

**TOWN OF GRANTHAM,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2014**

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Board of Selectmen  
Town of Grantham  
Grantham, New Hampshire

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

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Grantham as of and for the year ended June 30, 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***

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 Town'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 Town'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 adverse and unmodified audit opinions.

### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 18 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, net position and expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Grantham as of June 30, 2014, or the changes in financial position thereof for the year then ended.

*Town of Grantham  
Independent Auditor's Report*

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major general fund and aggregate remaining fund information of the Town of Grantham as of June 30, 2014, and the respective changes in financial position 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***

**Management's Discussion and Analysis** – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

**Supplementary Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Grantham's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules 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. Such 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 basic financial statements or to the basic 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 and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

February 6, 2015

*Plodzik & Sanderson  
Professional Association*

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Statement of Net Position*  
*June 30, 2014*

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS</b>                             |                            |
| Cash and cash equivalents                 | \$ 6,701,094               |
| Investments                               | 306,117                    |
| Taxes receivables (net)                   | 1,844,895                  |
| Account receivables                       | 3,160                      |
| Tax deeded property, subject to resale    | 64,032                     |
| Capital assets:                           |                            |
| Land and construction in progress         | 822,164                    |
| Other capital assets, net of depreciation | 3,897,032                  |
| Total assets                              | 13,638,494                 |
| <b>LIABILITIES</b>                        |                            |
| Accounts payable                          | 67,720                     |
| Accrued salaries and benefits             | 3,794                      |
| Accrued interest payable                  | 12,195                     |
| Intergovernmental payable                 | 4,759,990                  |
| Long-term liabilities:                    |                            |
| Due within one year                       | 100,683                    |
| Due in more than one year                 | 929,122                    |
| Total liabilities                         | 5,873,504                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                            |
| Unavailable revenue - property taxes      | 1,031,226                  |
| <b>NET POSITION</b>                       |                            |
| Net investment in capital assets          | 3,883,146                  |
| Restricted for perpetual care             | 55,270                     |
| Unrestricted                              | 2,795,348                  |
| Total net position                        | \$ 6,733,764               |

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

**EXHIBIT B**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

|  | Expenses            | Program Revenues           |  | Net (Expense)                            |
|--|---------------------|----------------------------|--|--|
|  |                     | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Revenue and<br>Change In<br>Net Position |
| General government                                 | \$ 960,715          | \$ 3,951                   | \$ 405                                   | \$ (956,359)                             |
| Public safety                                      | 548,797             | 440                        | -  | (548,357)                                |
| Highways and streets                               | 234,755             | -                          | 101,745                                  | (133,010)                                |
| Sanitation   | 216,163             | 57,580                     | -  | (158,583)                                |
| Health   | 16,470              | -                          | -  | (16,470)                                 |
| Welfare  | 1,273               | -                          | -  | (1,273)                                  |
| Culture and recreation                             | 275,974             | 17,103                     | -  | (258,872)                                |
| Conservation                                       | 1,756               | -                          | -  | (1,756)                                  |
| Interest on long-term debt                         | 30,265              | -                          | -  | (30,265)                                 |
| Total governmental activities                      | <u>\$ 2,286,168</u> | <u>\$ 79,073</u>           | <u>\$ 102,150</u>                        | <u>(2,104,945)</u>                       |
| General revenues:                                  |                     |                            |  |  |
| Taxes:   |                     |                            |  |  |
| Property   |                     |                            |  | 1,933,376                                |
| Other  |                     |                            |  | 43,289                                   |
| Motor vehicle permit fees                          |                     |                            |  | 622,832                                  |
| Licenses and other fees                            |                     |                            |  | 28,404                                   |
| Unrestricted investment earnings                   |                     |                            |  | 68,898                                   |
| Miscellaneous                                      |                     |                            |  | 260,154                                  |
| Total general revenues                             |                     |                            |  | <u>3,090,120</u>                         |
| Change in net position                             |                     |                            |  | 985,175                                  |
| Net position, beginning, as restated (see Note 16) |                     |                            |  | 5,748,589                                |
| Net position, ending                               |                     |                            |  | <u>\$ 6,733,764</u>                      |

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

*EXHIBIT C-1*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Governmental Funds*  
*Balance Sheet*  
*June 30, 2014*

|  | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                     |                                |                                |
| Cash and cash equivalents  | \$ 5,837,734        | \$ 60,483                      | \$ 5,898,217                   |
| Investments  | 8,250               | 106,700                        | 114,950                        |
| Accounts receivable  | 3,160               | -                              | 3,160                          |
| Taxes receivable   | 1,926,895           | -                              | 1,926,895                      |
| Tax deeded property, subject to resale                                 | 64,032              | -                              | 64,032                         |
| Restricted assets:   |                     |                                |                                |
| Cash and cash equivalents  | 802,877             | -                              | 802,877                        |
| Investments  | 191,167             | -                              | 191,167                        |
| Total assets   | <u>\$ 8,834,115</u> | <u>\$ 167,183</u>              | <u>\$ 9,001,298</u>            |
| <b>LIABILITIES</b>   |                     |                                |                                |
| Accounts payable   | \$ 67,720           | \$ -                           | \$ 67,720                      |
| Accrued salaries and benefits  | 3,794               | -                              | 3,794                          |
| Due to other governments   | 4,759,990           | -                              | 4,759,990                      |
| Total liabilities  | <u>4,831,504</u>    | <u>-</u>                       | <u>4,831,504</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                     |                                |                                |
| Unavailable revenue - Property taxes                                   | 1,242,594           | -                              | 1,242,594                      |
| <b>FUND BALANCES</b>   |                     |                                |                                |
| Nonspendable   | 64,032              | 40,847                         | 104,879                        |
| Restricted   | 225,182             | 14,423                         | 239,605                        |
| Committed  | 768,862             | 98,850                         | 867,712                        |
| Assigned   | 84,129              | 13,063                         | 97,192                         |
| Unassigned   | 1,617,812           | -                              | 1,617,812                      |
| Total fund balances  | <u>2,760,017</u>    | <u>167,183</u>                 | <u>2,927,200</u>               |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 8,834,115</u> | <u>\$ 167,183</u>              | <u>\$ 9,001,298</u>            |

