

TOWN OF DANVILLE, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2014

Town of Danville, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Danville, New Hampshire

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Danville, New Hampshire, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Danville, New Hampshire, as of December 31, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Danville, New Hampshire's basic financial statements. The accompanying schedules of Nonmajor Governmental Funds, appearing on pages 37 - 40, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The

information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melanson Heath

August 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Danville, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2014.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The Town's governmental activities include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation and conservation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$6,701,239 (i.e., net position), a change of \$315,041 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$1,389,132 a change of \$146,060 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$462,743, a change of \$154,226 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current year.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,780,226	\$ 5,711,417
Capital assets	<u>4,720,370</u>	<u>4,483,607</u>
Total assets	10,500,596	10,195,024
Current liabilities	<u>3,799,357</u>	<u>3,808,826</u>
Total liabilities	3,799,357	3,808,826
Net position:		
Net investment in capital assets	4,720,370	4,483,607
Restricted	534,386	417,233
Unrestricted	<u>1,446,483</u>	<u>1,485,358</u>
Total net position	<u>\$ 6,701,239</u>	<u>\$ 6,386,198</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 78,697	\$ 65,482
Operating grants and contributions	110,582	34,277
Capital grants and contributions	107,220	92,224
General revenues:		
Property taxes	1,616,016	1,608,996
Interest, penalties and other taxes	94,148	131,591
Motor vehicle registration fees	725,279	691,294
Grants and contributions not restricted to specific programs	213,864	197,663
Investment income	1,042	1,241
Other	<u>6,015</u>	<u>18,370</u>
Total revenues	2,952,863	2,841,138

(continued)

(continued)

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Expenses:		
General government	751,463	731,451
Public safety	775,645	733,005
Highways and streets	394,147	388,320
Sanitation	331,103	318,731
Health	27,407	29,457
Welfare	64,349	70,540
Culture and recreation	283,402	273,259
Conservation	10,306	3,254
Total expenses	<u>2,637,822</u>	<u>2,548,017</u>
Change in net position	315,041	293,121
Net position - beginning of year, as restated	<u>6,386,198</u>	<u>6,093,077</u>
Net position - end of year	<u><u>\$ 6,701,239</u></u>	<u><u>\$ 6,386,198</u></u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$6,701,239, a change of \$315,041 from the prior year.

The largest portion of net position, \$4,720,370, reflects our investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery, equipment and furnishings, vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$534,386, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,446,483, may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$315,041. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 28,907
Nonmajor funds change in fund balance	117,153
Capital assets funded by general fund	400,113
Depreciation expense	(163,351)
Other	<u>(67,781)</u>
Total	<u>\$ 315,041</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$1,389,132, a change of \$146,060 in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 28,907
Nonmajor funds change in fund balance	<u>117,153</u>
Total	<u>\$ 146,060</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$462,743, while total fund balance was \$854,747. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/14</u>	<u>12/31/13</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 462,743	\$ 308,517	\$ 154,226	17.8%
Total fund balance	\$ 854,747	\$ 825,840	\$ 28,907	32.9%

The total fund balance of the general fund changed by \$28,907 during the current year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (339,298)
Local revenues in excess of budget	131,054
Expenditures less than budget	279,749
Encumbrances to be spent in the subsequent year	10,745
Change in capital reserve funds	59,064
Other	<u>(112,407)</u>
Total	<u>\$ 28,907</u>

As required by GASB Statement No. 54, the Town's capital reserve funds are now included in the total general fund balance as follows:

	<u>12/31/14</u>	<u>12/31/13</u>	<u>Change</u>
Capital reserve funds	\$ 381,259	\$ 322,195	\$ 59,064

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes to the 2014 budget as adopted by Town voters.

F. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$4,720,370 (net of accumulated depreciation), a change of \$236,763 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings, vehicles, and infrastructure.

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

- \$12,977 for building improvements to the Little Red School House.
- \$196,912 for infrastructure improvements to various Town roads.
- \$15,425 for machinery and equipment, including a plow and platform body.
- \$174,800 for the purchase of an ambulance.
- (\$163,351) current year depreciation expense.

