

TOWN OF ASHLAND, NEW HAMPSHIRE

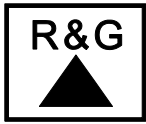
FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012

**TOWN OF ASHLAND, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012**

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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, 2012, 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, 2012, 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

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.

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 30, 2013

Robert A. Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,002,928	\$ 1,464,279	\$ 3,467,207
Investments	191,066	-	191,066
Intergovernmental receivable	188,542	-	188,542
Other receivables, net of allowance for uncollectibles	564,525	433,587	998,112
Inventory	-	119,300	119,300
Prepaid items	-	7,963	7,963
Capital assets, not being depreciated:			
Land	1,446,700	-	1,446,700
Capital assets, net of accumulated depreciation:			
Buildings and building improvements	708,829	-	708,829
Equipment	128,614	-	128,614
Vehicles	442,006	-	442,006
Infrastructure	8,933,063	-	8,933,063
Business-type activities capital assets	-	7,605,797	7,605,797
Total assets	<u>14,606,273</u>	<u>9,630,926</u>	<u>24,237,199</u>
LIABILITIES			
Accounts payable	51,541	209,783	261,324
Accrued payroll and benefits	19,898	-	19,898
Accrued interest payable	71,366	-	71,366
Intergovernmental payable	1,512,106	-	1,512,106
Unearned revenue	15,956	-	15,956
Customer deposits	-	11,763	11,763
Noncurrent obligations:			
Due within one year:			
Bonds payable	123,331	114,243	237,574
Unamortized bond premium	5,349	-	5,349
Capital leases payable	77,120	-	77,120
Accrued landfill postclosure care costs	14,000	-	14,000
Due in more than one year:			
Bonds payable	1,941,375	860,599	2,801,974
Unamortized bond premium	101,642	-	101,642
Capital leases payable	73,290	-	73,290
Compensated absences	37,358	-	37,358
Accrued landfill postclosure care costs	406,000	-	406,000
Total liabilities	<u>4,450,332</u>	<u>1,196,388</u>	<u>5,646,720</u>
NET POSITION			
Net investment in capital assets	11,544,922	6,630,955	18,175,877
Restricted for:			
Perpetual care:			
Nonexpendable	8,750	-	8,750
Expendable	2,773	-	2,773
Other purposes	188,447	-	188,447
Unrestricted	(1,588,951)	1,803,583	214,632
Total net position	<u>\$ 10,155,941</u>	<u>\$ 8,434,538</u>	<u>\$ 18,590,479</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, 2012

	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	\$ 484,166	\$ 815	\$ -	\$ (483,351)	\$ -	\$ (483,351)
Public safety	863,747	8,001	6,522	(849,224)	-	(849,224)
Highways and streets	1,060,000	-	49,508	(1,010,492)	-	(1,010,492)
Sanitation	139,086	41,803	40,957	(56,326)	-	(56,326)
Health	34,779	-	-	(34,779)	-	(34,779)
Welfare	66,343	2,338	-	(64,005)	-	(64,005)
Culture and recreation	197,815	88,094	-	(109,721)	-	(109,721)
Conservation	485	-	-	(485)	-	(485)
Economic development	-	-	-	-	-	-
Interest on long-term debt	105,362	-	-	(105,362)	-	(105,362)
Capital outlay	4,583	-	-	(4,583)	-	(4,583)
Total governmental activities	<u>\$ 2,956,367</u>	<u>\$ 141,051</u>	<u>\$ 96,987</u>	<u>(2,718,329)</u>	<u>-</u>	<u>(2,718,329)</u>
Business-type activities:						
Water	279,369	178,835	5,054	-	(95,480)	(95,480)
Sewer	363,372	380,897	-	-	17,525	17,525
Electric	2,430,667	2,972,103	21,526	-	562,962	562,962
Total business-type activities	<u>3,073,408</u>	<u>3,531,835</u>	<u>26,580</u>	<u>-</u>	<u>485,007</u>	<u>485,007</u>
Total primary government	<u>\$ 6,029,775</u>	<u>\$ 3,672,886</u>	<u>\$ 123,567</u>	<u>(2,718,329)</u>	<u>485,007</u>	<u>(2,233,322)</u>
General revenues:						
Property taxes				2,221,916	-	2,221,916
Other taxes				120,510	-	120,510
Licenses and permits				297,080	-	297,080
Grants and contributions not restricted to specific programs				93,267	-	93,267
Miscellaneous				58,715	4,229	62,944
Total general revenues				<u>2,791,488</u>	<u>4,229</u>	<u>2,795,717</u>
Change in net position				73,159	489,236	562,395
Net position, beginning, as restated, see Note III.E.				10,082,782	7,945,302	18,028,084
Net position, ending				<u>\$ 10,155,941</u>	<u>\$ 8,434,538</u>	<u>\$ 18,590,479</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, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,826,162	\$ 176,766	\$ 2,002,928
Investments	-	191,066	191,066
Receivables, net of allowances for uncollectibles:			
Taxes	534,862	-	534,862
Accounts	20,782	-	20,782
Intergovernmental	4,999	-	4,999
Total assets	<u>\$ 2,386,805</u>	<u>\$ 367,832</u>	<u>\$ 2,754,637</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 51,541	\$ -	\$ 51,541
Accrued salaries and benefits	19,898	-	19,898
Intergovernmental payable	1,512,106	-	1,512,106
Deferred revenue	424,903	-	424,903
Total liabilities	<u>2,008,448</u>	<u>-</u>	<u>2,008,448</u>
Fund balances:			
Nonspendable	-	54,985	54,985
Restricted	3,941	155,446	159,387
Committed	-	157,401	157,401
Assigned	81,861	-	81,861
Unassigned	292,555	-	292,555
Total fund balances	<u>378,357</u>	<u>367,832</u>	<u>746,189</u>
Total liabilities and fund balances	<u>\$ 2,386,805</u>	<u>\$ 367,832</u>	<u>\$ 2,754,637</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, 2012

