

**TOWN OF MILFORD, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2014**

**and**

**Independent Auditor's Report**

**TOWN OF MILFORD, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2014**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	
<b>BASIC FINANCIAL STATEMENTS</b>	
EXHIBITS:	
A    Statement of Net Position	1
B    Statement of Activities	2
C    Balance Sheet – Governmental Funds	3
D    Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
E    Statement of Net Position – Proprietary Funds	5
F    Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	6
G    Statement of Cash Flows – Proprietary Funds	7
H    Statement of Fiduciary Net Position – Fiduciary Funds	8
I    Statement of Changes in Fiduciary Net Position – Fiduciary Funds	9
NOTES TO BASIC FINANCIAL STATEMENTS	10-29
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
SCHEDULE:	
1    Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	30
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	31
<b>SUPPLEMENTAL SCHEDULES</b>	
SCHEDULES:	
A    Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	32
A-1  Combining Balance Sheet – Governmental Funds – All Nonmajor Special Revenue Funds	33

**TOWN OF MILFORD, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2014**

**TABLE OF CONTENTS (CONTINUED)**

Page(s)

**SUPPLEMENTAL SCHEDULES (CONTINUED)**

B	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	34
B-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Special Revenue Funds	35

## **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 (the Town), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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, 2014, 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, 2014, 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 30-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 Clukay & Company PC*

Manchester, New Hampshire  
May 16, 2016

EXHIBIT A  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 13,568,797	\$ 1,029,442	\$ 14,598,239
Investments	2,478,092		2,478,092
Taxes receivable, net	1,925,423		1,925,423
Accounts receivable, net	225,317	278,295	503,612
Unbilled charges for services		433,011	433,011
Due from other governments	193,881	194,421	388,302
Internal balances	663,077	(663,077)	-
Prepaid expenses	137,620		137,620
Inventory		95,563	95,563
Total Current Assets	<u>19,192,207</u>	<u>1,367,655</u>	<u>20,559,862</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	14,721,732	428,754	15,150,486
Depreciable capital assets, net	<u>14,130,342</u>	<u>21,946,562</u>	<u>36,076,904</u>
Total Noncurrent Assets	<u>28,852,074</u>	<u>22,375,316</u>	<u>51,227,390</u>
Total Assets	<u>48,044,281</u>	<u>23,742,971</u>	<u>71,787,252</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	275,808	218,961	494,769
Accrued expenses	412,376	71,062	483,438
Retainage payable		8,120	8,120
Due to other governments	12,074,778		12,074,778
Advances from grantors	197,714		197,714
Deposits	7,056	177	7,233
Current portion of bonds payable	395,000	205,278	600,278
Current portion of note payable	110,700		110,700
Current portion of capital leases payable	338,771		338,771
Current portion of compensated absences payable	<u>24,449</u>		<u>24,449</u>
Total Current Liabilities	<u>13,836,652</u>	<u>503,598</u>	<u>14,340,250</u>
Noncurrent Liabilities:			
Bonds payable	2,520,000	1,914,719	4,434,719
Note payable	1,971,950		1,971,950
Capital leases payable	1,298,448		1,298,448
State of New Hampshire revolving loan		179,085	179,085
Compensated absences payable	<u>270,005</u>	<u>52,171</u>	<u>322,176</u>
Total Noncurrent Liabilities	<u>6,060,403</u>	<u>2,145,975</u>	<u>8,206,378</u>
Total Liabilities	<u>19,897,055</u>	<u>2,649,573</u>	<u>22,546,628</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes collected in advance	10,279		10,279
Other unearned revenue	<u>380</u>		<u>380</u>
Total Deferred Inflows of Resources	<u>10,659</u>	<u>-</u>	<u>10,659</u>
<b>NET POSITION</b>			
Net investment in capital assets	22,217,205	20,076,234	42,293,439
Restricted	1,590,306		1,590,306
Unrestricted	<u>4,329,056</u>	<u>1,017,164</u>	<u>5,346,220</u>
Total Net Position	<u>\$ 28,136,567</u>	<u>\$ 21,093,398</u>	<u>\$ 49,229,965</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 4,981,870	\$ 50,528	\$ 26,350		\$ (4,904,992)		\$ (4,904,992)
Public safety	4,392,585	783,234	42,144		(3,567,207)		(3,567,207)
Highways and streets	1,858,012		275,624	\$ 71,103	(1,511,285)		(1,511,285)
Health and welfare	237,657	6,235			(231,422)		(231,422)
Sanitation	662,647	116,929			(545,718)		(545,718)
Culture and recreation	1,310,249	128,154			(1,182,095)		(1,182,095)
Conservation	39,929				(39,929)		(39,929)
Economic development	66,689		64,689		(2,000)		(2,000)
Interest and fiscal charges	176,783				(176,783)		(176,783)
Total governmental activities	<u>13,726,421</u>	<u>1,085,080</u>	<u>408,807</u>	<u>71,103</u>	<u>(12,161,431)</u>	<u>\$ -</u>	<u>(12,161,431)</u>
Business-type activities:							
Water Department	1,164,647	1,466,874				302,227	302,227
Sewer Department	2,270,000	1,724,814				(545,186)	(545,186)
Total business-type activities	<u>3,434,647</u>	<u>3,191,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(242,959)</u>	<u>(242,959)</u>
Total primary government	<u>\$ 17,161,068</u>	<u>\$ 4,276,768</u>	<u>\$ 408,807</u>	<u>\$ 71,103</u>	<u>(12,161,431)</u>	<u>(242,959)</u>	<u>(12,404,390)</u>
General revenues:							
Property and other taxes					8,869,423		8,869,423
Licenses and permits					2,603,434		2,603,434
Grants and contributions:							
Rooms and meals tax distribution					727,935		727,935
State and federal forest land					5,011		5,011
Interest and investment earnings					174,720	76	174,796
Miscellaneous					302,993	8,631	311,624
Net gain/(loss) on disposal of assets					(30,919)	3,050	(27,869)
Total general revenues and net gain/(loss) on disposal of assets					<u>12,652,597</u>	<u>11,757</u>	<u>12,664,354</u>
Change in net position					491,166	(231,202)	259,964
Net Position at beginning of year					<u>27,645,401</u>	<u>21,324,600</u>	<u>48,970,001</u>
Net Position at end of year					<u>\$ 28,136,567</u>	<u>\$ 21,093,398</u>	<u>\$ 49,229,965</u>