Long-term debt. The Town had no long-term debt (i.e., bonds payable) outstanding at December 31, 2014.

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

REQUESTS FOR INFORMATION

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

Office of the Board of Selectmen
Town of Danville, New Hampshire
Town Hall, 211 Main Street
Danville, New Hampshire 03819

TOWN OF DANVILLE, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 5,011,756
Receivables, net of allowance for uncollectibles:	
Property taxes	548,353
Other	5,850
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	141,547
Tax deeded property	72,720
Land and construction in progress	2,295,919
Other capital assets, net of accumulated depreciation	<u>2,424,451</u>
TOTAL ASSETS	10,500,596
LIABILITIES	
Current:	
Accounts payable and accrued expenses	28,612
Due to school district	3,769,197
Other	<u>1,548</u>
TOTAL LIABILITIES	3,799,357
NET POSITION	
Net investment in capital assets	4,720,370
Restricted for:	
Grants and other statutory restrictions	467,545
Permanent funds:	
Nonexpendable	46,938
Expendable	19,903
Unrestricted	<u>1,446,483</u>
TOTAL NET POSITION	\$ <u><u>6,701,239</u></u>

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

TOWN OF DANVILLE, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 751,463	\$ 21,593	\$ 2,952	\$ 7	\$ (726,911)
Public safety	775,645	52,832	81,960	22	(640,831)
Highways and streets	394,147	254	1,609	94,191	(298,093)
Sanitation	331,103	1,020	-	-	(330,083)
Health	27,407	-	1,975	-	(25,432)
Welfare	64,349	-	2,188	-	(62,161)
Culture and recreation	283,402	2,998	2,751	-	(277,653)
Conservation	10,306	-	17,147	13,000	19,841
Total	<u>\$ 2,637,822</u>	<u>\$ 78,697</u>	<u>\$ 110,582</u>	<u>\$ 107,220</u>	(2,341,323)
		General Revenues and Contributions:			
					1,616,016
					94,148
					725,279
					213,864
					1,042
					6,015
					<u>2,656,364</u>
					315,041
		Net Position:			
					<u>6,386,198</u>
					<u>\$ 6,701,239</u>

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

TOWN OF DANVILLE, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 4,490,495	\$ 521,261	\$ 5,011,756
Receivables:			
Taxes	707,548	-	707,548
Other	-	5,850	5,850
Due from other funds	1,357	8,631	9,988
Tax deeded property	<u>72,720</u>	<u>-</u>	<u>72,720</u>
TOTAL ASSETS	<u>\$ 5,272,120</u>	<u>\$ 535,742</u>	<u>\$ 5,807,862</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 28,612	\$ -	\$ 28,612
Due to school district	3,769,197	-	3,769,197
Due to other funds	8,631	1,357	9,988
Other liabilities	<u>1,548</u>	<u>-</u>	<u>1,548</u>
TOTAL LIABILITIES	3,807,988	1,357	3,809,345
DEFERRED INFLOWS OF RESOURCES	609,385	-	609,385
FUND BALANCES			
Nonspendable	-	46,938	46,938
Restricted	-	487,447	487,447
Committed	381,259	-	381,259
Assigned	10,745	-	10,745
Unassigned	<u>462,743</u>	<u>-</u>	<u>462,743</u>
TOTAL FUND BALANCES	<u>854,747</u>	<u>534,385</u>	<u>1,389,132</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,272,120</u>	<u>\$ 535,742</u>	<u>\$ 5,807,862</u>

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

TOWN OF DANVILLE, NEW HAMPSHIRE

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

DECEMBER 31, 2014

Total governmental fund balances	\$ 1,389,132
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,720,370
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	<u>591,737</u>
Net position of governmental activities	<u><u>\$ 6,701,239</u></u>