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

*EXHIBIT C-2*  
*TOWN OF GRANTHAM, NEW HAMPSHIRE*  
*Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position*  
*June 30, 2014*

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|   |                  |                            |
|---|------------------|----------------------------|
| Total fund balances of governmental funds (Exhibit C-1)   |                  | \$ 2,927,200               |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                  |                            |
| Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.   |                  |                            |
| Cost  | \$ 5,537,165     |                            |
| Less accumulated depreciation   | <u>(817,969)</u> |                            |
|   |                  | 4,719,196                  |
| Property taxes not collected within 60 days of fiscal year-end are not available to pay current period expenditures, and therefore are deferred in the funds. |                  |                            |
|   |                  | 211,368                    |
| Allowance for uncollectible taxes that is recognized on a full accrual basis but not on the modified accrual basis.   |                  |                            |
|   |                  | (82,000)                   |
| Interest on long-term debt is not accrued in governmental funds.  |                  |                            |
| Accrued interest payable  |                  | (12,195)                   |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.  |                  |                            |
| Bond  | \$ 660,000       |                            |
| Unamortized bond premium  | 28,050           |                            |
| Compensated absences  | 5,755            |                            |
| Accrued landfill closure and postclosure care costs   | <u>188,000</u>   |                            |
|   |                  | <u>(1,029,805)</u>         |
| Net position of governmental activities (Exhibit A)   |                  | <u><u>\$ 6,733,764</u></u> |

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

**EXHIBIT C-3**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2014**

|   | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                                     |                     |                                |                                |
| Taxes   | \$ 2,097,219        | \$ -                           | \$ 2,097,219                   |
| Licenses and permits                                | 651,236             | -                              | 651,236                        |
| Intergovernmental                                   | 235,319             | -                              | 235,319                        |
| Charges for services                                | 70,810              | 8,263                          | 79,073                         |
| Investment earnings                                 | 75,330              | -                              | 75,330                         |
| Miscellaneous                                       | 251,185             | 2,535                          | 253,720                        |
| Total revenues                                      | <u>3,381,099</u>    | <u>10,798</u>                  | <u>3,391,897</u>               |
| <b>EXPENDITURES</b>                                 |                     |                                |                                |
| Current:  |                     |                                |                                |
| General government                                  | 913,500             | 2,882                          | 916,382                        |
| Public safety                                       | 646,337             | -                              | 646,337                        |
| Highways and streets                                | 240,896             | -                              | 240,896                        |
| Sanitation  | 244,008             | -                              | 244,008                        |
| Health  | 16,470              | -                              | 16,470                         |
| Welfare   | 1,273               | -                              | 1,273                          |
| Culture and recreation                              | 264,671             | -                              | 264,671                        |
| Conservation  | 490                 | 1,266                          | 1,756                          |
| Debt service:                                       |                     |                                |                                |
| Principal   | 60,000              | -                              | 60,000                         |
| Interest  | 33,150              | -                              | 33,150                         |
| Capital outlay                                      | 181,314             | -                              | 181,314                        |
| Total expenditures                                  | <u>2,602,109</u>    | <u>4,148</u>                   | <u>2,606,257</u>               |
| Excess of revenues over expenditures                | <u>778,990</u>      | <u>6,650</u>                   | <u>785,640</u>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                     |                                |                                |
| Transfers in  | 500                 | 700                            | 1,200                          |
| Transfers out                                       | (700)               | (500)                          | (1,200)                        |
| Inception of capital lease                          | 148,000             | -                              | 148,000                        |
| Total other financing sources (uses)                | <u>147,800</u>      | <u>200</u>                     | <u>148,000</u>                 |
| Net change in fund balances                         | 926,790             | 6,850                          | 933,640                        |
| Fund balances, beginning, as restated (see Note 16) | 1,833,227           | 160,333                        | 1,993,560                      |
| Fund balances, ending                               | <u>\$ 2,760,017</u> | <u>\$ 167,183</u>              | <u>\$ 2,927,200</u>            |

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

*EXHIBIT C-4*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2014*

|   |                  |                          |
|---|------------------|--------------------------|
| Net change in fund balances of governmental funds (Exhibit C-3)   |                  | \$ 933,640               |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |                  |                          |
| Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period. |                  |                          |
| Capitalized capital outlay  | \$ 341,760       |                          |
| Depreciation expense  | <u>(123,269)</u> | 218,491                  |
| The net effect of various miscellaneous transactions involving capital assets (i.e. losses and disposals) is to decrease net position.  |                  | (29,841)                 |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities.  |                  |                          |
| Transfers in  | \$ (1,200)       |                          |
| Transfers out   | <u>1,200</u>     | -                        |
| Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.  |                  |                          |
| Change in deferred tax revenue  | \$ (38,554)      |                          |
| Change in allowance for uncollectible property taxes  | <u>(82,000)</u>  | (120,554)                |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.                             |                  |                          |
| Proceeds of capital lease   | \$ (148,000)     |                          |
| Repayment of bond principal   | <u>60,000</u>    | (55,564)                 |
| 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  | \$ 335           |                          |
| Increase in compensated absences payable  | (1,332)          |                          |
| Decrease in accrued landfill postclosure care costs   | <u>40,000</u>    | 39,003                   |
| Changes in net position of governmental activities (Exhibit B)  |                  | <u><u>\$ 985,175</u></u> |