See accompanying notes to the basic financial statements



EXHIBIT C  
TOWN OF MILFORD, NEW HAMPSHIRE  
Balance Sheet  
Governmental Funds  
December 31, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,568,797		\$ 13,568,797
Investments	907,559	\$ 1,570,533	2,478,092
Taxes receivable, net	1,925,423		1,925,423
Accounts receivable, net	174,879	50,438	225,317
Due from other governments		193,881	193,881
Due from other funds	677,631	208,979	886,610
Prepaid expenses	137,620		137,620
Total Assets	<u>17,391,909</u>	<u>2,023,831</u>	<u>19,415,740</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 17,391,909</u>	<u>\$ 2,023,831</u>	<u>\$ 19,415,740</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 263,532	\$ 12,276	\$ 275,808
Accrued expenses	383,499	3,201	386,700
Due to other governments	12,073,111	1,667	12,074,778
Advances from grantors		197,714	197,714
Due to other funds	208,979	14,554	223,533
Deposits	7,056		7,056
Total Liabilities	<u>12,936,177</u>	<u>229,412</u>	<u>13,165,589</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes collected in advance	10,279		10,279
Unearned property taxes	1,467,422		1,467,422
Other unearned revenue	380		380
Total Deferred Inflows of Resources	<u>1,478,081</u>	<u>-</u>	<u>1,478,081</u>
<b>FUND BALANCES</b>			
Nonspendable	137,620	1,502,277	1,639,897
Restricted	34,327	55,584	89,911
Committed	2,117,549	236,558	2,354,107
Assigned	151,402		151,402
Unassigned	536,753		536,753
Total Fund Balances	<u>2,977,651</u>	<u>1,794,419</u>	<u>4,772,070</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,391,909</u>	<u>\$ 2,023,831</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			28,852,074
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis			1,467,422
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			(2,915,000)
Note payable			(2,082,650)
Capital leases payable			(1,637,219)
Accrued interest on long-term obligations			(50,125)
Compensated absences payable			(270,005)
Net Position of Governmental Activities			<u>\$ 28,136,567</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, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 8,888,759		\$ 8,888,759
Licenses and permits	2,452,651	\$ 150,783	2,603,434
Intergovernmental	1,041,303	171,553	1,212,856
Charges for services	818,841	258,689	1,077,530
Investment income	67,464	107,256	174,720
Miscellaneous	268,611	56,932	325,543
Total Revenues	<u>13,537,629</u>	<u>745,213</u>	<u>14,282,842</u>
Expenditures:			
Current operations:			
General government	4,604,464	140,067	4,744,531
Public safety	3,965,603	179,326	4,144,929
Highways and streets	1,517,898		1,517,898
Health and welfare	235,332		235,332
Sanitation	671,271		671,271
Culture and recreation	1,107,613	147,123	1,254,736
Conservation	40,114		40,114
Economic development		66,689	66,689
Capital outlay	1,107,515	104,933	1,212,448
Debt service:			
Principal retirement	628,737		628,737
Interest and fiscal charges	185,349		185,349
Total Expenditures	<u>14,063,896</u>	<u>638,138</u>	<u>14,702,034</u>
Excess of revenues over (under) expenditures	<u>(526,267)</u>	<u>107,075</u>	<u>(419,192)</u>
Other financing sources (uses):			
Proceeds from note payable issuance		638,000	638,000
Proceeds from capital lease obligations	877,552		877,552
Transfers in	43,807	59,790	103,597
Transfers out	(23,974)	(79,623)	(103,597)
Total other financing sources (uses)	<u>897,385</u>	<u>618,167</u>	<u>1,515,552</u>
Net change in fund balances	371,118	725,242	1,096,360
Fund balances at beginning of year	<u>2,606,533</u>	<u>1,069,177</u>	<u>3,675,710</u>
Fund balances at end of year	<u>\$ 2,977,651</u>	<u>\$ 1,794,419</u>	<u>\$ 4,772,070</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, 2014

Net Change in Fund Balances--Total Governmental Funds	\$ 1,096,360
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.	383,390
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.	(64,819)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(436)
Proceeds from long-term debt obligations are reported as other financing sources in the governmental funds, but long-term debt issuance increases long-term liabilities in the statement of net position.	(1,515,552)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	628,737
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	8,566
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.	(45,080)
Change in Net Position of Governmental Activities	<u>\$ 491,166</u>