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

TOWN OF DANVILLE, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 1,683,797	\$ -	\$ 1,683,797
Interest, penalties and other taxes	94,148	13,000	107,148
Licenses, permits, and fees	743,961	27,246	771,207
Intergovernmental	308,361	81,324	389,685
Charges for services	5,508	27,050	32,558
Investment income	1,106	596	1,702
Miscellaneous	<u>14,867</u>	<u>19,681</u>	<u>34,548</u>
Total Revenues	2,851,748	168,897	3,020,645
Expenditures:			
Current:			
General government	747,343	7,680	755,023
Public safety	674,476	28,544	703,020
Highways and streets	535,802	-	535,802
Sanitation	331,103	-	331,103
Health	26,264	1,143	27,407
Welfare	64,349	-	64,349
Culture and recreation	38,181	234,594	272,775
Conservation	1,816	8,490	10,306
Capital outlay	<u>174,800</u>	<u>-</u>	<u>174,800</u>
Total Expenditures	<u>2,594,134</u>	<u>280,451</u>	<u>2,874,585</u>
Excess (deficiency) of revenues over expenditures	257,614	(111,554)	146,060
Other Financing Sources (Uses):			
Transfers in	-	228,707	228,707
Transfers out	<u>(228,707)</u>	<u>-</u>	<u>(228,707)</u>
Total Other Financing Sources (Uses)	<u>(228,707)</u>	<u>228,707</u>	<u>-</u>
Change in fund balance	28,907	117,153	146,060
Fund Equity, at Beginning of Year, as restated	<u>825,840</u>	<u>417,232</u>	<u>1,243,072</u>
Fund Equity, at End of Year	<u>\$ 854,747</u>	<u>\$ 534,385</u>	<u>\$ 1,389,132</u>

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

TOWN OF DANVILLE, 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, 2014

Net changes in fund balances - total governmental funds	\$ 146,060						
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right; vertical-align: bottom;">400,114</td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right; vertical-align: bottom;">(163,351)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and other taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; vertical-align: bottom;"><u>(67,782)</u></td> </tr> </table> 		Capital outlay purchases	400,114	Depreciation expense	(163,351)		<u>(67,782)</u>
Capital outlay purchases	400,114						
Depreciation expense	(163,351)						
	<u>(67,782)</u>						
Change in net position of governmental activities	\$ <u>315,041</u>						

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

TOWN OF DANVILLE, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Property taxes	\$ 1,601,251	\$ 1,601,251	\$ 1,601,251	\$ -
Interest, penalties and other taxes	76,050	76,050	94,148	18,098
Licenses, permits, and fees	647,500	647,500	743,961	96,461
Intergovernmental	307,682	307,682	308,361	679
Charges for services	4,000	4,000	5,508	1,508
Investment income	1,500	1,500	1,041	(459)
Miscellaneous	100	100	14,867	14,767
Use of fund balance	<u>339,298</u>	<u>339,298</u>	<u>339,298</u>	<u>-</u>
Total Revenues and Other Sources	2,977,381	2,977,381	3,108,435	131,054
Expenditures and Other Uses:				
General government	866,485	866,485	754,810	111,675
Public safety	780,725	780,725	674,476	106,249
Highways and streets	529,934	529,934	518,926	11,008
Sanitation	352,010	352,010	331,103	20,907
Health	27,527	27,527	26,264	1,263
Welfare	76,742	76,742	64,349	12,393
Culture and recreation	269,337	269,337	262,038	7,299
Conservation	9,271	9,271	1,816	7,455
Debt service	1,500	1,500	-	1,500
Transfers out	<u>63,850</u>	<u>63,850</u>	<u>63,850</u>	<u>-</u>
Total Expenditures and Other Uses	<u>2,977,381</u>	<u>2,977,381</u>	<u>2,697,632</u>	<u>279,749</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>410,803</u>	\$ <u>410,803</u>

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

TOWN OF DANVILLE, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,412,632</u>
Total Assets	\$ <u><u>1,412,632</u></u>
 <u>LIABILITIES</u>	
School impact fees	\$ 25,502
Road bonds	37,869
Other deposits	10,409
Trustees of trust funds:	
School funds	1,289,664
Library funds	10,603
Other funds	<u>38,585</u>
Total Liabilities	\$ <u><u>1,412,632</u></u>

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

TOWN OF DANVILLE, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Danville, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental fund:

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in

the general fund. Certain special revenue, permanent and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

Non-operating funds managed by the Library Trustees and the Trustees of Trust Funds consist of pooled funds on deposit with the New Hampshire Public Deposit Investment Pool (NHPDIP), which was established pursuant to RSA 383:22. Because these funds seek to maintain a stable value of \$1 per share and are available for withdrawal at any time, they are classified as "cash and short-term investments" in the accompanying financial statements.