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

**EXHIBIT D**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2014*

|  | Budgeted Amounts    |                     | Actual              | Variance<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
|  | Original            | Final               |                     |                                    |
| <b>REVENUES</b>  |                     |                     |                     |                                    |
| Taxes  | \$ 1,985,845        | \$ 1,985,845        | \$ 1,976,665        | \$ (9,180)                         |
| Licenses and permits   | 572,700             | 572,700             | 651,236             | 78,536                             |
| Intergovernmental  | 190,022             | 190,022             | 235,319             | 45,297                             |
| Charges for services   | 44,000              | 44,000              | 70,810              | 26,810                             |
| Miscellaneous  | 2,000               | 52,000              | 159,805             | 107,805                            |
| Total revenues   | <u>2,844,567</u>    | <u>2,844,567</u>    | <u>3,093,835</u>    | <u>249,268</u>                     |
| <b>EXPENDITURES</b>  |                     |                     |                     |                                    |
| Current:   |                     |                     |                     |                                    |
| General government   | 1,106,273           | 1,106,273           | 913,500             | 192,773                            |
| Public safety  | 575,010             | 575,010             | 498,337             | 76,673                             |
| Highways and streets   | 350,472             | 350,472             | 325,025             | 25,447                             |
| Sanitation   | 328,958             | 348,908             | 244,008             | 104,900                            |
| Health   | 16,570              | 16,570              | 16,470              | 100                                |
| Welfare  | 20,000              | 20,000              | 1,273               | 18,727                             |
| Culture and recreation                                       | 264,984             | 265,684             | 248,373             | 17,311                             |
| Conservation   | 2,000               | 2,000               | 490                 | 1,510                              |
| Debt service:  |                     |                     |                     |                                    |
| Principal  | 60,000              | 60,000              | 60,000              | -                                  |
| Interest   | 34,300              | 34,300              | 33,150              | 1,150                              |
| Capital outlay   | 65,000              | 160,442             | 173,229             | (12,787)                           |
| Total expenditures   | <u>2,823,567</u>    | <u>2,939,659</u>    | <u>2,513,855</u>    | <u>425,804</u>                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>21,000</u>       | <u>(95,092)</u>     | <u>579,980</u>      | <u>675,072</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |                                    |
| Transfers in   | 15,000              | 131,092             | 131,092             | -                                  |
| Transfers out  | (201,000)           | (201,000)           | (201,000)           | -                                  |
| Total other financing sources (uses)                         | <u>(186,000)</u>    | <u>(69,908)</u>     | <u>(69,908)</u>     | <u>-</u>                           |
| Net change in fund balances                                  | <u>\$ (165,000)</u> | <u>\$ (165,000)</u> | 510,072             | <u>\$ 675,072</u>                  |
| Unassigned fund balance, beginning                           |                     |                     | 1,237,108           |                                    |
| Unassigned fund balance, ending                              |                     |                     | <u>\$ 1,747,180</u> |                                    |

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

*EXHIBIT E-1*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Fiduciary Fund*  
*Statement of Fiduciary Net Position*  
*June 30, 2014*

|                                     | Private<br>Purpose<br>Trust | Agency       |
|-------------------------------------|-----------------------------|--------------|
| <b>ASSETS</b>                       |                             |              |
| Cash and cash equivalents           | \$ 731                      | \$ 1,006,202 |
| Investments                         | 12,391                      | -            |
| Total assets                        | 13,122                      | 1,006,202    |
| <b>LIABILITIES</b>                  |                             |              |
| Due to other governmental units     | -                           | 1,006,202    |
| <b>NET POSITION</b>                 |                             |              |
| Held in trust for specific purposes | \$ 13,122                   | \$ -         |

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

*EXHIBIT E-2*  
*TOWN OF GRANTHAM, NEW HAMPSHIRE*  
*Fiduciary Funds*  
*Statement of Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended June 30, 2014*

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|                            | Private<br>Purpose<br>Trust |
|----------------------------|-----------------------------|
| <b>ADDITIONS</b>           |                             |
| New funds                  | \$ 100                      |
| Interest                   | 433                         |
| Total revenue              | 533                         |
| <br><b>DEDUCTIONS</b>      |                             |
| Trust income distributions | 900                         |
| Change in net position     | (367)                       |
| Net position, beginning    | 13,489                      |
| Net position, ending       | \$ 13,122                   |

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

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2014**

|   | <u>NOTE</u> |
|---|-------------|
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**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Grantham, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

**1-A Reporting Entity**

The Town of Grantham is a municipal corporation governed by an elected 3-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

**1-B Government-wide and Fund 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. The effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position, with the exception that long-term costs of retirement, health care, and obligations for other postemployment benefits which have also been omitted because the liability and expense have not been determined. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when 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.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
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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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Town reports the following major governmental fund:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

**Fiduciary Fund Types** – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These funds are as follows:

**Private Purpose Trust Funds** – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

**Agency Funds** – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, or other governments.

***1-D Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in 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, 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.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
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***1-E Restricted Assets***

Certain cash and investments are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

***1-F Investments***

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- 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 moneys 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 bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

***1-G Receivables***

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist of accounts and taxes receivable.

***1-H Interfund Balances***

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***1-I Capital Assets***

Capital assets, which include property, plant, and equipment (infrastructure is not included), are reported in the government-wide financial statements. Infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

|                                     | <b>Years</b> |
|-------------------------------------|--------------|
| <b>Capital Asset Classes:</b>       |              |
| Land improvements                   | 20           |
| Buildings and building improvements | 20 - 150     |
| Equipment and vehicles              | 10 - 25      |

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
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In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

***1-J Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, property taxes, which arises under an accrual and a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported in the governmental activities and governmental funds balance sheets. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

***1-K Property Taxes***

Property tax billings occur semiannually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 21, 2013 and October 29, 2013. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Grantham School District, Eastman Village District, and Sullivan County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2014 utilized in the setting of the tax rate was as follows:

|                                     |                |
|-------------------------------------|----------------|
| For the New Hampshire education tax | \$ 510,082,270 |
| For all other taxes                 | \$ 515,125,870 |

The tax rates and amounts assessed for the year ended June 30, 2014 were as follows:

|                        | Per \$1,000<br>of Assessed<br>Valuation | Property<br>Taxes<br>Assessed |
|------------------------|---|-------------------------------|
| Municipal portion      | \$3.99                                  | \$ 2,054,135                  |
| School portion:        |   |                               |
| State of New Hampshire | \$2.42                                  | 1,232,228                     |
| Local                  | \$12.22                                 | 6,296,416                     |
| County portion         | \$2.81                                  | 1,449,314                     |
| Total                  |   | \$ 11,032,093                 |

***1-L Compensated Absences***

The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

***1-M Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

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In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

***1-N Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

***1-O Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-P Net Position/Fund Balance Reporting***

***Government-wide Statements*** – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds and capital leases that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

***Fund Balance Classifications*** - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
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**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds, except for those that are restricted and the general fund.