Total fund balances of governmental funds (Exhibit 3)		\$ 746,189
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	\$ 28,230,779	
Less accumulated depreciation	<u>(16,571,567)</u>	
		11,659,212
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	408,947	
Unavailable liens	8,881	
Long-term water pollution grant receivable	<u>183,543</u>	
		601,371
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(71,366)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds outstanding	\$ 2,064,706	
Unamortized bond premium	106,991	
Capital leases outstanding	150,410	
Compensated absences payable	37,358	
Accrued landfill postclosure care costs	<u>420,000</u>	
		<u>(2,779,465)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 10,155,941</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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,350,312	\$ 75	\$ 2,350,387
Licenses, permits and fees	297,080	-	297,080
Intergovernmental	190,254	-	190,254
Charges for services	140,715	336	141,051
Miscellaneous	29,335	29,380	58,715
Total revenues	<u>3,007,696</u>	<u>29,791</u>	<u>3,037,487</u>
Expenditures:			
Current:			
General government	475,218	524	475,742
Public safety	805,311	-	805,311
Highways and streets	541,887	-	541,887
Sanitation	134,734	-	134,734
Health	34,779	-	34,779
Welfare	66,343	-	66,343
Culture and recreation	165,606	23,855	189,461
Conservation	485	-	485
Debt service:			
Principal	1,272,620	-	1,272,620
Interest	108,865	-	108,865
Capital outlay	4,583	-	4,583
Total expenditures	<u>3,610,431</u>	<u>24,379</u>	<u>3,634,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(602,735)</u>	<u>5,412</u>	<u>(597,323)</u>
Other financing sources (uses):			
Transfers in	8,005	135,015	143,020
Transfers out	(135,015)	(8,005)	(143,020)
Long-term debt issued	944,000	-	944,000
Premium on long-term debt	106,991	-	106,991
Total other financing sources and uses	<u>923,981</u>	<u>127,010</u>	<u>1,050,991</u>
Net change in fund balances	321,246	132,422	453,668
Fund balances, beginning, as restated, see Note III.E.	57,111	235,410	292,521
Fund balances, ending	<u>\$ 378,357</u>	<u>\$ 367,832</u>	<u>\$ 746,189</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, 2012

Net change in fund balances of governmental funds (Exhibit 5)		\$ 453,668
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 depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 102,142	
Depreciation expense	<u>(621,786)</u>	
		(519,644)
The net effect of the disposal of capital assets is to decrease net position.		(95,000)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (143,020)	
Transfers out	<u>143,020</u>	
		-
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		(7,961)
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.		
Issuance of bonds	\$ (944,000)	
Premium on bonds issued	(106,991)	
Repayment of bond principal	1,219,764	
Repayment of capital lease principal	<u>73,572</u>	
		242,345
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	\$ 3,503	
Increase in compensated absences payable	<u>(3,752)</u>	
		<u>(249)</u>
Change in net position of governmental activities (Exhibit 2)		<u>\$ 73,159</u>