E. Interfund Receivables and Payables

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

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20 - 30
Infrastructure	15 - 60
Vehicles	7 - 20
Machinery, equipment, and furnishings	5 - 20

G. Fund Equity

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

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

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

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

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

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

H. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Board of Selectmen (Board), in cooperation with various department heads. It is then submitted to the Budget Committee in accordance with the State's Municipal Budget Law. After review, the Town holds a public hearing for discussion of the proposed budget. This hearing must be held not later than 25 days before the annual town meeting, and public notice must be given at least 7 days in advance of the hearing.

After the required public hearing, the Board finalizes the budget and submits it for deliberation at the annual Town meeting. The budget is then submitted to Town voters for their approval. The approved budget is subsequently reported to the Municipal Services Division of the New Hampshire Department of Revenue Administration (NH DRA) on the "Report of Appropriations Actually Voted" (MS-2) form as part of the process of computing and establishing the Town's annual tax rate.

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

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all transfers.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 2,851,748	\$ 2,594,134
Other financing sources/uses (GAAP basis)	-	228,707
Subtotal (GAAP Basis)	2,851,748	2,822,841
Adjust tax revenue to accrual basis	(82,547)	-
Record use of fund balance as a funding source	339,298	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(194,954)
Add end of year appropriation carryforwards to expenditures	-	10,745
Reverse effect of combining capital reserve funds with general fund	(64)	59,000
Budgetary basis	<u>\$ 3,108,435</u>	<u>\$ 2,697,632</u>

3. Cash and Short-Term Investments

Cash

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 41:29 stipulates that Town funds be deposited "in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:

- (a) United States government obligations;
- (b) United States government agency obligations; or
- (c) Obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case."

In addition, RSA 41:29 allows excess funds "which are not immediately needed for the purpose of expenditure" to be invested in the "public deposit investment pool established pursuant to RSA 383:22, or in deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types of interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in obligations fully guaranteed as to principal and interest by the United States government."

The Town's, Library Trustees', and Trustees of Trust Funds' deposits are in compliance with these statutes.

As of December 31, 2014, none of the Town's, Library Trustees', or Trustees of Trust Funds' bank balances of \$4,720,944 were exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Town's name.

Short-term Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the "prudent investor rule" whereby "a prudent investment is one which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived therefrom."

Both the Library Trustees' and the Trustees of Trust Funds' investment policies adhere to this "prudent man" standard. As of December 31, 2014, all of the Library Trustees' and Trustees of Trust Funds' short-term investments totaling \$1,806,345 consisted of participation accounts established with the New Hampshire Public Deposit Investment Pool (NHPDIP). These pooled investments are not rated.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Library Trustees' and Trustee of Trust Funds' investment policies stipulate that all accounts must be held in the Town's name. As of December 31, 2014, none of the Library Trustees' or Trustees of Trust Funds' short-term investments were subject to custodial credit risk.

C. Concentration of Credit Risk

It is the Town's policy to diversify its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific issuer or class of securities. By definition, deposits in the NHPDIP meet this requirement.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. It is the Town's policy to match investments with anticipated cash flow needs by continuously investing in readily available funds such as the NHPDIP, money market funds, or overnight repurchase agreements. In addition, the Town's investment policy limits investments to instruments maturing within one year of purchase. As of December 31, 2014, all of the Library Trustees' and Trustees of Trust Funds' short-term investments were held in the NHPDIP.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. As of December 31, 2014 none of the Library Trustees' and Trustees of Trust Funds' short-term investment balances were exposed to foreign currency risk.