**Unassigned** – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrances accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2014, \$165,000 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The following reconciles the general fund budgetary basis to the GAAP basis:

|   |                     |
|---|---------------------|
| Revenues and other financing sources:                                 |                     |
| Per Exhibit D (budgetary basis)                                       | \$ 3,224,927        |
| Adjustment:   |                     |
| Basis difference:   |                     |
| Inception of capital leases   | 148,000             |
| GASB Statement No. 54:  |                     |
| To record miscellaneous income of the blended funds                   | 166,709             |
| To eliminate transfers between blended funds                          | (130,591)           |
| Change in deferred tax revenue relating to 60-day revenue recognition | 38,554              |
| Change in allowance for uncollectible property taxes                  | 82,000              |
| Per Exhibit C-3 (GAAP basis)  | <u>\$ 3,529,599</u> |
| Expenditures and other financing uses:                                |                     |
| Per Exhibit D (budgetary basis)                                       | \$ 2,714,855        |
| Adjustment:   |                     |
| Basis differences:  |                     |
| Encumbrances, ending  | (84,129)            |
| Inception of capital leases   | 148,000             |
| GASB Statement No. 54:  |                     |
| To record expendable trust expenditures during the year               | 24,383              |
| To eliminate transfers between general and expendable trust funds     | (200,300)           |
| Per Exhibit C-3 (GAAP basis)  | <u>\$ 2,602,809</u> |

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, none of the Town's bank balances of \$6,929,123 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

|  |                     |
|--|---------------------|
| Cash per Statement of Net Position (Exhibit A)             | \$ 6,701,094        |
| Cash per Statement of Fiduciary Net Position (Exhibit E-1) | 1,006,933           |
| Total cash and cash equivalents                            | <u>\$ 7,708,027</u> |

**NOTE 4 – INVESTMENTS**

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At June 30, 2014, this Town had the following investments:

|  |                   |
|--|-------------------|
|  | <u>Fair Value</u> |
| Investments type:                            |                   |
| Certificates of deposit                      | \$ 212,884        |
| New Hampshire Public Deposit Investment Pool | 105,624           |
| Total fair value                             | <u>\$ 318,508</u> |

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

|   |                          |
|---|--------------------------|
| Investments per Statement of Net Position (Exhibit A)             | \$ 306,117               |
| Investments per Statement of Fiduciary Net Position (Exhibit E-1) | <u>12,391</u>            |
| Total investments   | <u><u>\$ 318,508</u></u> |

**NOTE 5 – RESTRICTED CASH AND INVESTMENTS**

Certain cash and investment accounts in the general fund belong to funds which have been blended with the general fund in accordance with the requirements of GASB Statement No. 54, as follows:

|                                 |                          |
|---------------------------------|--------------------------|
| Cash and cash equivalents:      |                          |
| Hastings recreation             | \$ 1,109                 |
| Expendable trusts               | 577,695                  |
| Dunbar Free Library             | <u>224,073</u>           |
| Total cash and cash equivalents | <u>802,877</u>           |
| Investments:                    |                          |
| Expendable trusts               | <u>191,167</u>           |
| Total restricted assets         | <u><u>\$ 994,044</u></u> |

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of \$82,000. Taxes receivable by year are as follows:

|   | As reported on:            |                            |
|---|----------------------------|----------------------------|
|   | <u>Exhibit A</u>           | <u>Exhibit C-1</u>         |
| Property:   |                            |                            |
| Levy of 2014                                      | \$ 1,801,462               | \$ 1,801,462               |
| Unredeemed (under tax lien):                      |                            |                            |
| Levy of 2013                                      | 73,152                     | 73,152                     |
| Levy of 2012                                      | 30,293                     | 30,293                     |
| Levies of 2011 and prior                          | 21,108                     | 21,108                     |
| Yield   | 880                        | 880                        |
| Less: allowance for estimated uncollectible taxes | <u>(82,000)</u>            | <u>-</u>                   |
| Taxes receivable                                  | <u><u>\$ 1,844,895</u></u> | <u><u>\$ 1,926,895</u></u> |

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 consisted of the following:

|  | <u>Balance,<br/>beginning</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance,<br/>ending</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| At cost:                                   |                               |                  |                  |                            |
| Not being depreciated:                     |                               |                  |                  |                            |
| Land                                       | \$ 746,203                    | \$ -             | \$ -             | \$ 746,203                 |
| Construction in progress                   | 13,391                        | 62,570           | -                | <u>75,961</u>              |
| Total capital assets not being depreciated | <u>759,594</u>                | <u>62,570</u>    | <u>-</u>         | <u>822,164</u>             |

*(Continued)*

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Capital assets continued:

|  | Balance,<br>beginning | Additions         | Disposals          | Balance,<br>ending  |
|--|-----------------------|-------------------|--------------------|---------------------|
| Being depreciated:                               |                       |                   |                    |                     |
| Land improvements                                | 410,857               | -                 | -                  | 410,857             |
| Buildings and building improvements              | 2,614,835             | 10,500            | -                  | 2,625,335           |
| Equipment and vehicles                           | 1,512,558             | 268,690           | (102,439)          | 1,678,809           |
| Total capital assets being depreciated           | <u>4,538,250</u>      | <u>279,190</u>    | <u>(102,439)</u>   | <u>4,715,001</u>    |
| Total all capital assets                         | <u>5,297,844</u>      | <u>341,760</u>    | <u>(102,439)</u>   | <u>5,537,165</u>    |
| Less accumulated depreciation:                   |                       |                   |                    |                     |
| Land improvements                                | (10,271)              | (10,271)          | -                  | (20,542)            |
| Buildings and building improvements              | (232,313)             | (20,426)          | -                  | (252,739)           |
| Equipment and vehicles                           | (524,714)             | (92,572)          | 72,598             | (544,688)           |
| Total accumulated depreciation                   | <u>(767,298)</u>      | <u>(123,269)</u>  | <u>72,598</u>      | <u>(817,969)</u>    |
| Net book value, capital assets being depreciated | <u>3,770,952</u>      | <u>155,921</u>    | <u>(29,841)</u>    | <u>3,897,032</u>    |
| Net book value, all capital assets               | <u>\$ 4,530,546</u>   | <u>\$ 218,491</u> | <u>\$ (29,841)</u> | <u>\$ 4,719,196</u> |

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

|                            |                   |
|----------------------------|-------------------|
| General government         | \$ 21,826         |
| Public safety              | 50,460            |
| Highways and streets       | 27,525            |
| Sanitation                 | 12,155            |
| Culture and recreation     | 11,303            |
| Total depreciation expense | <u>\$ 123,269</u> |

