

TOWN OF MILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2013

and

Independent Auditor's Report

TOWN OF MILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2013

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**TOWN OF MILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Milford, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, New Hampshire as of and for the year ended December 31, 2013, 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 from material misstatement.

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably 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 governmental activities of the Town of Milford, New Hampshire, as of December 31, 2013, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, New Hampshire, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Milford, New Hampshire's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements 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 nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vachon Clutay & Company PC

Manchester, New Hampshire
October 27, 2015

EXHIBIT A
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 13,350,453	\$ 60,000	\$ 13,410,453
Investments	2,438,724	549,366	2,988,090
Taxes receivable, net	2,057,442		2,057,442
Accounts receivable, net	214,903	242,175	457,078
Unbilled charges for services		434,233	434,233
Due from other governments	225,606	11,633	237,239
Internal balances	460,141	(460,141)	-
Prepaid expenses	114,338		114,338
Inventory		71,249	71,249
Total Current Assets	<u>18,861,607</u>	<u>908,515</u>	<u>19,770,122</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	15,519,867	560,324	16,080,191
Depreciable capital assets, net	12,994,736	22,382,484	35,377,220
Total Noncurrent Assets	<u>28,514,603</u>	<u>22,942,808</u>	<u>51,457,411</u>
Total Assets	<u>47,376,210</u>	<u>23,851,323</u>	<u>71,227,533</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	524,716	73,139	597,855
Accrued expenses	429,413	69,123	498,536
Retainage payable	10,000		10,000
Due to other governments	12,654,461		12,654,461
Deposits	7,916	177	8,093
Current portion of bonds payable	395,000	210,278	605,278
Current portion of note payable	37,500		37,500
Current portion of capital leases payable	178,387		178,387
Total Current Liabilities	<u>14,237,393</u>	<u>352,717</u>	<u>14,590,110</u>
Noncurrent Liabilities:			
Bonds payable	2,915,000	2,119,996	5,034,996
Note payable	1,462,500		1,462,500
Capital leases payable	759,667		759,667
Compensated absences payable	224,925	54,010	278,935
Total Noncurrent Liabilities	<u>5,362,092</u>	<u>2,174,006</u>	<u>7,536,098</u>
Total Liabilities	<u>19,599,485</u>	<u>2,526,723</u>	<u>22,126,208</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes collected in advance	4,640		4,640
Unearned grant revenue	126,624		126,624
Other unearned revenue	60		60
Total Deferred Inflows of Resources	<u>131,324</u>	<u>-</u>	<u>131,324</u>
NET POSITION			
Net investment in capital assets	22,766,549	20,612,534	43,379,083
Restricted	1,494,148		1,494,148
Unrestricted	3,384,704	712,066	4,096,770
Total Net Position	<u>\$ 27,645,401</u>	<u>\$ 21,324,600</u>	<u>\$ 48,970,001</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 4,695,928	\$ 44,727			\$ (4,651,201)		\$ (4,651,201)
Public safety	4,367,317	825,142	\$ 15,744		(3,526,431)		(3,526,431)
Highways and streets	1,878,907		271,913	\$ 303,472	(1,303,522)		(1,303,522)
Health and welfare	244,974	4,729			(240,245)		(240,245)
Sanitation	677,892	114,670			(563,222)		(563,222)
Culture and recreation	1,202,801	143,114			(1,059,687)		(1,059,687)
Conservation	59,899		31,959		(27,940)		(27,940)
Economic development	323,311		323,311		-		-
Debt service	179,407				(179,407)		(179,407)
Total governmental activities	<u>13,630,436</u>	<u>1,132,382</u>	<u>642,927</u>	<u>303,472</u>	<u>(11,551,655)</u>	<u>\$ -</u>	<u>(11,551,655)</u>
Business-type activities:							
Water Department	1,113,614	1,391,120				277,506	277,506
Sewer Department	2,008,448	1,584,427		594,138		170,117	170,117
Total business-type activities	<u>3,122,062</u>	<u>2,975,547</u>	<u>-</u>	<u>594,138</u>	<u>-</u>	<u>447,623</u>	<u>447,623</u>
Total primary government	<u>\$ 16,752,498</u>	<u>\$ 4,107,929</u>	<u>\$ 642,927</u>	<u>\$ 897,610</u>	<u>(11,551,655)</u>	<u>447,623</u>	<u>(11,104,032)</u>
General revenues:							
Property and other taxes					8,297,108		8,297,108
Licenses and permits					2,402,214		2,402,214
Grants and contributions:							
Rooms and meals tax distribution					673,321		673,321
Railroad tax					1,504		1,504
State and federal forest land					4,747		4,747
Interest and investment earnings					294,968	111	295,079
Miscellaneous					292,971	17,628	310,599
Transfers					(9,791)	9,791	-
Total general revenues					<u>11,957,042</u>	<u>27,530</u>	<u>11,984,572</u>
Change in net position					405,387	475,153	880,540
Net position - beginning					27,240,014	20,849,447	48,089,461
Net position - ending					<u>\$ 27,645,401</u>	<u>\$ 21,324,600</u>	<u>\$ 48,970,001</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF MILFORD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,350,453			\$ 13,350,453
Investments	932,486		\$ 1,506,238	2,438,724
Taxes receivable, net	2,057,442			2,057,442
Accounts receivable, net	171,717		43,186	214,903
Due from other governments			225,606	225,606
Due from other funds	922,183		151,162	1,073,345
Prepaid expenses	114,338			114,338
Total Assets	<u>17,548,619</u>	<u>\$ -</u>	<u>1,926,192</u>	<u>19,474,811</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,548,619</u>	<u>\$ -</u>	<u>\$ 1,926,192</u>	<u>\$ 19,474,811</u>
LIABILITIES				
Accounts payable	\$ 268,776	\$ 196,974	\$ 58,966	\$ 524,716
Accrued expenses	369,924		798	370,722
Retainage payable		10,000		10,000
Due to other governments	12,653,350		1,111	12,654,461
Due to other funds	151,162	419,289	42,753	613,204
Deposits	7,416		500	7,916
Total Liabilities	<u>13,450,628</u>	<u>626,263</u>	<u>104,128</u>	<u>14,181,019</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes collected in advance	4,640			4,640
Unearned property taxes	1,486,758			1,486,758
Unearned grant revenue			126,624	126,624
Other unearned revenue	60			60
Total Deferred Inflows of Resources	<u>1,491,458</u>	<u>-</u>	<u>126,624</u>	<u>1,618,082</u>
FUND BALANCES				
Nonspendable	114,338		1,449,770	1,564,108
Restricted			44,378	44,378
Committed	1,833,507		201,292	2,034,799
Assigned	263,506			263,506
Unassigned (Deficit)	395,182	(626,263)		(231,081)
Total Fund Balances (Deficit)	<u>2,606,533</u>	<u>(626,263)</u>	<u>1,695,440</u>	<u>3,675,710</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,548,619</u>	<u>\$ -</u>	<u>\$ 1,926,192</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				28,514,603
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis				1,486,758
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:				
Bonds payable				(3,310,000)
Note payable				(1,500,000)
Capital leases payable				(938,054)
Accrued interest on long-term obligations				(58,691)
Compensated absences payable				(224,925)
Net position of governmental activities				<u>\$ 27,645,401</u>