4. Property Taxes Receivable

Property taxes are levied based on tax rates set by the Town in conjunction with the NH Department of Revenue Administration. The Town bills property taxes semiannually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes billed or collected in advance of the year for which they are levied are recorded as a prepaid tax liability.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged interest at a rate of 12%. At the time of tax sale, in March of the following year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all delinquent accounts by paying the delinquent tax balance, recording costs and accrued interest. Accounts that are liened by the Town are reclassified from property taxes receivable to unredeemed tax liens receivable and are charged interest at a rate of 18%.

The Town annually budgets an amount (overlay) for property tax abatements and refunds.

Taxes receivable at December 31, 2014 consist of the following:

Property taxes:		
2014 levy		\$ 448,572
Tax deferrals		1,618
Unredeemed tax liens:		
2013 levy	131,861	
2012 levy	97,224	
Prior	<u>28,273</u>	
		<u>257,358</u>
Total		\$ <u><u>707,548</u></u>

5. Taxes Collected for Others

The Town collects property taxes for the Timberlane Regional School District and Rockingham County. Payments to the School District are normally made throughout the year and payment to the County is normally made in December. The ultimate responsibility for the collection of taxes for these entities rests with the Town.

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 17,648

7. Other Receivables

This balance represents amounts due for miscellaneous general fund and police detail activity.

8. Interfund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to maintain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ <u>1,357</u>	\$ <u>8,631</u>
Nonmajor Governmental Funds		
Cable access fund	-	214
Rescue vehicle fund	344	-
Forestry fund	8,287	-
Mosquito control trust fund	<u>-</u>	<u>1,143</u>
Subtotal	<u>8,631</u>	<u>1,357</u>
Total	<u>\$ 9,988</u>	<u>\$ 9,988</u>

9. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,236	\$ 13	\$ -	\$ 1,249
Machinery, equipment, and furnishings	165	15	-	180
Vehicles	786	175	-	961
Infrastructure	<u>1,233</u>	<u>197</u>	<u>-</u>	<u>1,430</u>
Total capital assets, being depreciated	3,420	400	-	3,820
Less accumulated depreciation for:				
Buildings and improvements	(328)	(28)	-	(356)
Machinery, equipment, and furnishings	(123)	(13)	-	(136)
Vehicles	(582)	(57)	-	(639)
Infrastructure	<u>(199)</u>	<u>(65)</u>	<u>-</u>	<u>(264)</u>
Total accumulated depreciation	<u>(1,232)</u>	<u>(163)</u>	<u>-</u>	<u>(1,395)</u>
Total capital assets, being depreciated, net	2,188	237	-	2,425
Capital assets, not being depreciated:				
Land	<u>2,296</u>	<u>-</u>	<u>-</u>	<u>2,296</u>
Total capital assets, not being depreciated	<u>2,296</u>	<u>-</u>	<u>-</u>	<u>2,296</u>
Governmental activities capital assets, net	<u>\$ 4,484</u>	<u>\$ 237</u>	<u>\$ -</u>	<u>\$ 4,721</u>

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

Governmental Activities:	
General government	\$ 9
Public safety	72
Highways and streets	71 *
Culture and recreation	<u>11</u>
Total depreciation expense - governmental activities	<u>\$ 163</u>

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

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2014 vendor and payroll expenditures paid after December 31, 2014.

11. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of December 31, 2014:

	<u>Fund Basis</u>
	Governmental Funds
	General
	<u>Fund</u>
Unavailable revenues:	
Committed taxes	\$ 292,874
Tax liens and deferrals	243,791
Tax deeded property	<u>72,720</u>
Total	<u>\$ 609,385</u>

12. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

13. Governmental Funds - Balances

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

The following types of fund balances are reported at December 31, 2014:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations

of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue and expendable trust funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements.