See accompanying notes to the basic financial statements

EXHIBIT E  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2014**

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 656,972	\$ 372,470	\$ 1,029,442
Accounts receivable	100,969	177,326	278,295
Unbilled charges for services	197,248	235,763	433,011
Due from other governments	179,085	15,336	194,421
Inventory	39,687	55,876	95,563
Total Current Assets	<u>1,173,961</u>	<u>856,771</u>	<u>2,030,732</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	352,337	76,417	428,754
Depreciable capital assets, net	8,265,246	13,681,316	21,946,562
Total Noncurrent Assets	<u>8,617,583</u>	<u>13,757,733</u>	<u>22,375,316</u>
Total Assets	<u>9,791,544</u>	<u>14,614,504</u>	<u>24,406,048</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	177,128	41,833	218,961
Accrued expenses	36,246	34,816	71,062
Retainage payable	8,120		8,120
Due to other funds	127,409	535,668	663,077
Deposits		177	177
Current portion of bonds payable	160,000	45,278	205,278
Total Current Liabilities	<u>508,903</u>	<u>657,772</u>	<u>1,166,675</u>
Noncurrent Liabilities:			
Bonds payable	1,235,000	679,719	1,914,719
State of New Hampshire revolving loan	179,085		179,085
Compensated absences payable	14,457	37,714	52,171
Total Noncurrent Liabilities	<u>1,428,542</u>	<u>717,433</u>	<u>2,145,975</u>
Total Liabilities	<u>1,937,445</u>	<u>1,375,205</u>	<u>3,312,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,043,498	13,032,736	20,076,234
Unrestricted	810,601	206,563	1,017,164
Total Net Position	<u>\$ 7,854,099</u>	<u>\$ 13,239,299</u>	<u>\$ 21,093,398</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, 2014**

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 1,466,874	\$ 1,724,814	\$ 3,191,688
Miscellaneous	3,757	4,874	8,631
Total operating revenues	<u>1,470,631</u>	<u>1,729,688</u>	<u>3,200,319</u>
Operating expenses:			
Personnel services	320,640	713,753	1,034,393
Contractual services	322,436	548,558	870,994
Materials and supplies	151,370	312,646	464,016
Miscellaneous expenses	2,709	17,390	20,099
Depreciation	304,383	652,896	957,279
Total operating expenses	<u>1,101,538</u>	<u>2,245,243</u>	<u>3,346,781</u>
Operating income (loss)	<u>369,093</u>	<u>(515,555)</u>	<u>(146,462)</u>
Non-operating revenues (expenses):			
Gain on sale of assets		3,050	3,050
Interest income	46	30	76
Interest expense	<u>(63,109)</u>	<u>(24,757)</u>	<u>(87,866)</u>
Net non-operating revenues (expenses)	<u>(63,063)</u>	<u>(21,677)</u>	<u>(84,740)</u>
Change in net position	306,030	(537,232)	(231,202)
Net Position at beginning of year	<u>7,548,069</u>	<u>13,776,531</u>	<u>21,324,600</u>
Net Position at end of year	<u>\$ 7,854,099</u>	<u>\$ 13,239,299</u>	<u>\$ 21,093,398</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, 2014**

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,466,324	\$ 1,695,394	\$ 3,161,718
Cash paid to suppliers	(472,694)	(915,829)	(1,388,523)
Cash paid to employees	(320,273)	(710,942)	(1,031,215)
Net cash provided by operating activities	<u>673,357</u>	<u>68,623</u>	<u>741,980</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(162,104)	(64,641)	(226,745)
Proceeds from sale of assets		3,050	3,050
Principal paid on long-term debt	(160,000)	(50,277)	(210,277)
Interest paid on long-term debt	(65,735)	(25,209)	(90,944)
Net cash used for capital and related financing activities	<u>(387,839)</u>	<u>(137,077)</u>	<u>(524,916)</u>
Cash flows from investing activities:			
Interest on investments	<u>46</u>	<u>30</u>	<u>76</u>
Net cash provided by investing activities	<u>46</u>	<u>30</u>	<u>76</u>
Net increase (decrease) in cash and cash equivalents	285,564	(68,424)	217,140
Cash and cash equivalents (deficiency) at beginning of year	<u>243,999</u>	<u>(94,774)</u>	<u>149,225</u>
Cash and cash equivalents (deficiency) at end of year	<u>\$ 529,563</u>	<u>\$ (163,198)</u>	<u>\$ 366,365</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 369,093	\$ (515,555)	\$ (146,462)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	304,383	652,896	957,279
Changes in assets and liabilities:			
Accounts receivable	(3,202)	(32,918)	(36,120)
Unbilled charges for services	(1,105)	2,327	1,222
Due from other governments		(3,703)	(3,703)
Inventory	(2,470)	(21,844)	(24,314)
Accounts payable	6,291	(15,391)	(9,100)
Accrued expenses	541	4,476	5,017
Compensated absences payable	(174)	(1,665)	(1,839)
Net cash provided by operating activities	<u>\$ 673,357</u>	<u>\$ 68,623</u>	<u>\$ 741,980</u>
Noncash transactions affecting financial position:			
Capital asset additions included in year end liabilities	<u>\$ 163,042</u>	<u>\$ -</u>	<u>\$ 163,042</u>

EXHIBIT H  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2014**

	Private- Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 69,467
Investments	\$ 3,812,651	
Total Assets	<u>3,812,651</u>	<u>\$ 69,467</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to developers		\$ 69,467
Total Liabilities	<u>-</u>	<u>\$ 69,467</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>3,812,651</u>	
Total Net Position	<u>\$ 3,812,651</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, 2014**