See accompanying notes to the basic financial statements

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,138,605			\$ 8,138,605
Licenses and permits	2,263,833		\$ 138,381	2,402,214
Intergovernmental	951,485		424,054	1,375,539
Charges for services	879,712		242,142	1,121,854
Investment income	115,513		179,455	294,968
Miscellaneous	271,798		31,701	303,499
Total Revenues	<u>12,620,946</u>	<u>\$ -</u>	<u>1,015,733</u>	<u>13,636,679</u>
Expenditures:				
Current operations:				
General government	4,384,927		121,525	4,506,452
Public safety	4,035,842		149,092	4,184,934
Highways and streets	1,365,336		10,313	1,375,649
Health and welfare	243,093		973	244,066
Sanitation	660,971			660,971
Culture and recreation	1,136,507		150,993	1,287,500
Conservation	26,855		30,371	57,226
Economic development			323,311	323,311
Capital outlay	876,729	1,851,536	62,879	2,791,144
Debt service:				
Principal retirement	506,800			506,800
Interest and fiscal charges	182,025			182,025
Total Expenditures	<u>13,419,085</u>	<u>1,851,536</u>	<u>849,457</u>	<u>16,120,078</u>
Excess of revenues over (under) expenditures	<u>(798,139)</u>	<u>(1,851,536)</u>	<u>166,276</u>	<u>(2,483,399)</u>
Other financing sources (uses):				
Proceeds from note payable issuance		1,500,000		1,500,000
Proceeds from capital lease obligations	670,940			670,940
Transfers in	22,667		48,122	70,789
Transfers out	(18,563)		(62,017)	(80,580)
Total other financing sources (uses)	<u>675,044</u>	<u>1,500,000</u>	<u>(13,895)</u>	<u>2,161,149</u>
Net change in fund balances	(123,095)	(351,536)	152,381	(322,250)
Fund balances at beginning of year	<u>2,729,628</u>	<u>(274,727)</u>	<u>1,543,059</u>	<u>3,997,960</u>
Fund balances at end of year	<u>\$ 2,606,533</u>	<u>\$ (626,263)</u>	<u>\$ 1,695,440</u>	<u>\$ 3,675,710</u>