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

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

Following is a breakdown of the Town's fund balances at December 31, 2014:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 46,938	\$ 46,938
Total Nonexpendable	-	46,938	46,938
Restricted			
Special revenue funds	-	467,545	467,545
Expendable permanent funds	-	19,902	19,902
Total Restricted	-	487,447	487,447
Committed			
Capital reserve funds	381,259	-	381,259
Total Committed	381,259	-	381,259
Assigned			
General encumbrances	10,745	-	10,745
Total Assigned	10,745	-	10,745
Unassigned			
Total Unassigned	462,743	-	462,743
Total Fund Balance	\$ 854,747	\$ 534,385	\$ 1,389,132

14. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 462,743
Deferred inflows of resources	<u>609,385</u>
Tax Rate Setting Balance	<u>\$ 1,072,128</u>

15. Commitments and Contingencies

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

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

16. Post-Employment Healthcare and Life Insurance Benefits

The Town has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires governmental employers that provide employees with post-employment benefits other than pension benefits to measure, recognize, and report the value of these benefits in their financial statements.

The Town does not directly provide other post-employment benefits (OPEB) to its current or retired employees; however, the Town participates in a community-rated plan health insurance plan administered by the Local Government Center (LGC), in which insurance premiums reflect the health claim experience of all participating employers. As a result, it is appropriate for the Town to use its unadjusted premiums as a basis for projecting retiree

benefit costs. Since the Town does not currently provide direct other post-employment benefits to its retirees, and it is reasonable for the Town to project benefits using unadjusted premiums, the Town does not have an unfunded OPEB liability at December 31, 2014.

17. **Retirement System**

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

A. Plan Description

The Town contributes to the New Hampshire Retirement System (the "System"), a cost-sharing, multiple-employer contributory public employee defined benefit pension plan qualified under section 401(a) of the Internal Revenue Code and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The System was established in 1967 and is governed by New Hampshire RSA 100-A, rules and regulations, federal laws, and policies adopted by its Board of Trustees. Membership in the System may be mandatory or optional, depending on employment position. Members are required to make regular contributions to the System. Member contribution rates are established and may be amended by the New Hampshire State Legislature.

System membership is divided into two groups. *Group I* includes full-time state employees (except police officers and firefighters) and teachers, as well as employees of a political subdivision (i.e., school district, county, town, or other unit of local government) that has elected to participate in the System. *Group II* includes permanent firefighters and permanent police officers. Membership is a condition of employment and System contributions are mandatory for both *Group I* and *Group II* employees who meet specific eligibility requirements.

Additional information on the System's eligibility requirements, group membership parameters, funding policies, benefits, and the System's annual financial report can be obtained from the New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire, 03301-8507, or from the System's website at www.nhrs.org.

B. Funding Policy

The System is supported by member contributions, employer contributions, and net earnings on the investments of the trust fund. Member contribution rates are set by statute at 7.00% for all *Group I* members (employees and teachers), 11.55% for *Group II* Police members, and 11.80% for *Group II* Fire members.

Employer contributions are set by the System's Board of Trustees based on biennial actuarial valuations prepared as of June 30th on the odd numbered years (2011, 2013, etc.).

In 2014, the Town was required to contribute 25.30% to the System for its eligible *Group II* police department employees, who are the only Town employees that are members of the NHRS.

The Town's contributions to the System for the years ended December 31, 2014, 2013, 2012 were \$69,616, \$56,964, and \$56,455, respectively, which equaled its annual required contributions for each of these years.

18. Risk Management

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

19. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2014, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Balances 12/31/13 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Balances 12/31/13 (as restated)
Conservation fund	\$ 232,566	\$ (232,566)	\$ -
Nonmajor governmental funds	<u>184,666</u>	<u>232,566</u>	<u>417,232</u>
Total	<u>\$ 417,232</u>	<u>\$ -</u>	<u>\$ 417,232</u>

20. Beginning Net Position Restatement

The beginning (January 1, 2014) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental
As previously reported	\$ 6,255,728
Restate capital assets	<u>130,470</u>
As restated	<u>\$ 6,386,198</u>

21. Implementation of New GASB Standards

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Town is required to implement in 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by requiring the Town to recognize, as a liability and expense, its applicable portion of the New Hampshire Retirement System's actuarially accrued unfunded pension liability.