	Private- Purpose Trust Funds
ADDITIONS:	
Contributions:	
Private donations	\$ 23,250
Total Contributions	<u>23,250</u>
Investment earnings:	
Investment income	387,623
Net decrease in the fair value of investments	<u>(139,024)</u>
Total Investment Earnings	248,599
Less: Investment expense	<u>(8,292)</u>
Net Investment Earnings	<u>240,307</u>
Total Additions	<u>263,557</u>
DEDUCTIONS:	
Benefits	<u>104,325</u>
Total Deductions	<u>104,325</u>
Change in Net Position	159,232
Net Position - beginning of year	<u>3,653,419</u>
Net Position - end of year	<u>\$ 3,812,651</u>

*See accompanying notes to the basic financial statements*

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**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)**  
**For the Year Ended December 31, 2014**

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, and 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.

**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)**  
**For the Year Ended December 31, 2014**

***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 total net 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)**  
**For the Year Ended December 31, 2014**

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 advances from grantors. 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, 2014, 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)**  
**For the Year Ended December 31, 2014**

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 656,972	\$ 372,470	\$ 1,029,442
Due to other funds	<u>(127,409)</u>	<u>(535,668)</u>	<u>(663,077)</u>
Total cash and cash equivalents	<u>\$ 529,563</u>	<u>\$ (163,198)</u>	<u>\$ 366,365</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, 2014 are recorded as receivables net of reserves for estimated uncollectibles of \$153,439 in the General Fund.

***Accounts Receivable***

Ambulance services billed during the current year and prior and uncollected at December 31, 2014 are recorded as receivables net of reserves for estimated uncollectibles of \$751,913 in the General Fund.

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond December 31, 2014 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. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

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)**  
**For the Year Ended December 31, 2014**

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 and proprietary fund 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)**  
**For the Year Ended December 31, 2014**

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)**  
**For the Year Ended December 31, 2014**

*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.

**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.

**NOTE 3—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,283,934,378 as of April 1, 2014) and are due in two installments on July 2, 2014 and December 2, 2014. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

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 \$24,673,707 and \$1,560,185 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. At December 31, 2014, the balance of the property tax appropriation due to the Milford School District is \$12,071,763 and has been reported in the General Fund as 'Due to other governments' in these financial statements.

**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, 2014, 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, 2014.

***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 \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***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



**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

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**

Deposits and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 14,598,239
Investments	2,478,092
Statement of Fiduciary Net Position:	
Cash and cash equivalents	69,467
Investments	3,812,651
Total deposits and investments	<u>\$ 20,958,449</u>

Deposits and investments at December 31, 2014 consist of the following:

Cash on hand	\$ 91,690
Deposits with financial institutions	14,576,016
Investments	6,290,743
Total deposits and investments	<u>\$ 20,958,449</u>

The Town's investment policy for governmental and proprietary 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.

***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:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

Investment Type	Fair Value	Remaining Maturity (in Years)		
		0-1 Years	1-5 Years	> 5 Years
US Treasury Obligations	\$ 105,078	\$ 24,828	\$ 80,250	
Municipal bonds	119,746		53,078	\$ 66,668
Corporate bonds	667,969	101,106	566,863	
	<u>\$ 892,793</u>	<u>\$ 125,934</u>	<u>\$ 700,191</u>	<u>\$ 66,668</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					
	Municipal		Money		State	
	Bonds		Market	Mutual	Investment	Totals
	Bonds		Funds	Funds	Pool	
Ratings as of Year End	Aaa	\$ 178,346			\$ 26,594	\$ 204,940
	Aa1	\$ 53,078	76,625			129,703
	Aa2	66,668				66,668
	Aa3		25,194			25,194
	A1		179,381			179,381
	A2		179,853			179,853
	Baa1		26,987			26,987
	Not Rated		1,583	\$ 335,844	\$ 1,350,868	1,688,295
	Fair Value	<u>\$ 119,746</u>	<u>\$ 667,969</u>	<u>\$ 335,844</u>	<u>\$ 1,350,868</u>	<u>\$ 2,501,021</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 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, \$14,139,765 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2014, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Obligations	\$ 105,078
Equity securities	3,684,644
Municipal bonds	119,746
Corporate bonds	667,969
Money market funds	335,844
Mutual funds	1,350,868
	<u>\$ 6,264,149</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. 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 of the governmental activities:

	<u>Balance 1/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>
<b>Governmental activities:</b>				
Capital assets not depreciated:				
Land	\$ 13,096,361			\$ 13,096,361
Intangible assets	131,049			131,049
Construction in process	2,292,457	\$ 1,168,705	\$ (1,966,840)	1,494,322
Total capital assets not being depreciated	<u>15,519,867</u>	<u>1,168,705</u>	<u>(1,966,840)</u>	<u>14,721,732</u>
Other capital assets:				
Infrastructure	7,569,650			7,569,650
Land improvements	2,186,403			2,186,403
Buildings and improvements	8,007,871	2,049,198		10,057,069
Vehicles and equipment	6,863,768	323,310	(168,972)	7,018,106
Intangible assets	200,249			200,249
Total other capital assets at historical cost	<u>24,827,941</u>	<u>2,372,508</u>	<u>(168,972)</u>	<u>27,031,477</u>
Less accumulated depreciation for:				
Infrastructure	(2,346,928)	(368,435)		(2,715,363)
Land improvements	(1,383,193)	(98,648)		(1,481,841)
Buildings and improvements	(3,507,217)	(236,858)		(3,744,075)
Vehicles and equipment	(4,405,930)	(518,633)	156,741	(4,767,822)
Intangible assets	(189,937)	(2,097)		(192,034)
Total accumulated depreciation	<u>(11,833,205)</u>	<u>(1,224,671)</u>	<u>156,741</u>	<u>(12,901,135)</u>
Total other capital assets, net	<u>12,994,736</u>	<u>1,147,837</u>	<u>(12,231)</u>	<u>14,130,342</u>
Total capital assets, net	<u>\$ 28,514,603</u>	<u>\$ 2,316,542</u>	<u>\$ (1,979,071)</u>	<u>\$ 28,852,074</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 231,927
Public safety	404,619
Highways and streets	515,345
Sanitation	10,355
Culture and recreation	<u>62,425</u>
Total governmental activities depreciation expense	<u>\$ 1,224,671</u>