**NOTE 8 – INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2014 is as follows:

|                | Transfers In:   |                  |                 |
|----------------|-----------------|------------------|-----------------|
|                | General<br>Fund | Nonmajor<br>Fund | Total           |
| Transfers out: |                 |                  |                 |
| General fund   | \$ -            | \$ 700           | \$ 700          |
| Nonmajor fund  | 500             | -                | 500             |
| Total          | <u>\$ 500</u>   | <u>\$ 700</u>    | <u>\$ 1,200</u> |

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$5,766,192, at June 30, 2014 consist of the following:

|  |                     |
|--|---------------------|
| General fund:  |                     |
| Balance of the 2014-2015 district assessment due to the Grantham School District | \$ 3,777,644        |
| Balance of the 2014 district assessment due to the Eastman Village District      | 256,094             |
| Balance of the 2014 county assessment due to Sullivan County                     | 726,252             |
| Total general fund   | <u>4,759,990</u>    |
| Agency fund:   |                     |
| Balance of the expendable trust funds belonging to the Grantham School District  | 473,421             |
| Balance of the expendable trust funds belonging to the Eastman Village District  | 532,781             |
| Total agency fund  | <u>1,006,202</u>    |
| Total intergovernmental payables due   | <u>\$ 5,766,192</u> |

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2014**

**NOTE 10 – DEFERRED INFLOWS**

Deferred inflows of \$1,242,594 on the governmental fund balance sheet, at June 30, 2014, consist the following:

|   | General<br>Fund |
|---|-----------------|
| Property taxes levied prior to their due date             | \$ 1,031,226    |
| Property taxes noted collected within 60 days of year-end | 211,368         |
| Total deferred inflows of resources                       | \$ 1,242,594    |

**NOTE 11 – CAPITAL LEASE OBLIGATION**

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

|                            | Interest<br>Rate | Payments as of<br>June 30, 2014 |
|----------------------------|------------------|---------------------------------|
| Capital lease obligations: |                  |                                 |
| International plow truck   | 6.77%            | \$ 148,000                      |

Leased equipment under capital leases, included in capital assets, is as follows:

|                                | Governmental<br>Activities |
|--------------------------------|----------------------------|
| Equipment:                     |                            |
| International plow truck       | \$ 148,000                 |
| Less: accumulated depreciation | -                          |
| Total capital lease equipment  | \$ 148,000                 |

The annual requirements to amortize the capital lease payable as of June 30, 2014, including interest payments, are as follows:

| Fiscal Year Ending<br>June 30,      | Governmental<br>Activities |
|-------------------------------------|----------------------------|
| 2015                                | \$ 31,603                  |
| 2016                                | 31,603                     |
| 2017                                | 31,603                     |
| 2018                                | 31,603                     |
| 2019                                | 31,603                     |
| Total requirements                  | 158,015                    |
| Less: interest                      | 10,015                     |
| Present value of remaining payments | \$ 148,000                 |

Amortization of lease equipment under capital assets is included with depreciation expense.

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town's long-term obligations consisted of the following for the year ended June 30, 2014:

|   | Balance<br>July 1,<br>2013 | Additions  | Reductions   | Balance<br>June 30,<br>2014 | Due Within<br>One Year |
|---|----------------------------|------------|--------------|-----------------------------|------------------------|
| General obligation bond payable         | \$ 720,000                 | \$ -       | \$ (60,000)  | \$ 660,000                  | \$ 60,000              |
| Premium                                 | 30,600                     | -          | (2,550)      | 28,050                      | 2,550                  |
| Total bonds payable                     | 750,600                    | -          | (62,550)     | 688,050                     | 62,550                 |
| Capital leases                          | 29,886                     | 148,000    | (29,886)     | 148,000                     | 30,133                 |
| Compensated absences                    | 4,423                      | 1,332      | -            | 5,755                       | -                      |
| Accrued landfill postclosure care costs | 228,000                    | -          | (40,000)     | 188,000                     | 8,000                  |
| Total long-term liabilities             | \$ 1,012,909               | \$ 149,332 | \$ (132,436) | \$ 1,029,805                | \$ 100,683             |

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Long-term liabilities payable are comprised of the following:

|   | Original<br>Amount | Issue<br>Date | Maturity<br>Date | Interest<br>Rate | Outstanding at<br>June 30,<br>2014 | Current<br>Portion |
|---|--------------------|---------------|------------------|------------------|------------------------------------|--------------------|
| General obligation bond payable:                |                    |               |                  |                  |                                    |                    |
| Town building                                   | \$ 1,219,000       | 2005          | 2025             | 3.0 - 5.0%       | \$ 660,000                         | \$ 60,000          |
| Bond premium                                    |                    |               |                  |                  | 28,050                             | 2,550              |
|   |                    |               |                  |                  | <u>688,050</u>                     | <u>62,550</u>      |
| Capital lease payable:                          |                    |               |                  |                  |                                    |                    |
| International plow truck                        |                    |               |                  |                  | 148,000                            | 30,133             |
| Compensated absences payable:                   |                    |               |                  |                  |                                    |                    |
| Accrued vacation leave                          |                    |               |                  |                  | 5,755                              | -                  |
| Accrued landfill postclosure care costs payable |                    |               |                  |                  | 188,000                            | 8,000              |
| Total   |                    |               |                  |                  | <u>\$ 1,029,805</u>                | <u>\$ 100,683</u>  |

The premium is being amortized on a straight-line basis over the life of the bond.

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2014, including interest payments, are as follows:

| Fiscal Year Ending<br>June 30, | Principal         | Interest          | Total             |
|--------------------------------|-------------------|-------------------|-------------------|
| 2015                           | \$ 60,000         | \$ 30,150         | \$ 90,150         |
| 2016                           | 60,000            | 27,150            | 87,150            |
| 2017                           | 60,000            | 24,150            | 84,150            |
| 2018                           | 60,000            | 20,733            | 80,733            |
| 2019                           | 60,000            | 17,733            | 77,733            |
| 2020-2023                      | 360,000           | 52,233            | 412,233           |
| Totals                         | <u>\$ 660,000</u> | <u>\$ 172,149</u> | <u>\$ 832,149</u> |

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**Accrued Landfill Postclosure Care Costs** - The Town ceased operating its landfill in 1989. Federal and State laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$188,000 as of June 30, 2014. The estimated total current cost of the landfill postclosure care (\$8,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of June 30, 2014. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs by annual appropriation.