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

EXHIBIT 7
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Total
ASSETS				
Cash and cash equivalents	\$ 230,482	\$ 641,046	\$ 592,751	\$ 1,464,279
Receivables, net of allowance	20,116	18,964	394,507	433,587
Inventories	-	-	119,300	119,300
Prepaid items	-	-	7,963	7,963
Capital assets, net of accumulated depreciation	3,615,113	1,989,608	2,001,076	7,605,797
Total assets	3,865,711	2,649,618	3,115,597	9,630,926
LIABILITIES				
Current liabilities				
Municipal revenue bond payable - current	-	-	114,243	114,243
Accounts payable	265	14,421	195,097	209,783
Customer deposits	-	-	11,763	11,763
Total current liabilities	265	14,421	321,103	335,789
Long-term liability				
Municipal revenue bond payable	-	-	860,599	860,599
Total liabilities	265	14,421	1,181,702	1,196,388
NET ASSETS				
Invested in capital assets, net of debt	3,615,113	1,989,608	1,026,234	6,630,955
Unrestricted	250,333	645,589	907,661	1,803,583
Total net assets	\$ 3,865,446	\$ 2,635,197	\$ 1,933,895	\$ 8,434,538

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, 2012

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Total
Operating revenues:				
User charges	\$ 178,835	\$ 380,897	\$ 2,927,112	\$ 3,486,844
Street lighting	-	-	44,991	44,991
Miscellaneous	5,054	-	21,526	26,580
Total revenues	<u>183,889</u>	<u>380,897</u>	<u>2,993,629</u>	<u>3,558,415</u>
Operating expenses:				
Administration	31,761	33,932	233,620	299,313
Operations	105,850	233,853	2,022,428	2,362,131
Depreciation and amortization	141,758	95,587	130,645	367,990
Total expenditures	<u>279,369</u>	<u>363,372</u>	<u>2,386,693</u>	<u>3,029,434</u>
Operating income (loss)	<u>(95,480)</u>	<u>17,525</u>	<u>606,936</u>	<u>528,981</u>
Nonoperating revenues (expenses):				
Interest income	710	2,507	1,012	4,229
Interest expense	-	-	(43,974)	(43,974)
Total nonoperating revenues and expenses	<u>710</u>	<u>2,507</u>	<u>(42,962)</u>	<u>(39,745)</u>
Change in net fund assets	(94,770)	20,032	563,974	489,236
Net assets, beginning	<u>3,960,216</u>	<u>2,615,165</u>	<u>1,369,921</u>	<u>7,945,302</u>
Net assets, ending	<u>\$ 3,865,446</u>	<u>\$ 2,635,197</u>	<u>\$ 1,933,895</u>	<u>\$ 8,434,538</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, 2012

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and other	\$ 185,344	\$ 385,467	\$ 2,998,186	\$ 3,568,997
Payments to suppliers	(121,741)	(238,636)	(2,190,345)	(2,550,722)
Payments to employees	(22,557)	(22,553)	(247,635)	(292,745)
Net cash flows provided by (used in) operating activities	41,046	124,278	560,206	725,530
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Change in interfund balance, net	-	-	-	-
Net cash flows provided by (used in) noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Repayment of debt	-	-	(109,491)	(109,491)
Interest paid on municipal revenue bond	-	-	(43,974)	(43,974)
Acquisition of capital assets	-	(101,543)	(120,591)	(222,134)
Net cash flows used for capital and related financing activities	-	(101,543)	(274,056)	(375,599)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	710	2,507	1,012	4,229
Net cash provided by (used in) investing activities	710	2,507	1,012	4,229
Net increase (decrease) in cash	41,756	25,242	287,162	354,160
Cash - beginning of year	188,726	615,804	305,589	1,110,119
Cash - end of year	<u>\$ 230,482</u>	<u>\$ 641,046</u>	<u>\$ 592,751</u>	<u>\$ 1,464,279</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (95,480)	\$ 17,525	\$ 606,936	\$ 528,981
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	141,758	95,587	130,645	367,990
(Increase) decrease in assets:				
Accounts receivable	1,454	4,028	2,803	8,285
Inventory	-	-	3,400	3,400
Prepaid expenses	-	-	(7,963)	(7,963)
Increase (decrease) in liabilities:				
Accounts payable	(6,686)	6,596	(174,370)	(174,460)
Customer deposits	-	-	(1,246)	(1,246)
Net cash flows provided by (used in) operating activities	<u>\$ 41,046</u>	<u>\$ 123,736</u>	<u>\$ 560,205</u>	<u>\$ 724,987</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, 2012

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 595	\$ 66,280
Investments	13,592	-
Total assets	<u>14,187</u>	<u>66,280</u>
Liabilities:		
Due to other governmental units	<u>-</u>	<u>66,280</u>
Net position:		
Held in trust for specific purposes	<u>\$ 14,187</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, 2012

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest	\$ 478
Net change in fair value of investments	<u>1,262</u>
Total additions	<u>1,740</u>
Deductions:	
Trust distributions	<u>500</u>
Change in net position	1,240
Net position, beginning	<u>12,947</u>
Net position, ending	<u><u>\$ 14,187</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, 2012

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, 2012.