The balance of assets acquired through capital leases as of December 31, 2014 is as follows:

Construction in process	\$ 913,103
Vehicles and equipment	1,391,186
Less: Accumulated depreciation	<u>(198,058)</u>
	<u>\$ 2,106,231</u>

The following is a summary of changes in capital assets of the business-type activities:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014
<b>Business-type activities:</b>				
Capital assets not depreciated:				
Land	\$ 188,892			\$ 188,892
Intangible assets	54,636			54,636
Construction in process	<u>316,796</u>	\$ 191,184	\$ (322,754)	<u>185,226</u>
Total capital assets not being depreciated	<u>560,324</u>	<u>191,184</u>	<u>(322,754)</u>	<u>428,754</u>
Other capital assets:				
Infrastructure	14,112,363	312,440		14,424,803
Land improvements	56,757			56,757
Buildings and improvements	23,165,404			23,165,404
Vehicles and equipment	<u>3,338,935</u>	<u>208,917</u>		<u>3,547,852</u>
Total other capital assets at historical cost	<u>40,673,459</u>	<u>521,357</u>	<u>-</u>	<u>41,194,816</u>
Less accumulated depreciation for:				
Infrastructure	(4,209,912)	(312,165)		(4,522,077)
Land improvements	(36,641)	(1,215)		(37,856)
Buildings and improvements	(12,682,170)	(507,467)		(13,189,637)
Vehicles and equipment	<u>(1,362,252)</u>	<u>(136,432)</u>		<u>(1,498,684)</u>
Total accumulated depreciation	<u>(18,290,975)</u>	<u>(957,279)</u>	<u>-</u>	<u>(19,248,254)</u>
Total other capital assets, net	<u>22,382,484</u>	<u>(435,922)</u>	<u>-</u>	<u>21,946,562</u>
Total capital assets, net	<u>\$ 22,942,808</u>	<u>\$ (244,738)</u>	<u>\$ (322,754)</u>	<u>\$ 22,375,316</u>

Depreciation expense was charged to proprietary funds as follows:

Water Fund	\$ 304,383
Sewer Fund	<u>652,896</u>
	<u>\$ 957,279</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

**NOTE 7—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 11.80%, 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 25.30%, 27.74%, and 10.77%, respectively. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-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, 2014, 2013, and 2012 were \$864,376, \$774,490, and \$667,179, respectively, equal to the required contributions for each year.

**NOTE 8—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the Town's long-term obligations for the year ended December 31, 2014 are as follows:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 3,310,000		\$ (395,000)	\$ 2,915,000	\$ 395,000
Note payable	1,500,000	\$ 638,000	(55,350)	2,082,650	110,700
Capital leases payable	938,054	877,552	(178,387)	1,637,219	338,771
Compensated absences payable	224,925	71,787	(26,707)	270,005	-
Total governmental activities	<u>\$ 5,972,979</u>	<u>\$ 1,587,339</u>	<u>\$ (655,444)</u>	<u>\$ 6,904,874</u>	<u>\$ 844,471</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 2,330,274		\$ (210,277)	\$ 2,119,997	\$ 205,278
State of New Hampshire revolving loan	-	\$ 179,085		179,085	-
Compensated absences payable	54,010	3,808	(5,647)	52,171	-
Total business-type activities	<u>\$ 2,384,284</u>	<u>\$ 182,893</u>	<u>\$ (215,924)</u>	<u>\$ 2,351,253</u>	<u>\$ 205,278</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

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, 2014 are comprised of the following individual issues:

	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>12/31/2014</u>
<b>Governmental Activities:</b>			
Water Main Extension	4.70-5.30%	08/2017	\$ 105,000
Brox Property Purchase	5.0-5.25%	07/2015	90,000
Police Station	3.70-4.50%	09/2024	1,500,000
Mileslip Road Land	4.50%	08/2025	<u>1,220,000</u>
Total governmental activities			<u>\$ 2,915,000</u>
<b>Business-type Activities:</b>			
<i>Water Fund:</i>			
Water Main Extension	4.125-4.75%	08/2016	\$ 80,000
Storage Tank	4.50%	08/2025	880,000
Elm Street Phase I	4.0-4.50%	08/2026	<u>435,000</u>
			<u>1,395,000</u>
<i>Sewer Fund:</i>			
Outfall Diffuser	4.0-5.0%	08/2026	180,000
Septage Receiving Facility	2.72%	12/2032	<u>544,997</u>
			<u>724,997</u>
Total business-type activities			<u>\$ 2,119,997</u>