**NOTE 13 – ENCUMBRANCES**

Encumbrances outstanding of \$84,129 at June 30, 2014 in the general fund are for highways and streets.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2014**

**NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2014 include the following:

|  |              |           |
|--|--------------|-----------|
| Net investment in capital assets:      |              |           |
| Net property, buildings, and equipment | \$           | 4,719,196 |
| Less:                                  |              |           |
| General obligation bonds payable       | (660,000)    |           |
| Unamortized bond premiums              | (28,050)     |           |
| Capital leases payable                 | (148,000)    |           |
| Total net investment in capital assets | 3,883,146    |           |
| Restricted for perpetual care          | 55,270       |           |
| Unrestricted                           | 2,795,348    |           |
| Total net position                     | \$ 6,733,764 |           |

**NOTE 15 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2014 include the following:

|                                    |         |            |
|------------------------------------|---------|------------|
| <b>Nonspendable:</b>               |         |            |
| Major fund:                        |         |            |
| General:                           |         |            |
| Tax deeded property                | \$      | 64,032     |
| Nonmajor fund:                     |         |            |
| Permanent fund - principal balance | 40,847  |            |
| Total nonspendable fund balance    |         | \$ 104,879 |
| <b>Restricted:</b>                 |         |            |
| Major fund:                        |         |            |
| General:                           |         |            |
| Hastings recreation                | \$      | 1,109      |
| Dunbar Free Library                | 224,073 |            |
|                                    | 225,182 |            |
| Nonmajor fund:                     |         |            |
| Permanent fund - income balance    | 14,423  |            |
| Total restricted fund balance      |         | 239,605    |
| <b>Committed:</b>                  |         |            |
| Major fund:                        |         |            |
| General:                           |         |            |
| Expendable trust                   | \$      | 768,862    |
| Nonmajor funds:                    |         |            |
| Special revenue:                   |         |            |
| Conservation commission            | 50,358  |            |
| Reclamation trust                  | 48,492  |            |
|                                    | 98,850  |            |
| Total committed fund balance       |         | 867,712    |

*(Continued)*

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Governmental fund balances continued:

|                                  |               |                            |
|----------------------------------|---------------|----------------------------|
| <b>Assigned:</b>                 |               |                            |
| Major fund:                      |               |                            |
| General:                         |               |                            |
| Encumbrances                     | \$ 84,129     |                            |
| Nonmajor fund:                   |               |                            |
| Recreation revolving             | <u>13,063</u> |                            |
| Total assigned fund balance      |               | 97,192                     |
| <b>Unassigned:</b>               |               |                            |
| Major fund:                      |               |                            |
| General                          |               |                            |
|                                  |               | <u>1,617,812</u>           |
| Total governmental fund balances |               | <u><u>\$ 2,927,200</u></u> |

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at July 1, 2013 was restated for the following changes:

|   | <u>Government-wide<br/>Statements</u> | <u>General<br/>Fund</u>    |
|---|---------------------------------------|----------------------------|
| To adjust for prior period deferral of property taxes not collected within 60 days of the fiscal year-end | \$ -                                  | \$ (249,922)               |
| To adjust for subsequent period tax warrant not recorded as a deferred inflow of resources                | (689,296)                             | -                          |
| Net position/fund balance, as previously reported   | <u>6,437,885</u>                      | <u>2,083,149</u>           |
| Net position/fund balance, as restated  | <u><u>\$ 5,748,589</u></u>            | <u><u>\$ 1,833,227</u></u> |

**NOTE 17 – EMPLOYEE RETIREMENT PLAN**

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers were required to contribute 7% of earnable compensation. The contribution rate was 11.55% for police officers. The Town's contribution rates for 2014 for pension and medical subsidy were 25.30% for police officers, and 10.77% for all other employees.

The contribution requirements for the Town for the fiscal years 2012, 2013, and 2014 were \$83,403, \$73,639, and \$99,549, respectively, which were paid in full in each year.

**NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to pension benefits described in the preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's personnel policies and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at June 30, 2014 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

**NOTE 19 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2013, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member towns and cities.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2013 to July 1 2014 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town billed and paid for the year ended June 30, 2014 was \$15,454 for workers' compensation and \$25,693 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of that about, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessments for this or any prior year.

**NOTE 20 – CONTINGENCIES**

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncements were implemented by the Town for the fiscal year ended June 30, 2014. These pronouncements had no impact on the current financial statements:

**GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62***, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

**GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***, issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2014**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

**GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, issued in January 2013, will be effective for the School District beginning with its fiscal year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

**GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date***, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending June 30, 2015. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

***NOTE 22 – SUBSEQUENT EVENTS***

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 6, 2015, the date the June 30, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**SCHEDULE 1**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2014*