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. 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; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of

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capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

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 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 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
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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, 2012

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 2.9% of customer receivables, and amounts to \$10,000 at December 31, 2012.

I.C.3. *Inventories*

Inventories consist of materials and supplies, primarily poles and transformers, and are 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 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. There

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

is an additional column on the statement of net position to reflect debt carried by the governmental activities that was used to finance business-type capital assets.

- 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 balances.

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.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 fund balance to balance the budget. During 2012, none of the fund balance from 2011 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, 2012, the Town had \$204,937 invested in mutual funds. The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 191,345
Fiduciary funds - statement of fiduciary net position (Exhibit 10)	13,592
Total	<u><u>\$ 204,937</u></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.

TOWN OF ASHLAND, NEW HAMPSHIRE
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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.

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, 2012, the Town had \$32,676 in the Income Fund of America, Inc., Class A; \$31,281 in the First Eagle Funds, Inc., Global Fund Class I; \$29,783 in the Permanent Portfolio Fund; \$26,561 in the Capital World Growth & Income Fund, Class F-1; \$17,666 in the Alliance Bernstein High Income Fund, Inc.; and \$14,914 in the Prudential Jennison Natural Resources Fund, Class Z. These investments represent 17.10%, 16.37%, 15.59%, 13.90%, 9.25%, and 7.81% 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. During the current year, the tax collector executed a tax lien for the balance of the uncollected 2011 property taxes on May 17.

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.

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The net assessed valuation as of April 1, 2012, upon which the 2012 property tax levy was based was:

For the New Hampshire education tax	\$ 257,889,551
For all other taxes	\$ 264,315,381

The tax rates and amounts assessed for the year ended December 31, 2012 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$8.60	\$ 2,275,203
School portion:		
State of New Hampshire	\$2.27	584,452
Local	\$9.68	2,557,395
County portion	\$1.43	378,015
Total property taxes assessed		<u>\$ 5,795,065</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2012	\$ 390,847
Unredeemed (under tax lien):	
Levy of 2011	113,596
Levy of 2010	55,209
Levy of 2009	14,847
Levy of 2008	7,909
Levy of 2007	2,454
Less: allowance for estimated uncollectible taxes	(50,000)
Net taxes receivable	<u>\$ 534,862</u>

Other Receivables and Uncollectible/Unavailable Amounts

Significant receivables include amounts due from customers primarily for utility services, and a grant for the capital project. 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.

TOWN OF ASHLAND, NEW HAMPSHIRE
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Related amounts are shown in the following table:

	Governmental Funds	Proprietary Funds
Accounts	\$ 20,782	\$ 443,587
Intergovernmental	4,999	-
Liens	8,881	-
Less: allowance for uncollectible/unavailable amounts	(8,881)	(10,000)
Net total receivables	<u>\$ 25,781</u>	<u>\$ 433,587</u>

Deferred Revenue

Deferred revenue of \$424,903 at December 31, 2012 represents uncollected taxes (\$408,947) that were not expected to be collected within sixty days from year-end; and other amounts received in advance (\$15,956). In the Governmental Activities and on the budgetary statements, the taxes are not deferred.

III.A.3. Capital Assets

Changes in Capital Assets

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

	Balance, beginning, reallocated	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 1,465,601	\$ -	\$ (18,901)	\$ 1,446,700
Being depreciated:				
Buildings and building improvements	1,713,931	14,142	-	1,728,073
Equipment	312,836	13,500	-	326,336
Vehicles	1,241,237	-	-	1,241,237
Infrastructure	23,663,933	74,500	(250,000)	23,488,433
Total capital assets being depreciated	<u>26,931,937</u>	<u>102,142</u>	<u>(250,000)</u>	<u>26,784,079</u>
Total all capital assets	<u>28,397,538</u>	<u>102,142</u>	<u>(268,901)</u>	<u>28,230,779</u>
Less accumulated depreciation:				
Buildings and building improvements	(972,060)	(47,184)	-	(1,019,244)
Equipment	(176,388)	(21,334)	-	(197,722)
Vehicles	(703,718)	(95,513)	-	(799,231)
Infrastructure	(14,252,615)	(457,755)	155,000	(14,555,370)
Total accumulated depreciation	<u>(16,104,781)</u>	<u>(621,786)</u>	<u>155,000</u>	<u>(16,571,567)</u>
Net book value, capital assets being depreciated	<u>10,827,156</u>	<u>(519,644)</u>	<u>(95,000)</u>	<u>10,212,512</u>
Net book value, all capital assets	<u>\$ 12,292,757</u>	<u>\$ (519,644)</u>	<u>\$ (113,901)</u>	<u>\$ 11,659,212</u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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As of December 31, 2012, the capital assets of the business-type activities were as follow:

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Land	\$ 4,011	\$ 13,229	\$ 4,200	\$ 21,440
Construction in progress	-	27,344	-	
Distribution mains	121,060	1,007,092	-	1,128,152
Services	294,677	180,534	162,042	637,253
Structures and equipment	318,879	2,114,654	2,835,215	5,268,748
Intangible property	176,525	742,746	48,644	967,915
North Ashland Road expansion	-	-	1,903,500	1,903,500
Water system improvements	5,324,233	-	-	5,324,233
	<u>6,239,385</u>	<u>4,085,599</u>	<u>4,953,601</u>	<u>15,278,585</u>
Accumulated depreciation	<u>(2,624,272)</u>	<u>(2,095,991)</u>	<u>(2,952,525)</u>	<u>(7,672,788)</u>
Net capital assets	<u><u>\$ 3,615,113</u></u>	<u><u>\$ 1,989,608</u></u>	<u><u>\$ 2,001,076</u></u>	<u><u>\$ 7,605,797</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	90,570
Highways and streets	498,178
Sanitation	3,425
Culture and recreation	22,219
Total	<u><u>\$ 621,786</u></u>
Business-type activities:	
Water	\$ 141,758
Sewer	96,430
Electric	130,645
Total	<u><u>\$ 368,833</u></u>

III.A.4. Restricted Net Position

The government-wide statement of net position includes restricted amounts of \$11,523 for perpetual care and \$188,447 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, 2012

III.B. Liabilities

III.B.1 Intergovernmental Payables

Amounts due to other governments at December 31, 2012 consist of:

Balance of the 2012-2013 district assessment due to the Ashland School District	\$ 989,504
Balance of the 2012-2013 district assessment due to the Pemi-Baker Regional School District	522,341
Other miscellaneous fees due to the State of New Hampshire	261
Total	<u><u>\$ 1,512,106</u></u>

III.B.2 Long-Term Debt

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds 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 12/31/2012	Current Portion
General obligation bonds payable:						
Water system	\$ 300,000	1996	2026	4.501	\$ 181,253	\$ 12,084
Water	\$ 1,600,000	1999	2024	4.501	899,453	64,247
Highway improvements	\$ 400,000	2003	2013	3.000	40,000	40,000
Water and sewer mains	\$ 944,000	2012	2029	2.0-5.0	944,000	7,000
					<u>2,064,706</u>	<u>123,331</u>
Unamortized bond premium					<u>106,991</u>	<u>5,349</u>
Capital leases payable:						
Ladder truck	\$ 438,699	2005	2014	4.450	112,892	55,214
Fire department copier	\$ 6,480	2009	2013	-	1,620	1,620
Police department cruiser	\$ 23,153	2011	2014	5.600	11,559	5,622
Fire department defibrillator	\$ 23,951	2011	2014	6.900	11,092	8,221
Police department Expedition	\$ 26,533	2011	2014	5.600	13,247	6,443
					<u>150,410</u>	<u>77,120</u>
Compensated absences payable					<u>37,358</u>	<u>-</u>
Accrued landfill postclosure care costs					<u>420,000</u>	<u>14,000</u>
					<u><u>\$ 2,779,465</u></u>	<u><u>\$ 219,800</u></u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012, the total balance due was \$974,842.

The terms of repayment call for 180 monthly payments of \$12,789, which include principal and interest through May 2020. Interest is stated at 4.25%. 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, 2012, the outstanding balance due to Community Guaranty Savings Bank was \$344,061 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, 2012:

	General Obligation Bonds Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 2,340,470	\$ -	\$ 223,982	\$ 33,606	\$ 420,000	\$ 3,018,058
Additions	944,000	106,991	-	3,752	-	1,054,743
Reductions	(1,219,764)	(5,349)	(73,572)	-	-	(1,298,685)
Balance, ending	<u>\$ 2,064,706</u>	<u>\$ 101,642</u>	<u>\$ 150,410</u>	<u>\$ 37,358</u>	<u>\$ 420,000</u>	<u>\$ 2,774,116</u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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>
2013	\$ 123,331	\$ 116,917	\$ 240,248
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
2018-2022	649,654	249,079	898,733
2023-2027	649,397	111,852	761,249
2028-2029	152,000	11,500	163,500
Totals	<u>\$ 2,064,706</u>	<u>\$ 771,917</u>	<u>\$ 2,836,623</u>