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2014 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	270,000	68,610	338,610
2020-2024	1,350,000	177,330	1,527,330
2025	<u>20,000</u>	<u>840</u>	<u>20,840</u>
	<u>\$ 2,915,000</u>	<u>\$ 643,408</u>	<u>\$ 3,558,408</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2014 are as follows:

***Water Fund:***

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 160,000	\$ 58,685	\$ 218,685
2016	160,000	53,286	213,286
2017	120,000	46,167	166,167
2018	115,000	40,967	155,967
2019	115,000	36,191	151,191
2020-2024	575,000	107,976	682,976
2025-2026	150,000	8,347	158,347
	<u>\$ 1,395,000</u>	<u>\$ 351,619</u>	<u>\$ 1,746,619</u>

***Sewer Fund:***

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 45,278	\$ 23,385	\$ 68,663
2016	45,278	21,812	67,090
2017	45,278	20,238	65,516
2018	45,278	18,665	63,943
2019	45,277	17,166	62,443
2020-2024	226,388	62,977	289,365
2025-2029	181,388	26,844	208,232
2030-2032	90,832	4,941	95,773
	<u>\$ 724,997</u>	<u>\$ 196,028</u>	<u>\$ 921,025</u>

***General Obligation Note***

Note payable for governmental activities at December 31, 2014 is comprised of the following individual issue:

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 12/31/2014</u>
<b>Governmental Activities:</b>			
Ambulance Facility	2.875%	01/2034	<u>\$ 2,082,650</u>

Debt service requirements to retire the general obligation note outstanding for governmental activities at December 31, 2014 are as follows:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 110,700	\$ 60,470	\$ 171,170
2016	110,700	57,287	167,987
2017	110,700	54,105	164,805
2018	110,700	50,922	161,622
2019	110,700	47,739	158,439
2020-2024	553,500	190,958	744,458
2025-2029	553,500	111,392	664,892
2030-2034	422,150	31,827	453,977
	<u>\$ 2,082,650</u>	<u>\$ 604,700</u>	<u>\$ 2,687,350</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, 2014:

	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2014</u>
<b>Governmental Activities:</b>			
Fire engine	2.29%	04/2018	\$ 252,379
Backhoe	2.14%	04/2016	42,399
Ambulances	1.72%	06/2019	231,361
Dump truck	1.59%	06/2017	74,688
Sweeper	1.72%	06/2019	158,840
Sidewalk tractor	1.95%	02/2018	114,077
Dump truck	2.25%	06/2018	113,904
Ladder truck	2.50%	06/2020	649,571
			<u>\$ 1,637,219</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2014 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 338,771	\$ 35,612	\$ 374,383
2016	346,004	28,379	374,383
2017	331,513	20,987	352,500
2018	312,906	13,903	326,809
2019	192,972	7,071	200,043
2020	115,053	2,876	117,929
	<u>\$ 1,637,219</u>	<u>\$ 108,828</u>	<u>\$ 1,746,047</u>



**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

***State of New Hampshire Revolving Loan***

The Town has drawn \$179,085 of approximately \$330,000 in funds under the State of New Hampshire Drinking Water State Revolving Loan Fund Program to finance water system improvements for the Dram Cup Hill Tank Rehabilitation Project. Payments are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the construction project within the following year. As of December 31, 2014, the total outstanding balance on the State of New Hampshire revolving loan has been reported as a long-term liability of the Water Fund in the amount of \$179,085.

**NOTE 9—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, 2014 are as follows:

		Due from			
		Nonmajor			Totals
	General Fund	Governmental Funds	Water Fund	Sewer Fund	
Due to General Fund		\$ 14,554	\$ 127,409	\$ 535,668	\$ 677,631
Nonmajor Governmental Funds	\$ 208,979				208,979
	<u>\$ 208,979</u>	<u>\$ 14,554</u>	<u>\$ 127,409</u>	<u>\$ 535,668</u>	<u>\$ 886,610</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, 2014 are as follows:

Transfer to	Transfer from		
		Nonmajor	
	General	Governmental	
	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
General Fund		\$ 43,807	\$ 43,807
Nonmajor Governmental Funds	<u>\$ 23,974</u>	<u>35,816</u>	<u>59,790</u>
	<u>\$ 23,974</u>	<u>\$ 79,623</u>	<u>\$ 103,597</u>

**NOTE 10—RESTRICTED NET POSITION**

Net position is restricted for specific purposes at December 31, 2014 as follows:

<b>Governmental Activities:</b>	
Permanent funds - Principal	\$ 1,502,277
Permanent funds - Income	53,702
Library	34,327
	<u>\$ 1,590,306</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

**NOTE 11—COMPONENTS OF FUND BALANCE**

The components of the Town's fund balance for its governmental funds at December 31, 2014 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><i>Nonspendable:</i></b>			
Prepaid expenses	\$ 137,620		\$ 137,620
Permanent Funds - Principal		\$ 1,502,277	1,502,277
<b><i>Restricted for:</i></b>			
Library	34,327		34,327
Permanent Funds - Income		53,702	53,702
Capital Projects Fund		1,882	1,882
<b><i>Committed for:</i></b>			
Continuing appropriations - Non-lapsing	959,653		959,653
Expendable Trust Funds	880,965		880,965
Capital Reserve Fund	182,636		182,636
Conservation Commission	94,295		94,295
Impact Fees Fund		9,774	9,774
Recreation Fund		33,034	33,034
Special Purpose Funds		25,298	25,298
Public Safety Revolving Fund		24,985	24,985
Cable Access Fund		143,467	143,467
<b><i>Assigned for:</i></b>			
Continuing appropriations	54,000		54,000
Encumbrances	92,973		92,973
Heritage Trust	4,429		4,429
<b><i>Unassigned:</i></b>			
Unassigned - General operations	536,753		536,753
	<u>\$ 2,977,651</u>	<u>\$ 1,794,419</u>	<u>\$ 4,772,070</u>

**NOTE 12—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, 2014, the Town held performance deposits totaling \$498,888.