|  | Estimated           | Actual              | Variance<br>Positive<br>(Negative) |
|--|---------------------|---------------------|------------------------------------|
| <b>Taxes:</b>  |                     |                     |                                    |
| Property   | \$ 1,949,845        | \$ 1,933,376        | \$ (16,469)                        |
| Yield  | 1,000               | 8,303               | 7,303                              |
| Excavation   | -                   | 88                  | 88                                 |
| Interest and penalties on taxes                                  | 35,000              | 34,898              | (102)                              |
| Total from taxes   | <u>1,985,845</u>    | <u>1,976,665</u>    | <u>(9,180)</u>                     |
| <b>Licenses, permits, and fees:</b>                              |                     |                     |                                    |
| Business licenses, permits, and fees                             | 700                 | 647                 | (53)                               |
| Motor vehicle permit fees  | 550,000             | 622,832             | 72,832                             |
| Building permits   | 4,000               | 7,179               | 3,179                              |
| Other  | 18,000              | 20,578              | 2,578                              |
| Total from licenses, permits, and fees                           | <u>572,700</u>      | <u>651,236</u>      | <u>78,536</u>                      |
| <b>Intergovernmental:</b>  |                     |                     |                                    |
| State:   |                     |                     |                                    |
| Meals and rooms distribution                                     | 133,169             | 133,169             | -                                  |
| Highway block grant  | 56,353              | 56,557              | 204                                |
| Other  | 500                 | 405                 | (95)                               |
| Federal:   |                     |                     |                                    |
| FEMA   | -                   | 45,187              | 45,187                             |
| Total from intergovernmental                                     | <u>190,022</u>      | <u>235,318</u>      | <u>45,296</u>                      |
| <b>Charges for services:</b>                                     |                     |                     |                                    |
| Income from departments  | <u>44,000</u>       | <u>70,810</u>       | <u>26,810</u>                      |
| <b>Miscellaneous:</b>  |                     |                     |                                    |
| Interest on investments  | 50,000              | 68,569              | 18,569                             |
| Rent of property   | 2,000               | 1,200               | (800)                              |
| Contributions and donations                                      | -                   | 300                 | 300                                |
| Other  | -                   | 89,737              | 89,737                             |
| Total from miscellaneous   | <u>52,000</u>       | <u>159,805</u>      | <u>107,805</u>                     |
| <b>Other financing sources:</b>                                  |                     |                     |                                    |
| Transfers in   | <u>131,092</u>      | <u>131,092</u>      | <u>-</u>                           |
| Total revenues and other financing sources                       | 2,975,659           | <u>\$ 3,224,926</u> | <u>\$ 249,267</u>                  |
| Unassigned fund balance used to reduce tax rate                  | 165,000             |                     |                                    |
| Total revenues, other financing sources, and use of fund balance | <u>\$ 3,140,659</u> |                     |                                    |

**SCHEDULE 2**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2014*

|                                       | <u>Appropriations</u> | <u>Expenditures</u> | <u>Encumbered<br/>to Subsequent<br/>Year</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|-----------------------|---------------------|--|---|
| Current:                              |                       |                     |  |   |
| General government:                   |                       |                     |  |   |
| Executive                             | \$ 193,910            | \$ 168,333          | \$ -   | \$ 25,578                                   |
| Election and registration             | 112,954               | 112,258             | -  | 696   |
| Financial administration              | 35,700                | 33,030              | -  | 2,670                                       |
| Revaluation of property               | 40,000                | 48,177              | -  | (8,177)                                     |
| Legal                                 | 15,000                | 13,562              | -  | 1,438                                       |
| Personnel administration              | 534,720               | 413,748             | -  | 120,972                                     |
| Planning and zoning                   | 9,800                 | 3,786               | -  | 6,014                                       |
| General government buildings          | 113,150               | 81,655              | -  | 31,495                                      |
| Cemeteries                            | 18,245                | 8,465               | -  | 9,780                                       |
| Insurance, not otherwise allocated    | 28,000                | 26,693              | -  | 1,307                                       |
| Advertising and regional associations | 4,794                 | 3,794               | -  | 1,000                                       |
| Total general government              | <u>1,106,273</u>      | <u>913,500</u>      | <u>-</u>                                     | <u>192,773</u>                              |
| Public safety:                        |                       |                     |  |   |
| Police                                | 366,101               | 346,543             | -  | 19,558                                      |
| Ambulance                             | 65,600                | 56,381              | -  | 9,219                                       |
| Fire                                  | 123,459               | 80,984              | -  | 42,475                                      |
| Building inspection                   | 6,000                 | 4,182               | -  | 1,818                                       |
| Emergency management                  | 13,850                | 10,246              | -  | 3,604                                       |
| Total public safety                   | <u>575,010</u>        | <u>498,337</u>      | <u>-</u>                                     | <u>76,673</u>                               |
| Highways and streets:                 |                       |                     |  |   |
| Public works garage                   | 194,272               | 187,202             | -  | 7,070                                       |
| Highways and streets                  | 151,200               | 49,941              | 84,129                                       | 17,130                                      |
| Street lighting                       | 5,000                 | 3,753               | -  | 1,247                                       |
| Total highways and streets            | <u>350,472</u>        | <u>240,896</u>      | <u>84,129</u>                                | <u>25,447</u>                               |
| Sanitation:                           |                       |                     |  |   |
| Administration                        | 125,958               | 110,140             | -  | 15,818                                      |
| Solid waste disposal                  | 214,950               | 128,875             | -  | 86,075                                      |
| Other                                 | 8,000                 | 4,993               | -  | 3,007                                       |
| Total sanitation                      | <u>348,908</u>        | <u>244,008</u>      | <u>-</u>                                     | <u>104,900</u>                              |
| Health:                               |                       |                     |  |   |
| Pest control                          | 600                   | 500                 | -  | 100   |
| Health agencies                       | 15,970                | 15,970              | -  | -   |
| Total health                          | <u>16,570</u>         | <u>16,470</u>       | <u>-</u>                                     | <u>100</u>                                  |
| Welfare:                              |                       |                     |  |   |
| Direct assistance                     | 20,000                | 1,273               | -  | 18,727                                      |
| Culture and recreation:               |                       |                     |  |   |
| Parks and recreation                  | 50,455                | 45,385              | -  | 5,070                                       |
| Library                               | 182,746               | 172,566             | -  | 10,180                                      |
| Patriotic purposes                    | 29,983                | 28,403              | -  | 1,580                                       |
| Other                                 | 2,500                 | 2,019               | -  | 481   |
| Total culture and recreation          | <u>265,684</u>        | <u>248,373</u>      | <u>-</u>                                     | <u>17,311</u>                               |
| Conservation                          | 2,000                 | 490                 | -  | 1,510                                       |

(Continued)

*SCHEDULE 2 (Continued)*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2014*

|   | <u>Appropriations</u> | <u>Expenditures</u> | <u>Encumbered<br/>to Subsequent<br/>Year</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|-----------------------|---------------------|--|---|
| Debt service:   |                       |                     |  |   |
| Principal of long-term debt   | 60,000                | 60,000              | -  | -   |
| Interest on long-term debt  | 34,200                | 33,150              | -  | 1,050                                       |
| Interest on tax anticipation notes  | 100                   | -                   | -  | 100   |
| Total debt service  | <u>94,300</u>         | <u>93,150</u>       | <u>-</u>                                     | <u>1,150</u>                                |
| Capital outlay  | <u>160,442</u>        | <u>173,229</u>      | <u>-</u>                                     | <u>(12,787)</u>                             |
| Other financing uses:   |                       |                     |  |   |
| Transfers out   | <u>201,000</u>        | <u>201,000</u>      | <u>-</u>                                     | <u>-</u>                                    |
| Total appropriations, expenditures,<br>other financing uses, and encumbrances | <u>\$ 3,140,659</u>   | <u>\$ 2,630,726</u> | <u>\$ 84,129</u>                             | <u>\$ 425,804</u>                           |