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

Net Change in Fund Balances--Total Governmental Funds	\$ (322,250)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	1,926,976
Proceeds from note payable issuance are reported as other financing sources in the governmental funds, but note payable issuance increases long-term liabilities in the statement of net position.	(1,500,000)
Proceeds from capital leases are reported as other financing sources in the governmental funds, but capital leases increase long-term liabilities in the statement of net position.	(670,940)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss for disposed capital assets reduced by the actual proceeds received from the sale.	(24,724)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	428,435
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	395,000
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	186,179
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	2,618
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(15,907)
Change in Net Position of Governmental Activities	<u>\$ 405,387</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 40,000	\$ 20,000	\$ 60,000
Investments	316,926	232,440	549,366
Accounts receivable	97,767	144,408	242,175
Unbilled charges for services	196,143	238,090	434,233
Due from other governments		11,633	11,633
Inventory	37,217	34,032	71,249
Total Current Assets	<u>688,053</u>	<u>680,603</u>	<u>1,368,656</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	483,907	76,417	560,324
Depreciable capital assets, net	<u>8,112,913</u>	<u>14,269,571</u>	<u>22,382,484</u>
Total Noncurrent Assets	<u>8,596,820</u>	<u>14,345,988</u>	<u>22,942,808</u>
Total Assets	<u>9,284,873</u>	<u>15,026,591</u>	<u>24,311,464</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	15,915	57,224	73,139
Accrued expenses	38,331	30,792	69,123
Due to other funds	112,927	347,214	460,141
Deposits		177	177
Current portion of bonds payable	<u>160,000</u>	<u>50,278</u>	<u>210,278</u>
Total Current Liabilities	<u>327,173</u>	<u>485,685</u>	<u>812,858</u>
Noncurrent Liabilities:			
Bonds payable	1,395,000	724,996	2,119,996
Compensated absences payable	<u>14,631</u>	<u>39,379</u>	<u>54,010</u>
Total Noncurrent Liabilities	<u>1,409,631</u>	<u>764,375</u>	<u>2,174,006</u>
Total Liabilities	<u>1,736,804</u>	<u>1,250,060</u>	<u>2,986,864</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	7,041,820	13,570,714	20,612,534
Unrestricted	<u>506,249</u>	<u>205,817</u>	<u>712,066</u>
Total Net Position	<u>\$ 7,548,069</u>	<u>\$ 13,776,531</u>	<u>\$ 21,324,600</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 1,391,120	\$ 1,584,427	\$ 2,975,547
Miscellaneous	9,447	8,181	17,628
Total operating revenues	<u>1,400,567</u>	<u>1,592,608</u>	<u>2,993,175</u>
Operating expenses:			
Personnel services	299,771	693,792	993,563
Contractual services	316,369	355,016	671,385
Materials and supplies	141,789	267,495	409,284
Miscellaneous expenses	6,477	30,601	37,078
Depreciation	279,055	610,693	889,748
Total operating expenses	<u>1,043,461</u>	<u>1,957,597</u>	<u>3,001,058</u>
Operating income (loss)	<u>357,106</u>	<u>(364,989)</u>	<u>(7,883)</u>
Non-operating revenues (expenses):			
Interest income	55	56	111
Interest expense	(70,153)	(50,851)	(121,004)
Net non-operating revenues (expenses)	<u>(70,098)</u>	<u>(50,795)</u>	<u>(120,893)</u>
Income (Loss) before capital contributions and transfers	287,008	(415,784)	(128,776)
Capital contributions		594,138	594,138
Transfers in		9,791	9,791
Change in net position	287,008	188,145	475,153
Total net position at beginning of year	<u>7,261,061</u>	<u>13,588,386</u>	<u>20,849,447</u>
Total net position at end of year	<u>\$ 7,548,069</u>	<u>\$ 13,776,531</u>	<u>\$ 21,324,600</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,395,203	\$ 1,628,230	\$ 3,023,433
Cash paid to suppliers	(491,557)	(625,268)	(1,116,825)
Cash paid to employees	(298,298)	(683,916)	(982,214)
Net cash provided by operating activities	<u>605,348</u>	<u>319,046</u>	<u>924,394</u>
Cash flows from noncapital financing activities:			
Transfers from other funds		9,791	9,791
Net cash provided for noncapital financing activities	<u>-</u>	<u>9,791</u>	<u>9,791</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(401,743)	(374,797)	(776,540)
Proceeds from other long-term obligations		7,959	7,959
Principal paid on long-term debt	(160,000)	(69,448)	(229,448)
Interest paid on long-term debt	(72,780)	(50,385)	(123,165)
Net cash used for capital and related financing activities	<u>(634,523)</u>	<u>(486,671)</u>	<u>(1,121,194)</u>
Cash flows from investing activities:			
Purchase of investments	(26,939)		(26,939)
Redemption of investments		128,159	128,159
Interest on investments	55	56	111
Net cash provided (used) by investing activities	<u>(26,884)</u>	<u>128,215</u>	<u>101,331</u>
Net decrease in cash and cash equivalents	(56,059)	(29,619)	(85,678)
Cash and cash equivalents (deficiency) at beginning of year	(16,868)	(297,595)	(314,463)
Cash and cash equivalents (deficiency) at end of year	<u>\$ (72,927)</u>	<u>\$ (327,214)</u>	<u>\$ (400,141)</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 357,106	\$ (364,989)	\$ (7,883)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	279,055	610,693	889,748
Changes in assets and liabilities:			
Accounts receivable	10,385	(14,823)	(4,438)
Unbilled charges for services	(15,749)	2,316	(13,433)
Due from other governments		48,129	48,129
Inventory	7,313	6,896	14,209
Accounts payable	(34,235)	20,948	(13,287)
Accrued expenses	2,348	2,696	5,044
Compensated absences payable	(875)	7,180	6,305
Net cash provided by operating activities	<u>\$ 605,348</u>	<u>\$ 319,046</u>	<u>\$ 924,394</u>
Noncash transactions affecting financial position:			
Principal forgiveness on debt	<u>\$ -</u>	<u>\$ 594,138</u>	<u>\$ 594,138</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Private- Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 64,460
Investments	\$ 3,653,419	
Total Assets	<u>3,653,419</u>	<u>\$ 64,460</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to developers		\$ 64,460
Total Liabilities	<u>-</u>	<u>\$ 64,460</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>3,653,419</u>	
Total Net Position	<u>\$ 3,653,419</u>	

See accompanying notes to the basic financial statements

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

	Private- Purpose Trust Funds
ADDITIONS:	
Contributions:	
Private donations	\$ 12,655
Total Contributions	<u>12,655</u>
Investment earnings:	
Investment income	228,463
Net increase in the fair value of investments	<u>263,475</u>
Total Investment Earnings	491,938
Less: Investment expense	<u>(7,652)</u>
Net Investment Earnings	<u>484,286</u>
Total Additions	<u>496,941</u>
DEDUCTIONS:	
Benefits	<u>62,811</u>
Total Deductions	<u>62,811</u>
Change in Net Position	434,130
Net position - beginning of year	<u>3,219,289</u>
Net position - end of year	<u><u>\$ 3,653,419</u></u>

See accompanying notes to the basic financial statements

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Milford, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Milford, New Hampshire (the Town) was incorporated in 1794. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions as authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources less liabilities and deferred inflows of resources is reported as fund balance. The following are the Town's major governmental funds:

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for all financial transactions associated with the acquisition and construction of a stand-alone Ambulance Facility. The fund accounts for the financing of the project, as well as all related capital outlay expenditures.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water Fund* and *Sewer Fund* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains various private-purpose trusts, which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for escrow funds from developers which are held by the Town.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

The private-purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements, proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year end.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, charges for services and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2013, the Town applied \$150,000 of its unappropriated fund balance to reduce taxes.

Cash and Cash Equivalents

The Town pools its cash resources for its governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

	Water Fund	Sewer Fund	Totals
Cash and cash equivalents	\$ 40,000	\$ 20,000	\$ 60,000
Due to other funds	(112,927)	(347,214)	(460,141)
Total cash and cash equivalents	<u>\$ (72,927)</u>	<u>\$ (327,214)</u>	<u>\$ (400,141)</u>

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at December 31, 2013 are recorded as receivables net of reserves for estimated uncollectibles of \$360,684.

Accounts Receivable

Ambulance services billed during the current year and prior and uncollected at December 31, 2013 are recorded as receivables net of reserves for estimated uncollectibles of \$707,192 in the General Fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2013 are recorded as prepaid items.