Supplementary Information

TOWN OF DANVILLE, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	Special Revenue Funds								
	Cable Access Fund	Rescue Vehicle Fund	Police Detail Fund	Recreation Fund	Heritage Fund	Conservation Fund	Public Safety Services	Colby Memorial Library	Forestry Fund
<u>ASSETS</u>									
Cash and short-term investments	\$ 46,318	\$ 10,809	\$ 24,823	\$ 6,047	\$ 556	\$ 245,911	\$ 18,248	\$ 6,599	\$ 25
Accounts receivable	-	-	5,850	-	-	-	-	-	-
Due from other funds	-	344	-	-	-	-	-	-	8,287
Total Assets	<u>\$ 46,318</u>	<u>\$ 11,153</u>	<u>\$ 30,673</u>	<u>\$ 6,047</u>	<u>\$ 556</u>	<u>\$ 245,911</u>	<u>\$ 18,248</u>	<u>\$ 6,599</u>	<u>\$ 8,312</u>
<u>LIABILITIES AND FUND BALANCE</u>									
Liabilities:									
Due to other funds	\$ 214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	214	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	46,104	11,153	30,673	6,047	556	245,911	18,248	6,599	8,312
Total Fund Balance	<u>46,104</u>	<u>11,153</u>	<u>30,673</u>	<u>6,047</u>	<u>556</u>	<u>245,911</u>	<u>18,248</u>	<u>6,599</u>	<u>8,312</u>
Total Liabilities and Fund Balance	<u>\$ 46,318</u>	<u>\$ 11,153</u>	<u>\$ 30,673</u>	<u>\$ 6,047</u>	<u>\$ 556</u>	<u>\$ 245,911</u>	<u>\$ 18,248</u>	<u>\$ 6,599</u>	<u>\$ 8,312</u>

(continued)

TOWN OF DANVILLE, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2014

(continued)

	Special Revenue Funds			Permanent Funds			Total Nonmajor Governmental Funds	
	Asset Forefeiture Fund	Expendable Trust Funds	Subtotals	Cemetery Funds	Library Funds	Town Forest Fund		Subtotals
<u>ASSETS</u>								
Cash and short-term investments	\$ 81,219	\$ 13,866	\$ 454,421	\$ 50,270	\$ 11,918	\$ 4,652	\$ 66,840	\$ 521,261
Accounts receivable	-	-	5,850	-	-	-	-	5,850
Due from other funds	-	-	8,631	-	-	-	-	8,631
Total Assets	<u>\$ 81,219</u>	<u>\$ 13,866</u>	<u>\$ 468,902</u>	<u>\$ 50,270</u>	<u>\$ 11,918</u>	<u>\$ 4,652</u>	<u>\$ 66,840</u>	<u>\$ 535,742</u>
<u>LIABILITIES AND FUND BALANCE</u>								
Liabilities:								
Due to other funds	\$ -	\$ 1,143	\$ 1,357	\$ -	\$ -	\$ -	\$ -	\$ 1,357
Total Liabilities	-	1,143	1,357	-	-	-	-	1,357
Fund Balances:								
Nonspendable	-	-	-	31,362	11,724	3,852	46,938	46,938
Restricted	81,219	12,723	467,545	18,908	194	800	19,902	487,447
Total Fund Balance	<u>81,219</u>	<u>12,723</u>	<u>467,545</u>	<u>50,270</u>	<u>11,918</u>	<u>4,652</u>	<u>66,840</u>	<u>534,385</u>
Total Liabilities and Fund Balance	<u>\$ 81,219</u>	<u>\$ 13,866</u>	<u>\$ 468,902</u>	<u>\$ 50,270</u>	<u>\$ 11,918</u>	<u>\$ 4,652</u>	<u>\$ 66,840</u>	<u>\$ 535,742</u>