**SCHEDULE 3**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended June 30, 2014**

|   |            |              |
|---|------------|--------------|
| Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)   |            | \$ 1,237,108 |
| Changes:  |            |              |
| Unassigned fund balance used to reduce 2014 tax rate  |            | (165,000)    |
| 2014 Budget summary:  |            |              |
| Revenue surplus (Schedule 1)  | \$ 249,267 |              |
| Unexpended balance of appropriations (Schedule 2)   | 425,804    |              |
| 2014 Budget surplus   | 675,072    | 675,072      |
| Unassigned fund balance, ending (Non-GAAP Budgetary Basis)  |            | 1,747,180    |
| <b><i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i></b>   |            |              |
| To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end |            | (211,368)    |
| Elimination of the allowance for uncollectible taxes  |            | 82,000       |
| Unassigned fund balance, ending (GAAP basis Exhibit C-1)  |            | \$ 1,617,812 |

**SCHEDULE 4**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
*Combining Balance Sheet*  
**June 30, 2014**

|                           | Special Revenue Funds      |                      |                         |                   | Total             |
|---------------------------|----------------------------|----------------------|-------------------------|-------------------|-------------------|
|                           | Conservation<br>Commission | Reclamation<br>Trust | Recreation<br>Revolving | Permanent<br>Fund |                   |
| <b>ASSETS</b>             |                            |                      |                         |                   |                   |
| Cash and cash equivalents | \$ -                       | \$ 1,477             | \$ 13,063               | \$ 45,943         | \$ 60,483         |
| Investments               | 50,358                     | 47,015               | -                       | 9,327             | 106,700           |
| Total assets              | <u>\$ 50,358</u>           | <u>\$ 48,492</u>     | <u>\$ 13,063</u>        | <u>\$ 55,270</u>  | <u>\$ 167,183</u> |
| <b>FUND BALANCES</b>      |                            |                      |                         |                   |                   |
| Nonspendable              | \$ -                       | \$ -                 | \$ -                    | \$ 40,847         | \$ 40,847         |
| Restricted                | -                          | -                    | -                       | 14,423            | 14,423            |
| Committed                 | 50,358                     | 48,492               | -                       | -                 | 98,850            |
| Assigned                  | -                          | -                    | 13,063                  | -                 | 13,063            |
| Total fund balances       | <u>\$ 50,358</u>           | <u>\$ 48,492</u>     | <u>\$ 13,063</u>        | <u>\$ 55,270</u>  | <u>\$ 167,183</u> |

**SCHEDULE 5**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2014**

|  | Special Revenue Funds      |                      |                         |                   | Total             |
|--|----------------------------|----------------------|-------------------------|-------------------|-------------------|
|  | Conservation<br>Commission | Reclamation<br>Trust | Recreation<br>Revolving | Permanent<br>Fund |                   |
| <b>Revenues:</b>   |                            |                      |                         |                   |                   |
| Charges for services   | \$ -                       | \$ 8,263             | \$ -                    | \$ -              | \$ 8,263          |
| Miscellaneous  | 12                         | 9                    | 2,185                   | 329               | 2,535             |
| Total revenues   | <u>12</u>                  | <u>8,272</u>         | <u>2,185</u>            | <u>329</u>        | <u>10,798</u>     |
| <b>Expenditures:</b>   |                            |                      |                         |                   |                   |
| Current:   |                            |                      |                         |                   |                   |
| General government   | -                          | 2,882                | -                       | -                 | 2,882             |
| Conservation   | 1,266                      | -                    | -                       | -                 | 1,266             |
| Total expenditures   | <u>1,266</u>               | <u>2,882</u>         | <u>-</u>                | <u>-</u>          | <u>4,148</u>      |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,254)</u>             | <u>5,390</u>         | <u>2,185</u>            | <u>329</u>        | <u>6,650</u>      |
| <b>Other financing sources (uses):</b>                       |                            |                      |                         |                   |                   |
| Transfers in   | -                          | -                    | 700                     | -                 | 700               |
| Transfers out  | (500)                      | -                    | -                       | -                 | (500)             |
| Total other financing sources (uses)                         | <u>(500)</u>               | <u>-</u>             | <u>700</u>              | <u>-</u>          | <u>200</u>        |
| Net change in fund balances                                  | (1,754)                    | 5,390                | 2,885                   | 329               | 6,850             |
| Fund balances, beginning                                     | 52,112                     | 43,102               | 10,178                  | 54,941            | 160,333           |
| Fund balances, ending  | <u>\$ 50,358</u>           | <u>\$ 48,492</u>     | <u>\$ 13,063</u>        | <u>\$ 55,270</u>  | <u>\$ 167,183</u> |



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

## **INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS**

To the Members of the Board of Selectmen  
Town of Grantham  
Grantham, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, major general fund, and aggregate remaining fund information of the Town of Grantham as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Grantham's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Grantham's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Town of Grantham's internal control to be a material weakness:

### ***GASB Statement No. 45 Non-compliance***

The Town's financial statements do not comply with Governmental Accounting Standards Board Statement No. 45 dealing with the financial reporting for other postemployment benefit (OPEB) plans. We recommend that steps be taken to comply with GASB Statement No. 45.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town of Grantham's internal control to be a significant deficiency:

### ***Cash Disbursements***

Upon review of the internal controls over purchasing and cash disbursements, we noted that purchase orders were not always properly dated, completed, or approved. While the Town does have a purchase order policy it was noted that it is not always being adhered to. It is recommended that the Town's purchase order policy be reviewed with all Town personnel so that they have a clear understanding of the policy. We also recommend that the policy be strictly adhered to and if there are areas in the policy that are impossible to meet then the policy should be revised.

This communication is intended solely for the information and use of management of the Board of Selectmen, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

February 6, 2015

*Plodzik & Sanderson  
Professional Association*