Inventory

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution systems, sewer collection and treatment systems, and similar items. Intangible assets of the Town consist of conservation land easements which are reported as non-depreciable capital assets, and software costs which are reported as depreciable capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of the business-type activities is also capitalized.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

All reported capital assets except for land, certain intangible assets and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Infrastructure	10-75
Land improvements	15-20
Buildings and improvements	10-50
Vehicles and equipment	3-50
Intangible assets	5

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay. No payment for unused sick leave is made upon termination.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the residual amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts that can only be spent for the specific purposes stipulated by external resource providers or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or in enabling legislation.
- *Committed Fund Balance*: Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (the annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's action must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts the Town intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "Assigned". The Selectmen expressly delegate the authority to assign amounts to be used for specific purposes to the Town Administrator.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as unassigned.

Spending Prioritizations

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Deficit Fund Balance

At year end, if any of the special revenue funds has a deficit unassigned fund balance, the Board of Selectmen is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Minimum Level of Unassigned Fund Balance

As recommended by the New Hampshire Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-15% of the total annual appropriations of the community (which includes Town, County, and School District).

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water and sewer funds, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense and the allowances for uncollectible taxes and accounts receivable.

NOTE 2— STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

The Town has not implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,275,712,887 as of April 1, 2013) and are due in two installments on July 2, 2013 and December 6, 2013. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Milford School District and Hillsborough County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the School District. Total taxes appropriated during the year were \$24,718,197 and \$1,525,987 for the Milford School District and Hillsborough County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 4—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2013, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2013.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 5—DEPOSITS AND INVESTMENTS

The Town has combined the cash resources of its governmental and proprietary funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 13,410,453
Investments	2,988,090
Statement of Fiduciary Net Position:	
Cash and cash equivalents	64,460
Investments	3,653,419
Total deposits and investments	<u>\$ 20,116,422</u>

Deposits and investments at December 31, 2013 consist of the following:

Cash on hand	\$ 61,690
Deposits with financial institutions	14,039,051
Investments	6,015,681
Total deposits and investments	<u>\$ 20,116,422</u>

The Town's investment policy for governmental and business-type funds requires that deposits be made in federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. The Town limits its investments in accordance with New Hampshire State law (RSA 41:29) to United States Treasury securities maturing in less than one year, short-term obligations of U.S. Government agencies, fully insured or collateralized certificates of deposits in banks incorporated in the State of New Hampshire or national banks located in the State of New Hampshire, repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized, and the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool.

Responsibility for the investments of the Town's Trust Funds is with the Board of Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a). Investments of the library funds are at the discretion of the Library Trustees.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy for managing interest rate risk requires investment maturities to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures, as well as anticipated revenue inflows. Information about the sensitivity of the fair values of the Town's investments subject to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

Investment Type		Remaining Maturity (in Years)		
		0-1 Years	1-5 Years	> 5 Years
US Treasury Obligations	\$ 108,495		\$ 108,495	
Government agency bonds	30,520		3,088	\$ 27,432
Municipal bonds	117,611		53,527	64,084
Corporate bonds	670,245	\$ 103,579	538,048	28,618
	<u>\$ 926,871</u>	<u>\$ 103,579</u>	<u>\$ 703,158</u>	<u>\$ 120,134</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy states that the Town's objective is to attain the highest possible rate of return while taking into account the legal constraints, cash flow needs and risk levels consistent with the primary objective of capital preservation. The following are the actual ratings as of year end for each investment type:

		Investment Type					
		Government			Money	Mutual	State
		Agency	Municipal	Corporate	Market	Funds	Investment
		Bonds	Bonds	Bonds	Funds	Funds	Pool
Ratings as of Year End	Aaa	\$ 27,432	\$ 53,527				\$ 80,959
	Aa1			\$ 78,077			78,077
	Aa2		64,084	25,623			89,707
	Aa3			25,834			25,834
	A1			181,856			181,856
	A2			211,987			211,987
	A3			30,044			30,044
	Baa1			91,009			91,009
	Not Rated	3,088		25,815	\$ 231,838	\$ 1,084,329	\$ 44,586
	Fair Value	<u>\$ 30,520</u>	<u>\$ 117,611</u>	<u>\$ 670,245</u>	<u>\$ 231,838</u>	<u>\$ 1,084,329</u>	<u>\$ 2,179,129</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment policy for

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

assurance against custodial credit risk requires that all investment and depository instruments not covered by federal depository insurance be collateralized.

Of the Town's deposits with financial institutions at year end, \$13,623,090 was collateralized by securities held by the bank in the bank's name. As of December 31, 2013, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Obligations	\$ 108,495
Equity securities	3,728,057
Government agency bonds	30,520
Municipal bonds	117,611
Corporate bonds	670,245
Money market funds	231,838
Mutual funds	1,084,329
	<u>\$ 5,971,095</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 6—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental funds:

	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 13,027,761	\$ 68,600		\$ 13,096,361
Intangible assets	131,049			131,049
Construction in process	844,633	1,906,303	\$ (458,479)	2,292,457
Total capital assets not being depreciated	<u>14,003,443</u>	<u>1,974,903</u>	<u>(458,479)</u>	<u>15,519,867</u>
Other capital assets:				
Infrastructure	7,319,218	250,432		7,569,650
Land improvements	2,190,403		(4,000)	2,186,403
Buildings and improvements	7,829,994	177,877		8,007,871
Vehicles and equipment	5,913,268	1,363,260	(412,760)	6,863,768
Intangible assets	189,762	10,487		200,249
Total other capital assets at historical cost	<u>23,442,645</u>	<u>1,802,056</u>	<u>(416,760)</u>	<u>24,827,941</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Less accumulated depreciation for:

Infrastructure	(1,979,536)	(367,392)		(2,346,928)
Land improvements	(1,282,720)	(100,473)		(1,383,193)
Buildings and improvements	(3,304,397)	(202,820)		(3,507,217)
Vehicles and equipment	(4,347,254)	(460,916)	402,240	(4,405,930)
Intangible assets	(189,762)	(175)		(189,937)
Total accumulated depreciation	<u>(11,103,669)</u>	<u>(1,131,776)</u>	<u>402,240</u>	<u>(11,833,205)</u>
Total other capital assets, net	12,338,976	670,280	(14,520)	12,994,736
Total capital assets, net	<u>\$ 26,342,419</u>	<u>\$ 2,645,183</u>	<u>\$ (472,999)</u>	<u>\$ 28,514,603</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 206,207
Public safety	365,260
Highways and streets	482,694
Sanitation	16,060
Culture and recreation	61,555
Total governmental activities depreciation expense	<u>\$ 1,131,776</u>

The balance of assets acquired through capital leases as of December 31, 2013 is as follows:

Vehicles and equipment	\$ 1,241,185
Less: Accumulated depreciation	<u>(65,521)</u>
	<u>\$ 1,175,664</u>

During the year ending December 31, 2013, the Town received a donated roadway that was capitalized. The asset has been recorded at its fair value as of the date received and is included in the government-wide financial statements. On the Statement of Net Position and the Statement of Activities, \$250,432 has been included as an addition to capital assets and a capital contribution, respectively.

The following is a summary of changes in capital assets in the proprietary funds:

	Balance 1/1/2013	Additions	Reductions	Balance 12/31/2013
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 188,892			\$ 188,892
Intangible assets	54,636			54,636
Construction in process	1,511,535	\$ 607,914	\$(1,802,653)	316,796
Total capital assets not being depreciated	<u>1,755,063</u>	<u>607,914</u>	<u>(1,802,653)</u>	<u>560,324</u>
Other capital assets:				
Infrastructure	14,063,444	48,919		14,112,363
Land improvements	56,757			56,757
Buildings and improvements	21,747,450	1,417,954		23,165,404
Vehicles and equipment	2,969,418	437,759	(68,242)	3,338,935
Total other capital assets at historical cost	<u>38,837,069</u>	<u>1,904,632</u>	<u>(68,242)</u>	<u>40,673,459</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Less accumulated depreciation for:

Infrastructure	(3,900,825)	(309,087)		(4,209,912)
Land improvements	(35,425)	(1,216)		(36,641)
Buildings and improvements	(12,197,238)	(484,932)		(12,682,170)
Vehicles and equipment	(1,335,981)	(94,513)	68,242	(1,362,252)
Total accumulated depreciation	(17,469,469)	(889,748)	68,242	(18,290,975)
Total other capital assets, net	21,367,600	1,014,884	-	22,382,484
Total capital assets, net	<u>\$ 23,122,663</u>	<u>\$ 1,622,798</u>	<u>\$(1,802,653)</u>	<u>\$ 22,942,808</u>

Depreciation expense was charged to proprietary funds as follows:

Water Fund	\$ 279,055
Sewer Fund	610,693
	<u>\$ 889,748</u>

NOTE 7—DUE TO OTHER GOVERNMENTS

At December 31, 2013, payments due to other governments of the governmental activities consist of the property tax appropriation due to the Milford School District in the amount of \$12,651,956 and various fees and charges collected and payable to the State of New Hampshire in the amount of \$2,505.

NOTE 8—DEFINED BENEFIT PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.8%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 19.95%, 22.89% and 8.8%, respectively, through June 30, 2013, and 25.3%, 27.74% and 10.77%, respectively, thereafter. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Under NHRSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2013, 2012, and 2011 were \$774,490, \$667,179, and \$624,417, respectively, equal to the required contributions for each year.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

NOTE 9—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2013 are as follows:

	Balance <u>1/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2013</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 3,705,000		\$ (395,000)	\$ 3,310,000	\$ 395,000
Note payable		\$ 1,500,000		1,500,000	37,500
Capital leases payable	453,293	670,940	(186,179)	938,054	178,387
Compensated absences payable	209,018	51,123	(35,216)	224,925	-
Total governmental activities	<u>\$ 4,367,311</u>	<u>\$ 2,222,063</u>	<u>\$ (616,395)</u>	<u>\$ 5,972,979</u>	<u>\$ 610,887</u>
Business-type activities:					
Bonds payable	\$ 1,935,000	\$ 1,199,690	\$ (804,416)	\$ 2,330,274	\$ 210,278
Capital lease payable	19,170		(19,170)	-	-
Other long-term obligations	1,191,731	7,959	(1,199,690)	-	-
Compensated absences payable	47,705	10,843	(4,538)	54,010	-
Total business-type activities	<u>\$ 3,193,606</u>	<u>\$ 1,218,492</u>	<u>\$(2,027,814)</u>	<u>\$ 2,384,284</u>	<u>\$ 210,278</u>

Payments on the bonds payable, note payable and capital leases of the governmental activities are paid out of the General Fund. Payments on the bonds payable of the business-type activities are paid out of the Water and Sewer Funds, as applicable to each fund for related debt. Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

Bonds payable at December 31, 2013 are comprised of the following individual issues:

	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>12/31/2013</u>
Governmental Activities:			
Water Main Extension	4.70-5.30%	08/2017	\$ 140,000
Brox Property Purchase	5.0-5.25%	07/2015	180,000
Police Station	3.70-4.50%	09/2024	1,650,000
Milesip Road Land	4.50%	08/2025	1,340,000
Total governmental activities			<u>\$ 3,310,000</u>
Business-type Activities:			
<i>Water Fund:</i>			
Water Main Extension	4.125-4.75%	08/2016	\$ 120,000
Storage Tank	4.50%	08/2025	960,000
Elm Street Phase I	4.0-4.50%	08/2026	475,000
			<u>1,555,000</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Sewer Fund:

Outfall Diffuser	4.0-5.0%	08/2026	200,000
Septage Receiving Facility	2.72%	12/2032	<u>575,274</u>
			<u>775,274</u>
Total business-type activities			<u>\$ 2,330,274</u>

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2013 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 395,000	\$ 138,033	\$ 533,033
2015	395,000	121,183	516,183
2016	305,000	104,195	409,195
2017	305,000	91,840	396,840
2018	270,000	79,410	349,410
2019-2023	1,350,000	233,310	1,583,310
2024-2025	<u>290,000</u>	<u>13,470</u>	<u>303,470</u>
	<u>\$ 3,310,000</u>	<u>\$ 781,441</u>	<u>\$ 4,091,441</u>