See Independent Auditors' Report

TOWN OF DANVILLE, NEW HAMPSHIRE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds								
	Cable Access Fund	Rescue Vehicle Fund	Police Detail Fund	Recreation Fund	Heritage Fund	Conservation Fund	Public Safety Services	Colby Memorial Library	Forestry Fund
Revenues:									
Interest, penalties and other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,000	\$ -	\$ -	\$ -
Licenses, permits and fees	8,938	-	-	-	-	-	18,308	-	-
Intergovernmental	-	-	-	-	200	-	-	-	-
Charges for services	-	552	23,500	2,490	-	-	-	508	-
Investment income	69	16	-	5	3	345	13	39	-
Miscellaneous	-	-	-	-	175	-	-	2,704	16,802
Total Revenues	<u>9,007</u>	<u>568</u>	<u>23,500</u>	<u>2,495</u>	<u>378</u>	<u>13,345</u>	<u>18,321</u>	<u>3,251</u>	<u>16,802</u>
Expenditures:									
Current:									
General government	6,278	-	-	-	1,380	-	-	-	-
Public safety	-	36	17,535	-	-	-	10,973	-	-
Health	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	6,130	-	-	-	228,464	-
Conservation	-	-	-	-	-	-	-	-	8,490
Total Expenditures	<u>6,278</u>	<u>36</u>	<u>17,535</u>	<u>6,130</u>	<u>1,380</u>	<u>-</u>	<u>10,973</u>	<u>228,464</u>	<u>8,490</u>
Excess (deficiency) of revenues over (under) expenditures	2,729	532	5,965	(3,635)	(1,002)	13,345	7,348	(225,213)	8,312
Other Financing Sources (Uses):									
Transfers in	-	-	-	-	-	-	-	223,861	-
Transfers out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,861</u>	<u>-</u>
Change in fund balances	2,729	532	5,965	(3,635)	(1,002)	13,345	7,348	(1,352)	8,312
Fund Balances, beginning of year, as restated	<u>43,375</u>	<u>10,621</u>	<u>24,708</u>	<u>9,682</u>	<u>1,558</u>	<u>232,566</u>	<u>10,900</u>	<u>7,951</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 46,104</u>	<u>\$ 11,153</u>	<u>\$ 30,673</u>	<u>\$ 6,047</u>	<u>\$ 556</u>	<u>\$ 245,911</u>	<u>\$ 18,248</u>	<u>\$ 6,599</u>	<u>\$ 8,312</u>

(continued)

TOWN OF DANVILLE, NEW HAMPSHIRE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

	Special Revenue Funds			Permanent Funds				Total Nonmajor Governmental Funds
	Asset Forefeiture Fund	Expendable Trust Funds	Subtotals	Cemetery Funds	Library Funds	Town Forest Fund	Subtotals	
Revenues:								
Interest, penalties and other taxes	\$ -	\$ -	\$ 13,000	\$ -	\$ -	\$ -	\$ -	\$ 13,000
Licenses, permits and fees	-	-	27,246	-	-	-	-	27,246
Intergovernmental	81,124	-	81,324	-	-	-	-	81,324
Charges for services	-	-	27,050	-	-	-	-	27,050
Investment income	95	-	585	9	2	-	11	596
Miscellaneous	-	-	19,681	-	-	-	-	19,681
Total Revenues	81,219	-	168,886	9	2	-	11	168,897
Expenditures:								
Current:								
General government	-	22	7,680	-	-	-	-	7,680
Public safety	-	-	28,544	-	-	-	-	28,544
Health	-	1,143	1,143	-	-	-	-	1,143
Culture and recreation	-	-	234,594	-	-	-	-	234,594
Conservation	-	-	8,490	-	-	-	-	8,490
Total Expenditures	-	1,165	280,451	-	-	-	-	280,451
Excess (deficiency) of revenues over (under) expenditures	81,219	(1,165)	(111,565)	9	2	-	11	(111,554)
Other Financing Sources (Uses):								
Transfers in	-	4,850	228,711	-	-	-	-	228,711
Transfers out	-	-	-	-	(4)	-	(4)	(4)
Total Other Financing Sources (Uses)	-	4,850	228,711	-	(4)	-	(4)	228,707
Change in fund balances	81,219	3,685	117,146	9	(2)	-	7	117,153
Fund Balances, beginning of year	-	9,038	350,399	50,261	11,920	4,652	66,833	417,232
Fund Balances, end of year	\$ <u>81,219</u>	\$ <u>12,723</u>	\$ <u>467,545</u>	\$ <u>50,270</u>	\$ <u>11,918</u>	\$ <u>4,652</u>	\$ <u>66,840</u>	\$ <u>534,385</u>

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