Governmental activities, capital leases:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 77,120	\$ 6,857	\$ 83,977
2014	73,290	3,329	76,619
Totals	<u>\$ 150,410</u>	<u>\$ 10,186</u>	<u>\$ 160,596</u>

Business-type activities, municipal revenue bond:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 114,243	\$ 39,222	\$ 153,465
2014	119,194	34,271	153,465
2015	124,359	29,106	153,465
2016	129,749	23,716	153,465
2017	135,372	18,093	153,465
2018-2020	351,925	19,006	370,931
Totals	<u>\$ 974,842</u>	<u>\$ 163,414</u>	<u>\$ 1,138,256</u>

**TOWN OF ASHLAND, NEW HAMPSHIRE
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AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

Current Refunding of Debt

On September 26, 2012, the N.H. Municipal Bond Bank sold general obligation bonds in the amount of \$1,074,930 (including premium), with an average interest rate of 3.82 percent, to provide funds to the Town to refund \$1,011,290 of the Town's outstanding 2001 USDA series bonds with an average interest rate of 4.5 percent. The refunding resulted in a savings in cash flows over the life of the debt of \$155,147, and an economic gain of \$76,504.

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

The following schedule reports transfers within the reporting entity:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 135,015	\$ 135,015
Nonmajor funds	8,005	-	8,005
	<u>\$ 8,005</u>	<u>\$ 135,015</u>	<u>\$ 143,020</u>

III.B.3. Temporary Borrowing

On March 12, 2012, the Town borrowed \$300,000 in anticipation of taxes. This amount was repaid in full on December 6, 2012 along with interest of \$2,262.

The notes continue on the following page.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

III.D. Components of Fund Balances

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

	General Fund	Nonmajor Fund
Restricted:		
General government	\$ -	\$ 54,985
Culture and recreation	3,941	10,461
Total restricted	<u>3,941</u>	<u>65,446</u>
Committed:		
General government	-	275,440
Culture and recreation	-	26,946
Total committed	<u>-</u>	<u>302,386</u>
Assigned:		
General government	24,848	-
Public safety	7,013	-
Capital outlay	50,000	-
Total assigned	<u>81,861</u>	<u>-</u>
Unassigned	292,555	-
Total fund balance	<u><u>\$ 378,357</u></u>	<u><u>\$ 367,832</u></u>

III.E. Restatement of Equity Balances

Equity balances at January 1, 2012 were restated as follow:

	Governmental Activities	General Fund	River Street Bridge Fund	Nonmajor Funds
To adjust receivable amount	\$ 5,907	\$ -	\$ 5,907	\$ -
To correct value of land	(18,901)	-	-	-
To reclassify Expendable Trust Fund	-	(3,926)	-	3,926
Net assets/fund balances, as previously reported	10,095,776	61,037	(5,907)	231,484
Net assets/fund balances, as restated	<u><u>\$ 10,082,782</u></u>	<u><u>\$ 57,111</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 235,410</u></u>

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.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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 calendar year. Primex retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss.

Contributions paid in 2012 to be recorded as an insurance expenditure/expense totaled \$20,223 for property/liability and \$44,565 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2012. 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 were 19.95% for police, and 8.80% for other employees. Employer contributions from the Town during the years 2010, 2011, and 2012 were \$90,087, \$101,130, and \$100,282 respectively. The amounts include 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 Unassigned
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 2,292,106	\$ 2,342,351	\$ 50,245
Licenses, permits and fees	276,300	297,080	20,780
Intergovernmental	194,813	190,254	(4,559)
Charges for services	124,785	140,715	15,930
Miscellaneous	24,736	29,335	4,599
Total revenues	<u>2,912,740</u>	<u>2,999,735</u>	<u>86,995</u>
EXPENDITURES			
Current:			
General government	569,225	477,873	91,352
Public safety	857,371	812,324	45,047
Highways and streets	546,913	541,887	5,026
Sanitation	146,156	134,734	11,422
Health	33,642	34,779	(1,137)
Welfare	80,000	66,343	13,657
Culture and recreation	166,374	151,656	14,718
Conservation	1,000	485	515
Debt service:			
Principal of long-term debt	221,630	221,629	1
Interest on long-term debt	105,429	106,603	(1,174)
Interest on tax anticipation note	500	2,262	(1,762)
Capital outlay	50,000	50,000	-
Total expenditures	<u>2,778,240</u>	<u>2,600,575</u>	<u>177,665</u>
Excess of revenues over expenditures	<u>134,500</u>	<u>399,160</u>	<u>264,660</u>
Other financing sources (uses):			
Transfers in	-	8,005	8,005
Transfers out	(134,500)	(135,015)	(515)
Total other financing sources and uses	<u>(134,500)</u>	<u>(127,010)</u>	<u>7,490</u>
Net change in fund balance	<u>\$ -</u>	272,150	<u>\$ 272,150</u>
Decrease in restricted fund balance		1,653	
Unassigned fund balance, beginning		427,699	
Unassigned fund balance, ending		<u>\$ 701,502</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, 2012

Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 12 (budgetary basis)	\$ 3,007,740
Adjustments:	
Basis difference:	
Deferred tax revenue, beginning	416,908
Deferred tax revenue, ending	(408,947)
Proceeds of refunding bond	1,050,991
Per Exhibit 5 (GAAP basis)	<u>\$ 4,066,692</u>
Expenditures and other financing uses:	
Per Exhibit 12 (budgetary basis)	\$ 2,735,590
Adjustments:	
Basis difference:	
Encumbrances, beginning	40,726
Encumbrances, ending	(81,861)
Payment of refunded bond	1,050,991
Per Exhibit 5 (GAAP basis)	<u>\$ 3,745,446</u>
Fund balances:	
Per Exhibit 12 (budgetary basis)	\$ 701,502
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(408,947)
Per Exhibit 3 (GAAP basis)	<u>\$ 292,555</u>

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 13
TOWN OF ASHLAND, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds						Capital Project Fund		
	Scribner Library	Ashland Community Day	Playground	DARE	Conservation Commission	Fire Apparatus	Expendable Trust	Permanent Fund	Total
ASSETS									
Cash and cash equivalents	\$ 10,461	\$ 375	\$ 746	\$ 605	\$ 4,483	\$ 20,737	\$ 130,455	\$ 8,904	\$ 176,766
Investments	-	-	-	-	-	-	-	191,066	191,066
Total assets	<u>\$ 10,461</u>	<u>\$ 375</u>	<u>\$ 746</u>	<u>\$ 605</u>	<u>\$ 4,483</u>	<u>\$ 20,737</u>	<u>\$ 130,455</u>	<u>\$ 199,970</u>	<u>\$ 367,832</u>
FUND BALANCES									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,985	\$ 54,985
Restricted	10,461	-	-	-	-	-	-	144,985	155,446
Committed	-	375	746	605	4,483	20,737	130,455	-	157,401
Total fund balances	<u>\$ 10,461</u>	<u>\$ 375</u>	<u>\$ 746</u>	<u>\$ 605</u>	<u>\$ 4,483</u>	<u>\$ 20,737</u>	<u>\$ 130,455</u>	<u>\$ 199,970</u>	<u>\$ 367,832</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, 2012

	Special Revenue Funds						Capital Project Fund		
	Scribner Library	Ashland Community Day	Playground	DARE	Conservation Commission	Fire Apparatus	Expendable Trust	Permanent Fund	Total
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ -	\$ -	\$ -	\$ 75
Charges for services	-	-	-	-	-	336	-	-	336
Miscellaneous	7,477	-	-	-	-	-	34	21,869	29,380
Total revenues	7,477	-	-	-	75	336	34	21,869	29,791
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	524	524
Culture and recreation	5,487	-	-	-	-	-	-	18,368	23,855
Total expenditures	5,487	-	-	-	-	-	-	18,892	24,379
Excess of revenue over expenditures	1,990	-	-	-	75	336	34	2,977	5,412
Other financing sources:									
Transfers in	-	-	-	-	515	-	134,500	-	135,015
Transfers out	-	-	-	-	-	-	(8,005)	-	(8,005)
Total other financing sources and uses	-	-	-	-	515	-	126,495	-	127,010
Net change in fund balances	1,990	-	-	-	590	336	126,529	2,977	132,422
Fund balances, beginning, as restated, see Note III.E.	8,471	375	746	605	3,893	20,401	3,926	196,993	235,410
Fund balances, ending	\$ 10,461	\$ 375	\$ 746	\$ 605	\$ 4,483	\$ 20,737	\$ 130,455	\$ 199,970	\$ 367,832