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2013 are as follows:

Water Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 160,000	\$ 65,736	\$ 225,736
2015	160,000	58,685	218,685
2016	160,000	53,287	213,287
2017	120,000	46,166	166,166
2018	115,000	40,966	155,966
2019-2023	575,000	132,477	707,477
2024-2026	<u>265,000</u>	<u>20,037</u>	<u>285,037</u>
	<u>\$ 1,555,000</u>	<u>\$ 417,354</u>	<u>\$ 1,972,354</u>

Sewer Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 50,278	\$ 25,209	\$ 75,487
2015	45,278	23,385	68,663
2016	45,278	21,812	67,090
2017	45,277	20,238	65,515
2018	45,277	18,665	63,942
2019-2023	226,388	70,600	296,988
2024-2028	196,388	33,092	229,480
2029-2032	<u>121,110</u>	<u>8,235</u>	<u>129,345</u>
	<u>\$ 775,274</u>	<u>\$ 221,236</u>	<u>\$ 996,510</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

General Obligation Note

Note payable for governmental activities at December 31, 2013 is comprised of the following individual issue:

	Interest Rate	Final Maturity Date	Balance at 12/31/2013
Governmental Activities:			
Ambulance Facility	2.875%	01/2034	<u>\$ 1,500,000</u>

Debt service requirements to retire the general obligation note outstanding for governmental activities at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2014	\$ 37,500	\$ 23,240	\$ 60,740
2015	75,000	41,508	116,508
2016	75,000	39,352	114,352
2017	75,000	37,195	112,195
2018	75,000	35,039	110,039
2019-2023	375,000	142,852	517,852
2024-2028	375,000	88,946	463,946
2029-2033	375,000	35,039	410,039
2034	37,500	539	38,039
	<u>\$ 1,500,000</u>	<u>\$ 443,710</u>	<u>\$ 1,943,710</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function.

The following are the individual capital lease obligations outstanding for governmental activities at December 31, 2013:

	Interest Rate	Final Maturity Date	Balance at 12/31/2013
Governmental Activities:			
Fire engine	2.29%	04/2018	\$ 311,983
Backhoe	2.14%	04/2016	62,935
Ambulances	1.72%	06/2019	275,313
Dump truck	1.59%	06/2017	98,809
Sweeper	1.72%	06/2019	189,014
			<u>\$ 938,054</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2013 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 178,387	\$ 18,049	\$ 196,436
2015	181,849	14,586	196,435
2016	185,381	11,054	196,435
2017	167,100	7,453	174,553
2018	144,613	4,248	148,861
2019	80,724	1,388	82,112
	<u>\$ 938,054</u>	<u>\$ 56,778</u>	<u>\$ 994,832</u>

Authorized and Unissued Debt

As of December 31, 2013, the Town had the following debt authorized and unissued:

<u>Purpose</u>	<u>Amount</u>	<u>Total</u>
Governmental Funds:		
Ambulance Facility	<u>\$ 714,000</u>	
Total Governmental Funds		<u>\$ 714,000</u>
Business-type Funds:		
<i>Water Fund -</i>		
Curtis Well Facility Improvements	295,000	
Union Street Water Main Replacement	246,000	
<i>Sewer Fund -</i>		
Sewer System Rehabilitation	<u>270,000</u>	
Total Business-type Funds		811,000
Combining Total		<u>\$ 1,525,000</u>

NOTE 10—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2013 are as follows:

		<u>Due from</u>				
<u>Due to</u>	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>			
	<u>Fund</u>	<u>Projects</u>	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
General Fund		\$ 419,289	\$ 42,753	\$ 112,927	\$ 347,214	\$ 922,183
Nonmajor Governmental Funds	<u>\$ 151,162</u>					151,162
	<u>\$ 151,162</u>	<u>\$ 419,289</u>	<u>\$ 42,753</u>	<u>\$ 112,927</u>	<u>\$ 347,214</u>	<u>\$ 1,073,345</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2013 are as follows:

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

	General Fund	Transfer from Nonmajor Governmental Funds	Totals
Transfer to General Fund		\$ 22,667	\$ 22,667
Nonmajor Governmental Funds	\$ 18,563	29,559	48,122
Sewer Fund		9,791	9,791
	<u>\$ 18,563</u>	<u>\$ 62,017</u>	<u>\$ 80,580</u>

NOTE 11—RESTRICTED NET POSITION

Net position is restricted for specific purposes at December 31, 2013 as follows:

Governmental Activities:	
Permanent funds - Endowments	\$ 1,449,770
Permanent funds - Income	44,378
	<u>\$ 1,494,148</u>

NOTE 12—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2013 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>				
Prepaid expenses	\$ 114,338			\$ 114,338
Permanent Funds - Endowments			\$ 1,449,770	1,449,770
<i>Restricted for:</i>				
Permanent Funds - Income			44,378	44,378
<i>Committed for:</i>				
Continuing appropriations - Non-lapsing	866,624			866,624
Expendable Trust Funds	811,438			811,438
Capital Reserve Fund	69,908			69,908
Conservation Commission	85,537			85,537
Impact Fees Fund			16,686	16,686
Recreation Fund			48,340	48,340
Special Purpose Funds			9,162	9,162
Public Safety Revolving Fund			25,635	25,635
Cable Access Fund			101,469	101,469
<i>Assigned for:</i>				
Continuing appropriations	7,803			7,803
Designated for subsequent year appropriations	40,000			40,000
Encumbrances	172,454			172,454
Library operations	38,820			38,820
Heritage Trust	4,429			4,429
<i>Unassigned:</i>				
Unassigned - General operations	395,182			395,182
Unassigned (Deficit) - Capital Projects Fund		\$ (626,263)		(626,263)
	<u>\$ 2,606,533</u>	<u>\$ (626,263)</u>	<u>\$ 1,695,440</u>	<u>\$ 3,675,710</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

NOTE 13—PERFORMANCE DEPOSITS

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and performance bonds are not included as part of the financial statements. At December 31, 2013, the Town held performance deposits totaling \$1,369,730.

