabilities for the year ended December 31, 2013:

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning, as restated	\$ 2,064,706	\$ 101,642	\$ 150,410	\$ 37,358	\$ 196,000	\$ 2,550,116
Additions	-	-	132,096	18,711	-	150,807
Reductions	(123,319)	(5,349)	(105,308)	-	(14,000)	(247,976)
Balance, ending	<u>\$ 1,941,387</u>	<u>\$ 96,293</u>	<u>\$ 177,198</u>	<u>\$ 56,069</u>	<u>\$ 182,000</u>	<u>\$ 2,452,947</u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Debt Service Requirements to Maturity

The annual service requirements to maturity for the Town's debt as of year-end are as follow:

Governmental activities, general obligation bonds and notes:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 120,331	\$ 77,243	\$ 197,574
2015	122,331	72,877	195,208
2016	123,331	68,452	191,783
2017	124,331	63,997	188,328
2018	126,331	59,031	185,362
2019-2023	659,655	224,691	884,346
2024-2028	587,077	84,809	671,886
2029	78,000	2,900	80,900
Totals	<u>\$ 1,941,387</u>	<u>\$ 654,000</u>	<u>\$ 2,595,387</u>

Governmental activities, capital leases:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 97,998	\$ 6,810	\$ 104,808
2015	25,535	2,654	28,189
2016	26,391	1,798	28,189
2017	27,274	914	28,188
Totals	<u>\$ 177,198</u>	<u>\$ 12,176</u>	<u>\$ 189,374</u>

Business-type activities, municipal revenue bond:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 124,820	\$ 19,988	\$ 144,808
2015	127,977	16,831	144,808
2016	131,213	13,595	144,808
2017	134,532	10,276	144,808
2018	137,934	6,874	144,808
2019-2020	199,972	3,747	203,719
Totals	<u>\$ 856,448</u>	<u>\$ 71,311</u>	<u>\$ 927,759</u>

III.C. Transfers – Payments Within the Reporting Entity

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, funding capital projects, and closing capital

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

reserve accounts. The government-wide statement of activities eliminates transfers reported within the activities columns.

During 2013, interfund transfers consisted of \$176,500 voted to be added to the capital reserve and other expendable trust funds, and \$153 representing the balance of the unspent appropriation for conservation, transferred to the conservation commission fund.

III.D. Components of Fund Balances

The following details the various components of the fund balances of the governmental funds:

	General Fund	Nonmajor Funds
Nonspendable:		
Endowments	\$ -	\$ 54,985
Restricted:		
General government	-	6,241
Public safety	1,245	-
Culture and recreation	3,370	165,661
Total restricted	<u>4,615</u>	<u>171,902</u>
Committed:		
Public safety	-	605
Culture and recreation	-	1,121
Conservation	-	4,789
Capital outlay	-	197,346
Total committed	<u>-</u>	<u>203,861</u>
Assigned:		
General government	15,902	-
Unassigned	292,127	-
Total fund balances	<u>\$ 312,644</u>	<u>\$ 430,748</u>

III.E. Restatement of Beginning Net Position

Net position was restated as follows:

	Governmental Activities
To restate accrued landfill postclosure care costs	\$ 224,000
Net position, as previously reported	10,155,941
Net position, as restated	<u>\$ 10,379,941</u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the General Fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage were provided for the fiscal year ending June 30, 2014. Primex retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss.

Contributions for the year ending June 30, 2014 totaled \$21,841 for property/liability and \$47,685 for workers' compensation. The first half of each of these were paid in 2013, and the other half will be paid in 2014 for the coverage applicable to that year. The trust agreements permit the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for the Town's police officers and other employees, and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers and other employees were 11.55% and 7.0%, respectively. The rates of contribution for pension and the medical subsidy by the Town of Ashland for the first six months of 2013 were 19.95% for police, and 8.80% for other employees. After June 30, those rates increased to 25.30% for police and 10.77% for other employees. Employer contributions from the Town during the years 2011, 2012, and 2013 were \$101,130, \$100,282, and \$114,894 respectively. The amounts include

**TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

employer contributions paid by the Enterprise Funds. The amounts are paid on a monthly basis as due.