**NOTE 13—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, 2014 amounted to \$542,549 or 71.294%. The Center rents space in the Milford Town Hall for \$3,000 per year.

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2014**

**NOTE 14—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.

**NOTE 15—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 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.

*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 16—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Town is required to implement for the year ending December 31, 2015. Management believes that this pronouncement will have a potentially significant impact on the Town's government-wide financial statements. Under GASB Statement 68, the Town will be required to report its estimated proportional share of the New Hampshire Retirement System's unfunded pension liability in the financial statements for fiscal years beginning after June 15, 2014.

**NOTE 17—SUBSEQUENT EVENTS**

During December 2015, as authorized by annual Town meetings during March 2009, 2011 and 2015, the Town issued general obligation bonds in the amount of \$1,489,809 for various improvements to the water and sewer systems. The bonds call for semi-annual principal payments of \$74,490 with interest at 2.35% and mature January 2026.

## 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 8,811,485	\$ 8,811,485	\$ 8,869,423	\$ 57,938
Licenses and permits	2,340,765	2,340,765	2,452,651	111,886
Intergovernmental	1,199,265	1,199,265	1,041,303	(157,962)
Charges for services	929,560	929,560	818,841	(110,719)
Investment income	1,000	1,000	825	(175)
Miscellaneous	275,982	195,182	189,663	(5,519)
Total Revenues	<u>13,558,057</u>	<u>13,477,257</u>	<u>13,372,706</u>	<u>(104,551)</u>
Expenditures:				
Current operations:				
General government	4,699,051	4,645,051	4,573,258	71,793
Public safety	4,112,878	4,112,878	4,003,668	109,210
Highways and streets	1,432,876	1,432,876	1,439,845	(6,969)
Health and welfare	243,686	243,686	235,332	8,354
Sanitation	677,639	677,639	668,570	9,069
Culture and recreation	515,511	325,511	320,153	5,358
Capital outlay	1,272,453	422,000	222,000	200,000
Debt service:				
Principal retirement	684,088	684,088	684,087	1
Interest and fiscal charges	220,734	220,734	215,475	5,259
Total Expenditures	<u>13,858,916</u>	<u>12,764,463</u>	<u>12,362,388</u>	<u>402,075</u>
Excess of revenues over (under) expenditures	<u>(300,859)</u>	<u>712,794</u>	<u>1,010,318</u>	<u>297,524</u>
Other financing sources (uses):				
Transfers in	17,490	17,490	39,207	21,717
Transfers out	(890,258)	(890,258)	(890,258)	-
Total other financing sources (uses)	<u>(872,768)</u>	<u>(872,768)</u>	<u>(851,051)</u>	<u>21,717</u>
Net change in fund balance	(1,173,627)	(159,974)	159,267	319,241
Fund balances at beginning of year				
- Budgetary Basis	<u>2,910,705</u>	<u>2,910,705</u>	<u>2,910,705</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 1,737,078</u>	<u>\$ 2,750,731</u>	<u>\$ 3,069,972</u>	<u>\$ 319,241</u>

See accompanying notes to the required supplementary information

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2014**

**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 expenditures and transfers out, encumbrances, and capital lease obligations proceeds as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 14,458,988	\$ 14,087,870
Difference in property taxes meeting susceptible to accrual criteria	(19,336)	
Non-budgetary revenues and expenditures	(145,587)	(829,951)
Non-budgetary transfers in	(4,600)	
Budgetary expenditures and transfers out		951,760
Encumbrances - December 31, 2014		92,973
Encumbrances - December 31, 2013		(172,454)
Proceeds from capital lease obligations	(877,552)	(877,552)
Per Schedule 1	<u>\$ 13,411,913</u>	<u>\$ 13,252,646</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at December 31, 2014 are as follows:

<b><i>Nonspendable:</i></b>	
Prepaid expenses	\$ 137,620
<b><i>Committed for:</i></b>	
Continuing appropriations - Non-lapsing	959,653
<b><i>Assigned for:</i></b>	
Continuing appropriations	54,000
<b><i>Unassigned:</i></b>	
Unassigned - General Operations	1,918,699
	<u>\$ 3,069,972</u>

SCHEDULE A  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
**December 31, 2014**

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Combining Totals
<b>ASSETS</b>				
Investments		\$ 1,570,533		\$ 1,570,533
Accounts receivable	\$ 50,438			50,438
Due from other governments	193,881			193,881
Due from other funds	207,097		\$ 1,882	208,979
Total Assets	<u>451,416</u>	<u>1,570,533</u>	<u>1,882</u>	<u>2,023,831</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 451,416</u>	<u>\$ 1,570,533</u>	<u>\$ 1,882</u>	<u>\$ 2,023,831</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 12,276			\$ 12,276
Accrued expenses	3,201			3,201
Due to other governments	1,667			1,667
Advances from grantors	197,714			197,714
Due to other funds		\$ 14,554		14,554
Total Liabilities	<u>214,858</u>	<u>14,554</u>	<u>\$ -</u>	<u>229,412</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable		1,502,277		1,502,277
Restricted		53,702	1,882	55,584
Committed	236,558			236,558
Total Fund Balances	<u>236,558</u>	<u>1,555,979</u>	<u>1,882</u>	<u>1,794,419</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 451,416</u>	<u>\$ 1,570,533</u>	<u>\$ 1,882</u>	<u>\$ 2,023,831</u>