NOTE 14—MILFORD AREA COMMUNICATION CENTER

The Town of Milford is a member of the Milford Area Communication Center. This is a joint venture with three neighboring towns to provide communication dispatch services. The Center is managed by board members representing the participating towns. The Town does not exercise any control over the budgeting and financing of the Center's activities. Financial statements are available from the Milford Area Communication Center. The inter-municipal agreement calls for sharing of budgeted expenses in proportion to population. The Town of Milford's share for the year ended December 31, 2013 amounted to \$435,391 or 71.294%. The Center rents space in the Milford Town Hall for \$3,000 per year.

NOTE 15—COMMITMENTS

Water Supply Contract

On March 21, 2002, the Town of Milford entered into an agreement with Pennichuck Water Works, Inc. for the purpose of supplying water to the Town. The terms of the agreement are for 20 years with minimum payments of \$81,000 per year. Monthly payments commenced April 1, 2002. Each year's appropriation is expected to be made at Town Meeting.

Sanitation Contract

During July 2009, the Town extended its long-term contract with an independent company for the disposal of solid waste from the transfer station. The contract is effective for the period of July 1, 2009 through June 30, 2014. Terms of the agreement include a disposal rate per ton, adjusted annually by an agreed upon percentage. For the year ended December 31, 2013, the Town expended \$321,164 under the terms of the agreement. Each year's appropriation is expected to be made at Town Meeting.

NOTE 16—CONTINGENCIES

Litigation

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. In the opinion of legal counsel and Town management, any potential claims against the Town which are not covered by insurance are immaterial and would not affect the financial position of the Town.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

Federal Grants

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 17—SUBSEQUENT EVENTS

During July 2012, the Town authorized the issuance of a general obligation note payable for the construction of an Ambulance Facility in the amount of \$2,214,000. As of December 31, 2013, the Town has drawn down \$1,500,000 in funds against the note. Subsequent to year end, the Town has drawn down the remaining \$714,000 in funds against this note. The note payable has an interest rate of 2.875% and matures on January 2034.

SCHEDULE 1
TOWN OF MILFORD, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 8,223,918	\$ 8,223,918	\$ 8,297,108	\$ 73,190
Licenses and permits	2,189,280	2,189,280	2,263,833	74,553
Intergovernmental	954,139	954,139	951,485	(2,654)
Charges for services	974,020	974,020	879,489	(94,531)
Investment income	2,000	2,000	786	(1,214)
Miscellaneous	156,650	156,650	204,063	47,413
Total Revenues	<u>12,500,007</u>	<u>12,500,007</u>	<u>12,596,764</u>	<u>96,757</u>
Expenditures:				
Current operations:				
General government	4,448,283	4,448,283	4,377,057	71,226
Public safety	4,078,073	4,078,073	4,031,003	47,070
Highways and streets	1,334,190	1,334,190	1,428,537	(94,347)
Health and welfare	260,055	260,055	240,593	19,462
Sanitation	702,048	702,048	638,672	63,376
Culture and recreation	351,039	351,039	341,080	9,959
Capital outlay	900,477	26,050	25,692	358
Debt service:				
Principal retirement	508,625	508,625	506,800	1,825
Interest and fiscal charges	202,049	202,049	182,025	20,024
Total Expenditures	<u>12,784,839</u>	<u>11,910,412</u>	<u>11,771,459</u>	<u>138,953</u>
Excess of revenues over (under) expenditures	<u>(284,832)</u>	<u>589,595</u>	<u>825,305</u>	<u>235,710</u>
Other financing sources (uses):				
Transfers in	17,400	17,400	16,167	(1,233)
Transfers out	(766,963)	(766,963)	(766,963)	-
Total other financing sources (uses)	<u>(749,563)</u>	<u>(749,563)</u>	<u>(750,796)</u>	<u>(1,233)</u>
Net change in fund balance	(1,034,395)	(159,968)	74,509	234,477
Fund balances at beginning of year				
- Budgetary Basis	<u>2,836,196</u>	<u>2,836,196</u>	<u>2,836,196</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 1,801,801</u>	<u>\$ 2,676,228</u>	<u>\$ 2,910,705</u>	<u>\$ 234,477</u>

See accompanying notes to the required supplementary information

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures, non-budgetary transfers in, budgetary transfers out, encumbrances, and capital lease proceeds as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 13,314,553	\$ 13,437,648
Difference in property taxes meeting susceptible to accrual criteria	158,503	
Non-budgetary revenues and expenditures	(182,685)	(996,382)
Non-budgetary transfers in	(6,500)	
Budgetary transfers out		748,400
Encumbrances - December 31, 2013		172,454
Encumbrances - December 31, 2012		(152,758)
Proceeds from capital leases	(670,940)	(670,940)
Per Schedule 1	<u>\$ 12,612,931</u>	<u>\$ 12,538,422</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2013 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 114,338
<i>Committed for:</i>	
Continuing appropriations - Non-lapsing	866,624
<i>Assigned for:</i>	
Continuing appropriations	7,803
Designated for subsequent year appropriations	40,000
<i>Unassigned:</i>	
Unassigned - General Operations	1,881,940
	<u>\$ 2,910,705</u>

SCHEDULE A
TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2013

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
ASSETS			
Investments		\$ 1,506,238	\$ 1,506,238
Accounts receivable	\$ 43,186		43,186
Due from other governments	225,606		225,606
Due from other funds	151,162		151,162
Total Assets	<u>419,954</u>	<u>1,506,238</u>	<u>1,926,192</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 419,954</u>	<u>\$ 1,506,238</u>	<u>\$ 1,926,192</u>
LIABILITIES			
Accounts payable	\$ 58,966		\$ 58,966
Accrued expenses	798		798
Due to other governments	1,111		1,111
Due to other funds	30,663	\$ 12,090	42,753
Deposits	500		500
Total Liabilities	<u>92,038</u>	<u>12,090</u>	<u>104,128</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned grant revenue	<u>126,624</u>		<u>126,624</u>
Total Deferred Inflows of Resources	<u>126,624</u>	<u>-</u>	<u>126,624</u>
FUND BALANCES			
Nonspendable		1,449,770	1,449,770
Restricted		44,378	44,378
Committed	<u>201,292</u>		<u>201,292</u>
Total Fund Balances	<u>201,292</u>	<u>1,494,148</u>	<u>1,695,440</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 419,954</u>	<u>\$ 1,506,238</u>	<u>\$ 1,926,192</u>