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, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,193,620	\$ 2,221,916	\$ 28,296
Land use	-	75	75
Timber	4	535	531
Payments in lieu of taxes	58,482	60,543	2,061
Interest and penalties on delinquent taxes	40,000	59,282	19,282
Total taxes	<u>2,292,106</u>	<u>2,342,351</u>	<u>50,245</u>
Licenses, permits and fees:			
Business licenses and permits	500	680	180
Motor vehicle permits	265,500	283,067	17,567
Building permits	6,900	8,644	1,744
Other	3,400	4,689	1,289
Total licenses, permits and fees	<u>276,300</u>	<u>297,080</u>	<u>20,780</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	92,669	92,654	(15)
Highway block grant	49,508	49,508	-
Water pollution grant	37,598	40,957	3,359
Flood control reimbursement	47	613	566
Federal sources	-	6,522	6,522
Total intergovernmental	<u>194,813</u>	<u>190,254</u>	<u>(4,559)</u>
Charges for services:			
Income from departments	<u>124,785</u>	<u>140,715</u>	<u>15,930</u>
Miscellaneous:			
Sale of property	500	2,500	2,000
Interest on investments	4,000	4,533	533
Rent	18,280	18,854	574
Fines and forfeits	900	1,111	211
Contributions and donations	1	1,634	1,633
Other	1,055	703	(352)
Total miscellaneous	<u>24,736</u>	<u>29,335</u>	<u>4,599</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	<u>-</u>	<u>8,005</u>	<u>8,005</u>
Total revenues and other financing sources	<u><u>\$ 2,912,740</u></u>	<u><u>\$ 3,007,740</u></u>	<u><u>\$ 95,000</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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 8,668	\$ 7,444	\$ -	\$ 1,224
Election and registration	2,193	38,917	39,067	-	2,043
Financial administration	-	284,300	262,574	-	21,726
Revaluation of property	-	37,850	40,472	-	(2,622)
Legal	-	35,000	16,626	-	18,374
Personnel administration	-	10,000	689	-	9,311
Planning and zoning	20,000	4,554	11,620	20,224	(7,290)
General government buildings	-	35,200	28,458	4,624	2,118
Insurance, not otherwise allocated	-	112,495	66,377	-	46,118
Advertising and regional associations	-	1,741	1,741	-	-
Other	-	500	150	-	350
Total general government	22,193	569,225	475,218	24,848	91,352
Public safety:					
Police	-	566,549	505,159	7,013	54,377
Ambulance	-	47,500	45,000	-	2,500
Fire	-	231,714	245,322	-	(13,608)
Building inspection	-	9,607	8,944	-	663
Emergency management	-	2,001	886	-	1,115
Total public safety	-	857,371	805,311	7,013	45,047
Highways and streets:					
Administration	-	248,576	226,053	-	22,523
Highways and streets	-	183,842	200,312	-	(16,470)
Street lighting	-	41,230	41,531	-	(301)
Other	-	73,265	73,991	-	(726)
Total highways and streets	-	546,913	541,887	-	5,026
Sanitation	-	146,156	134,734	-	11,422
Health:					
Administration	-	2,354	2,177	-	177
Pest control	-	3,400	3,500	-	(100)
Health agencies and hospitals	-	27,888	27,888	-	-
Other	-	-	1,214	-	(1,214)
Total health	-	33,642	34,779	-	(1,137)
Welfare:					
Direct assistance	-	80,000	66,343	-	13,657
Culture and recreation:					
Parks and recreation	13,950	96,808	98,177	-	12,581
Public library	-	58,230	58,230	-	-
Patriotic purposes	-	10,690	8,400	-	2,290
Other	-	646	799	-	(153)
Total culture and recreation	13,950	166,374	165,606	-	14,718

(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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Conservation	-	1,000	485	-	515
Debt service:					
Principal of long-term debt	-	221,630	221,629	-	1
Interest on long-term debt	-	105,429	106,603	-	(1,174)
Interest on tax anticipation note	-	500	2,262	-	(1,762)
Total debt service	-	327,559	330,494	-	(2,935)
Capital outlay:					
Buildings	-	50,000	-	50,000	-
Improvements other than buildings	4,583	-	4,583	-	-
Total capital outlay	4,583	50,000	4,583	50,000	-
Other financing uses:					
Transfers out:					
Nonmajor funds	-	134,500	135,015	-	(515)
Total encumbrances, appropriations, expenditures and other financing uses	\$ 40,726	\$ 2,912,740	\$ 2,694,455	\$ 81,861	\$ 177,150

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, 2012

Unassigned fund balance, beginning		\$ 427,699
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 95,000	
Unexpended balance of appropriations (Exhibit 16)	<u>177,150</u>	
Budget surplus		272,150
Decrease in restricted fund balance		<u>1,653</u>
Unassigned fund balance, ending		<u><u>\$ 701,502</u></u>