IV.C. Contingent Liabilities

The Town has received federal and state grants for specific purposes. These grants are subject to audit by the granting agencies and certain expenditures may be determined to be unallowable. The Town believes that the chances of this happening are slight, and that if it were to happen, any disallowed expenditures would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 12
TOWN OF ASHLAND, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 2,138,535	\$ 2,139,638	\$ 1,103
Licenses, permits and fees	283,300	321,222	37,922
Intergovernmental	190,922	193,716	2,794
Charges for services	139,000	163,498	24,498
Miscellaneous	21,202	54,481	33,279
Total revenues	<u>2,772,959</u>	<u>2,872,555</u>	<u>99,596</u>
EXPENDITURES			
Current:			
General government	554,248	528,864	25,384
Public safety	997,785	934,610	63,175
Highways and streets	503,670	544,305	(40,635)
Sanitation	136,532	124,798	11,734
Health	26,004	24,307	1,697
Welfare	75,000	69,023	5,977
Culture and recreation	166,723	154,120	12,603
Conservation	1,000	847	153
Debt service:			
Principal of long-term debt	207,678	206,733	945
Interest on long-term debt	121,874	121,932	(58)
Interest on tax anticipation note	4,500	-	4,500
Capital outlay	29,133	-	29,133
Total expenditures	<u>2,824,147</u>	<u>2,709,539</u>	<u>114,608</u>
Excess (deficiency) of revenues over (under) expenditures	(51,188)	163,016	214,204
Other financing sources (uses):			
Transfers out	<u>(176,500)</u>	<u>(176,653)</u>	<u>(153)</u>
Net change in fund balance	<u>\$ (227,688)</u>	(13,637)	<u>\$ 214,051</u>
Increase in restricted fund balance		(674)	
Unassigned fund balance, beginning		701,502	
Unassigned fund balance, ending		<u>\$ 687,191</u>	

The note to the required supplementary information is an integral part of this statement.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2013

Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 12 (budgetary basis)	\$ 2,872,555
Adjustments:	
Basis difference:	
Capital lease inception	132,096
Tax revenue deferred in the prior year	408,947
Tax revenue deferred in the current year	(395,064)
Per Exhibit 5 (GAAP basis)	<u>\$ 3,018,534</u>
Expenditures and other financing uses:	
Per Exhibit 12 (budgetary basis)	\$ 2,886,192
Adjustments:	
Basis difference:	
Encumbrances, beginning	81,861
Encumbrances, ending	(15,902)
Capital lease inception	132,096
Per Exhibit 5 (GAAP basis)	<u>\$ 3,084,247</u>
Fund balances:	
Per Exhibit 12 (budgetary basis)	\$ 687,191
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(395,064)
Per Exhibit 3 (GAAP basis)	<u>\$ 292,127</u>

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 13
TOWN OF ASHLAND, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds						Capital Projects Fund		
	Scribner Library	Ashland Community Day	Playground	DARE	Conservation Commission	Fire Apparatus	Expendable Trust	Permanent Fund	Total
ASSETS									
Cash and cash equivalents	\$ 10,566	\$ 375	\$ 746	\$ 605	\$ 4,789	\$ 21,634	\$ 175,712	\$ 5,671	\$ 220,098
Investments	-	-	-	-	-	-	-	208,125	208,125
Interfund receivable	2,525	-	-	-	-	-	-	-	2,525
Total assets	<u>\$ 13,091</u>	<u>\$ 375</u>	<u>\$ 746</u>	<u>\$ 605</u>	<u>\$ 4,789</u>	<u>\$ 21,634</u>	<u>\$ 175,712</u>	<u>\$ 213,796</u>	<u>\$ 430,748</u>
FUND BALANCES									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,985	\$ 54,985
Restricted	13,091	-	-	-	-	-	-	158,811	171,902
Committed	-	375	746	605	4,789	21,634	175,712	-	203,861
Total fund balances	<u>\$ 13,091</u>	<u>\$ 375</u>	<u>\$ 746</u>	<u>\$ 605</u>	<u>\$ 4,789</u>	<u>\$ 21,634</u>	<u>\$ 175,712</u>	<u>\$ 213,796</u>	<u>\$ 430,748</u>

EXHIBIT 14
TOWN OF ASHLAND, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2013

	Special Revenue Funds						Capital Projects Fund		
	Scribner Library	Ashland Community Day	Playground	DARE	Conservation Commission	Fire Apparatus	Expendable Trust	Permanent Fund	Total
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 87	\$ -	\$ -	\$ -	\$ 87
Charges for services	555	-	-	-	-	897	-	-	1,452
Miscellaneous	2,735	-	-	-	66	-	298	27,731	30,830
Total revenues	3,290	-	-	-	153	897	298	27,731	32,369
EXPENDITURES									
Current:									
Culture and recreation	660	-	-	-	-	-	-	13,905	14,565
Capital outlay	-	-	-	-	-	-	131,541	-	131,541
Total expenditures	660	-	-	-	-	-	131,541	13,905	146,106
Excess (deficiency) of revenues over (under) expenditures	2,630	-	-	-	153	897	(131,243)	13,826	(113,737)
Other financing sources:									
Transfers in	-	-	-	-	153	-	176,500	-	176,653
Net change in fund balances	2,630	-	-	-	306	897	45,257	13,826	62,916
Fund balances, beginning	10,461	375	746	605	4,483	20,737	130,455	199,970	367,832
Fund balances, ending	\$ 13,091	\$ 375	\$ 746	\$ 605	\$ 4,789	\$ 21,634	\$ 175,712	\$ 213,796	\$ 430,748