SCHEDULE A-1
TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2013

	Impact Fees <u>Fund</u>	Recreation <u>Fund</u>	Special Purpose <u>Funds</u>	Public Safety Revolving <u>Fund</u>	Cable Access <u>Fund</u>	Combining <u>Totals</u>
ASSETS						
Accounts receivable				\$ 8,291	\$ 34,895	\$ 43,186
Due from other governments			\$ 225,606			225,606
Due from other funds	\$ 16,686	\$ 49,688		17,344	67,444	151,162
Total Assets	<u>16,686</u>	<u>49,688</u>	<u>225,606</u>	<u>25,635</u>	<u>102,339</u>	<u>419,954</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,686</u>	<u>\$ 49,688</u>	<u>\$ 225,606</u>	<u>\$ 25,635</u>	<u>\$ 102,339</u>	<u>\$ 419,954</u>
LIABILITIES						
Accounts payable		\$ 50	\$ 58,046		\$ 870	\$ 58,966
Accrued expenses		798				798
Due to other governments			1,111			1,111
Due to other funds			30,663			30,663
Deposits		500				500
Total Liabilities	<u>\$ -</u>	<u>1,348</u>	<u>89,820</u>	<u>\$ -</u>	<u>870</u>	<u>92,038</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned grant revenue			126,624			126,624
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>126,624</u>	<u>-</u>	<u>-</u>	<u>126,624</u>
FUND BALANCES						
Committed	16,686	48,340	9,162	25,635	101,469	201,292
Total Fund Balances	<u>16,686</u>	<u>48,340</u>	<u>9,162</u>	<u>25,635</u>	<u>101,469</u>	<u>201,292</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,686</u>	<u>\$ 49,688</u>	<u>\$ 225,606</u>	<u>\$ 25,635</u>	<u>\$ 102,339</u>	<u>\$ 419,954</u>

SCHEDULE B
TOWN OF MILFORD, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2013

	Special Revenue Funds	Permanent Funds	Combining Totals
Revenues:			
Licenses and permits	\$ 138,381		\$ 138,381
Intergovernmental	424,054		424,054
Charges for services	242,142		242,142
Investment income		\$ 179,455	179,455
Miscellaneous	31,701		31,701
Total Revenues	<u>836,278</u>	<u>179,455</u>	<u>1,015,733</u>
Expenditures:			
Current operations:			
General government	116,562	4,963	121,525
Public safety	149,092		149,092
Highways and streets	10,313		10,313
Health and welfare	973		973
Culture and recreation	140,998	9,995	150,993
Conservation	30,371		30,371
Economic development	323,311		323,311
Capital outlay	62,879		62,879
Total Expenditures	<u>834,499</u>	<u>14,958</u>	<u>849,457</u>
Excess of revenues over expenditures	<u>1,779</u>	<u>164,497</u>	<u>166,276</u>
Other financing sources (uses):			
Transfers in	48,122		48,122
Transfers out	(16,927)	(45,090)	(62,017)
Total other financing sources (uses)	<u>31,195</u>	<u>(45,090)</u>	<u>(13,895)</u>
Net change in fund balances	32,974	119,407	152,381
Fund balances at beginning of year	<u>168,318</u>	<u>1,374,741</u>	<u>1,543,059</u>
Fund balances at end of year	<u>\$ 201,292</u>	<u>\$ 1,494,148</u>	<u>\$ 1,695,440</u>

SCHEDULE B-1

TOWN OF MILFORD, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2013

	Impact Fees Fund	Recreation Fund	Special Purpose Funds	Public Safety Revolving Fund	Cable Access Fund	Combining Totals
Revenues:						
Licenses and permits					\$ 138,381	\$ 138,381
Intergovernmental			\$ 424,054			424,054
Charges for services		\$ 108,306	4,550	\$ 129,266	20	242,142
Miscellaneous	\$ 6,237	6,054	19,410			31,701
Total Revenues	<u>6,237</u>	<u>114,360</u>	<u>448,014</u>	<u>129,266</u>	<u>138,401</u>	<u>836,278</u>
Expenditures:						
Current operations:						
General government			5,036		111,526	116,562
Public safety			21,077	128,015		149,092
Highways and streets			10,313			10,313
Health and welfare			973			973
Culture and recreation	3,436	102,548	35,014			140,998
Conservation			30,371			30,371
Economic development			323,311			323,311
Capital outlay			62,879			62,879
Total Expenditures	<u>3,436</u>	<u>102,548</u>	<u>488,974</u>	<u>128,015</u>	<u>111,526</u>	<u>834,499</u>
Excess of revenues over (under) expenditures	<u>2,801</u>	<u>11,812</u>	<u>(40,960)</u>	<u>1,251</u>	<u>26,875</u>	<u>1,779</u>
Other financing sources (uses):						
Transfers in			48,122			48,122
Transfers out	(13,868)	(3,059)				(16,927)
Total other financing sources (uses)	<u>(13,868)</u>	<u>(3,059)</u>	<u>48,122</u>	<u>-</u>	<u>-</u>	<u>31,195</u>
Net change in fund balances	(11,067)	8,753	7,162	1,251	26,875	32,974
Fund balances at beginning of year	<u>27,753</u>	<u>39,587</u>	<u>2,000</u>	<u>24,384</u>	<u>74,594</u>	<u>168,318</u>
Fund balances at end of year	<u>\$ 16,686</u>	<u>\$ 48,340</u>	<u>\$ 9,162</u>	<u>\$ 25,635</u>	<u>\$ 101,469</u>	<u>\$ 201,292</u>