SCHEDULE A-1  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Special Revenue Funds**  
**December 31, 2014**

	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>
<b>ASSETS</b>						
Accounts receivable				\$ 11,246	\$ 39,192	\$ 50,438
Due from other governments			\$ 193,881			193,881
Due from other funds	<u>\$ 9,774</u>	<u>\$ 34,311</u>	<u>44,459</u>	<u>13,739</u>	<u>104,814</u>	<u>207,097</u>
Total Assets	<u>9,774</u>	<u>34,311</u>	<u>238,340</u>	<u>24,985</u>	<u>144,006</u>	<u>451,416</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
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>\$ 9,774</u>	<u>\$ 34,311</u>	<u>\$ 238,340</u>	<u>\$ 24,985</u>	<u>\$ 144,006</u>	<u>\$ 451,416</u>
<b>LIABILITIES</b>						
Accounts payable		\$ 326	\$ 11,411		\$ 539	\$ 12,276
Accrued expenses		951	2,250			3,201
Due to other governments			1,667			1,667
Advances from grantors			197,714			197,714
Total Liabilities	<u>\$ -</u>	<u>1,277</u>	<u>213,042</u>	<u>\$ -</u>	<u>539</u>	<u>214,858</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Committed	<u>9,774</u>	<u>33,034</u>	<u>25,298</u>	<u>24,985</u>	<u>143,467</u>	<u>236,558</u>
Total Fund Balances	<u>9,774</u>	<u>33,034</u>	<u>25,298</u>	<u>24,985</u>	<u>143,467</u>	<u>236,558</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,774</u>	<u>\$ 34,311</u>	<u>\$ 238,340</u>	<u>\$ 24,985</u>	<u>\$ 144,006</u>	<u>\$ 451,416</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, 2014

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Combining Totals
Revenues:				
Licenses and permits	\$ 150,783			\$ 150,783
Intergovernmental	171,553			171,553
Charges for services	258,689			258,689
Investment income		\$ 107,256		107,256
Miscellaneous	56,932			56,932
Total Revenues	<u>637,957</u>	<u>107,256</u>	<u>\$ -</u>	<u>745,213</u>
Expenditures:				
Current operations:				
General government	134,990	5,077		140,067
Public safety	179,326			179,326
Culture and recreation	141,938	5,185		147,123
Economic development	66,689			66,689
Capital outlay	95,078		9,855	104,933
Total Expenditures	<u>618,021</u>	<u>10,262</u>	<u>9,855</u>	<u>638,138</u>
Excess of revenues over (under) expenditures	<u>19,936</u>	<u>96,994</u>	<u>(9,855)</u>	<u>107,075</u>
Other financing sources (uses):				
Proceeds from note payable issuance			638,000	638,000
Transfers in	59,790			59,790
Transfers out	(44,460)	(35,163)		(79,623)
Total other financing sources (uses)	<u>15,330</u>	<u>(35,163)</u>	<u>638,000</u>	<u>618,167</u>
Net change in fund balances	35,266	61,831	628,145	725,242
Fund balances at beginning of year	<u>201,292</u>	<u>1,494,148</u>	<u>(626,263)</u>	<u>1,069,177</u>
Fund balances at end of year	<u>\$ 236,558</u>	<u>\$ 1,555,979</u>	<u>\$ 1,882</u>	<u>\$ 1,794,419</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, 2014**

	Impact Fees Fund	Recreation Fund	Special Purpose Funds	Public Safety Revolving Fund	Cable Access Fund	Combining Totals
Revenues:						
Licenses and permits					\$ 150,783	\$ 150,783
Intergovernmental			\$ 171,553			171,553
Charges for services		\$ 97,539	2,050	\$ 159,100		258,689
Miscellaneous	\$ 32,441	3,925	20,566			56,932
Total Revenues	<u>32,441</u>	<u>101,464</u>	<u>194,169</u>	<u>159,100</u>	<u>150,783</u>	<u>637,957</u>
Expenditures:						
Current operations:						
General government			26,205		108,785	134,990
Public safety			19,576	159,750		179,326
Culture and recreation	14,700	96,963	30,275			141,938
Economic development			66,689			66,689
Capital outlay			95,078			95,078
Total Expenditures	<u>14,700</u>	<u>96,963</u>	<u>237,823</u>	<u>159,750</u>	<u>108,785</u>	<u>618,021</u>
Excess of revenues over (under) expenditures	<u>17,741</u>	<u>4,501</u>	<u>(43,654)</u>	<u>(650)</u>	<u>41,998</u>	<u>19,936</u>
Other financing sources (uses):						
Transfers in			59,790			59,790
Transfers out	(24,653)	(19,807)				(44,460)
Total other financing sources (uses)	<u>(24,653)</u>	<u>(19,807)</u>	<u>59,790</u>	<u>-</u>	<u>-</u>	<u>15,330</u>
Net change in fund balances	(6,912)	(15,306)	16,136	(650)	41,998	35,266
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 9,774</u>	<u>\$ 33,034</u>	<u>\$ 25,298</u>	<u>\$ 24,985</u>	<u>\$ 143,467</u>	<u>\$ 236,558</u>