EXHIBIT 15
TOWN OF ASHLAND, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,016,905	\$ 2,017,310	\$ 405
Land use change	100	173	73
Timber	1,000	2,011	1,011
Payments in lieu of taxes	60,530	61,700	1,170
Interest and penalties on delinquent taxes	60,000	58,444	(1,556)
Total taxes	<u>2,138,535</u>	<u>2,139,638</u>	<u>1,103</u>
Licenses, permits and fees:			
Business licenses and permits	500	1,621	1,121
Motor vehicle permits	270,000	305,906	35,906
Building permits	9,000	9,450	450
Other	3,800	4,245	445
Total licenses, permits and fees	<u>283,300</u>	<u>321,222</u>	<u>37,922</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	92,800	92,800	-
Highway block grant	47,871	47,746	(125)
Water pollution grant	14,991	14,991	-
State and federal forest land	38	40	2
Flood control reimbursement	35,222	35,606	384
Other	-	2,533	2,533
Total intergovernmental	<u>190,922</u>	<u>193,716</u>	<u>2,794</u>
Charges for services:			
Income from departments	<u>139,000</u>	<u>163,498</u>	<u>24,498</u>
Miscellaneous:			
Sale of property	2	-	(2)
Interest on investments	2,000	3,033	1,033
Rents	18,380	18,814	434
Fines and forfeits	-	427	427
Insurance dividends and reimbursements	-	20,472	20,472
Contributions and donations	-	8,786	8,786
Other	820	2,949	2,129
Total miscellaneous	<u>21,202</u>	<u>54,481</u>	<u>33,279</u>
Total revenues	<u>2,772,959</u>	<u>\$ 2,872,555</u>	<u>\$ 99,596</u>
Use of fund balance to reduce taxes	<u>227,688</u>		
Total revenues and use of fund balance	<u><u>\$ 3,000,647</u></u>		

EXHIBIT 16
TOWN OF ASHLAND, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 11,986	\$ 9,102	\$ 630	\$ 2,254
Election and registration	-	35,231	32,917	-	2,314
Financial administration	-	270,629	276,335	-	(5,706)
Revaluation of property	-	52,650	56,789	-	(4,139)
Legal	-	15,000	19,921	-	(4,921)
Personnel administration	-	10,000	25	-	9,975
Planning and zoning	20,224	3,304	6,434	15,272	1,822
General government buildings	4,624	42,118	31,644	-	15,098
Insurance, not otherwise allocated	-	111,558	101,864	-	9,694
Advertising and regional associations	-	1,771	1,771	-	-
Other	-	1	1,008	-	(1,007)
Total general government	24,848	554,248	537,810	15,902	25,384
Public safety:					
Police	7,013	573,269	543,303	-	36,979
Ambulance	-	47,500	45,862	-	1,638
Fire	-	366,209	345,023	-	21,186
Building inspection	-	9,807	7,435	-	2,372
Emergency management	-	1,000	-	-	1,000
Total public safety	7,013	997,785	941,623	-	63,175
Highways and streets:					
Public works	-	201,669	230,842	-	(29,173)
Highways and streets	-	184,342	194,087	-	(9,745)
Street lighting	-	42,000	41,531	-	469
Town mechanic	-	75,659	77,845	-	(2,186)
Total highways and streets	-	503,670	544,305	-	(40,635)
Sanitation:					
Transfer/recycling facility	-	136,532	124,798	-	11,734
Health:					
Administration	-	2,354	1,857	-	497
Pest control	-	3,700	2,500	-	1,200
Health agencies and hospitals	-	19,950	19,950	-	-
Total health	-	26,004	24,307	-	1,697
Welfare	-	75,000	69,023	-	5,977
Culture and recreation:					
Parks and recreation	-	95,832	84,688	-	11,144
Public library	-	59,555	60,503	-	(948)
Patriotic purposes	-	10,690	8,445	-	2,245
Other	-	646	484	-	162
Total culture and recreation	-	166,723	154,120	-	12,603
Conservation	-	1,000	847	-	153

(continued)

EXHIBIT 16 (continued)
TOWN OF ASHLAND, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	207,678	206,733	-	945
Interest on long-term debt	-	121,874	121,932	-	(58)
Interest on tax anticipation note	-	4,500	-	-	4,500
Total debt service	-	334,052	328,665	-	5,387
Capital outlay:					
Machinery, vehicles and equipment	-	29,133	-	-	29,133
Buildings	50,000	-	50,000	-	-
Total capital outlay	50,000	29,133	50,000	-	29,133
Other financing uses:					
Transfers out:					
Expendable trust fund	-	176,500	176,500	-	-
Nonmajor funds	-	-	153	-	(153)
Total other financing uses	-	176,500	176,653	-	(153)
Total encumbrances, appropriations, expenditures and other financing uses	\$ 81,861	\$ 3,000,647	\$ 2,952,151	\$ 15,902	\$ 114,455

EXHIBIT 17
TOWN OF ASHLAND, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

Unassigned fund balance, beginning		\$ 701,502
Changes:		
Unassigned fund balance used to reduce tax rate		(227,688)
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 99,596	
Unexpended balance of appropriations (Exhibit 16)	<u>114,455</u>	
Budget surplus		214,051
Increase in restricted fund balance		<u>(674)</u>
Unassigned fund balance, ending		<u><u>\$ 687,191</u></u>