

TOWN OF CANAAN, NEW HAMPSHIRE

Financial Statements

December 31, 2014

and

Independent Auditor's Report

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

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	<u>Page(s)</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-viii

BASIC FINANCIAL STATEMENTS

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
NOTES TO BASIC FINANCIAL STATEMENTS	9-24

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE:

1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	25
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	26

SUPPLEMENTAL SCHEDULES

SCHEDULES:

A Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	27
B Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	28

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Canaan, 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 Canaan, New Hampshire as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 Canaan, 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 business-type activities, each major fund and the aggregate remaining fund information of the Town of Canaan, 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 management’s discussion and analysis and budgetary comparison information on pages i-viii and 25-26 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Canaan, 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

Manchester, New Hampshire
April 21, 2015

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Presented herewith please find the Management Discussion & Analysis Report for the Town of Canaan for the year ending December 31, 2014. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Canaan using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Town of Canaan's financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies. These statements (Statement of Net Position and the Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. These statements are prepared using the accrual basis of accounting.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and interest on long-term obligations).

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Both of the government-wide financial statements have separate sections for two types of activities:

Governmental activities – represent most of the Town's basic services.

Business-type activities – account for the Town's water and sewer operations and receive a majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary, and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and the Permanent Funds which are considered major funds. Other governmental funds are aggregated as nonmajor funds.

The Town adopts an annual budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide water and sewer services to customers and charge a user fee. They are presented on the accrual basis of accounting.

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

Notes to the Basic Financial Statements

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

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the General Fund's revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's major governmental fund during 2013 with an adopted budget is the General Fund.

Other Supplementary Information

Other supplemental information includes combining financial statements for nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

Statement of Net Position

Net position of the Town of Canaan's governmental activities as of December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Capital and other assets:		
Capital assets	\$ 3,977,214	\$ 3,473,567
Other assets	<u>6,156,428</u>	<u>5,493,511</u>
Total assets	<u>10,133,642</u>	<u>8,967,078</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Long-term and other liabilities:		
Long-term liabilities		37,930
Other liabilities	<u>3,668,784</u>	<u>2,937,491</u>
Total liabilities	<u>3,668,784</u>	<u>2,975,421</u>
Unearned tax revenue	<u>10,764</u>	<u>3,182</u>
Total deferred inflows of resources	<u>10,764</u>	<u>3,182</u>
Net position:		
Net investment in capital assets	3,977,214	3,435,637
Restricted	861,041	809,313
Unrestricted	<u>1,615,839</u>	<u>1,743,525</u>
Total net position	<u>\$ 6,454,094</u>	<u>\$ 5,988,475</u>

Approximately 61.6% of the Town's net position reflects the investment in capital assets such as land, buildings, infrastructure, and equipment less the outstanding debt used to acquire those assets. Another 13.3% of the net position is restricted in regards to how it may be used. For the Town of Canaan, those

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

restrictions include those related to non-expendable trust funds and the unexpended balance of restricted grants and donations. The remaining unrestricted portion represents the part of net position available to finance day-to-day operations.

Statement of Activities

Changes in net position of the Town's governmental activities for the years ending December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services	\$ 86,547	\$ 83,784
Operating grants and contributions	210,212	250,780
Capital grants and contributions	395,346	50,456
Total program revenues	<u>692,105</u>	<u>385,020</u>
General revenues:		
Property and other taxes	2,172,814	2,235,181
Licenses and permits	635,544	605,051
Intergovernmental revenue	188,712	174,127
Interest and investment earnings	60,599	75,897
Miscellaneous	185,557	127,149
Total general revenues	<u>3,243,226</u>	<u>3,217,405</u>
Total revenues	<u>3,935,331</u>	<u>3,602,425</u>
Program expenses:		
General government	1,010,052	1,018,146
Public safety	971,620	993,399
Highways and streets	968,411	912,568
Sanitation	174,193	163,809
Health and welfare	92,330	92,319
Culture and recreation	228,305	207,178
Conservation	245	1,449
Economic development	6,031	6,032
Interest	1,838	
Total expenses	<u>3,453,025</u>	<u>3,394,900</u>
Change in net position before transfers	482,306	207,525
Transfers	<u>(16,687)</u>	<u>(17,512)</u>
Change in net position	465,619	190,013
Net position - beginning of year	<u>5,988,475</u>	<u>5,798,462</u>
Net position - ending of year	<u>\$ 6,454,094</u>	<u>\$ 5,988,475</u>

As shown in the above statement the Town's governmental activities experienced an increase in financial position of \$465,619 on the full accrual basis of accounting.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Business-Type Activities

Statement of Net Position

Net position of the business-type activities as of December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Capital and other assets:		
Capital assets	\$ 3,541,308	\$ 3,672,528
Other assets	<u>89,686</u>	<u>89,795</u>
Total assets	<u>3,630,994</u>	<u>3,762,323</u>
 Total deferred outflows of resources	 <u>-</u>	 <u>-</u>
Long-term and other liabilities:		
Long-term liabilities	15,000	30,000
Other liabilities	<u>319</u>	<u>638</u>
Total liabilities	<u>15,319</u>	<u>30,638</u>
 Total deferred inflows of resources	 <u>-</u>	 <u>-</u>
Net position:		
Net investment in capital assets	3,526,308	3,642,528
Unrestricted	<u>89,367</u>	<u>89,157</u>
Total net position	<u>\$ 3,615,675</u>	<u>\$ 3,731,685</u>

The largest portion of the Town's net position for its business-type activities reflects its investment in capital assets, primarily utility plant in service and equipment less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

Statement of Activities

Changes in net position of the Town's business-type activities for the years ending December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services	\$ 121,359	\$ 157,075
Capital grants and contributions		
Total program revenues	<u>121,359</u>	<u>157,075</u>
General revenues:		
Interest and investment earnings		5
Total general revenues	<u>-</u>	<u>5</u>
Total revenues	<u>121,359</u>	<u>157,080</u>

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Program expenses:		
Water	110,483	132,889
Sewer	<u>143,573</u>	<u>148,192</u>
Total expenses	<u>254,056</u>	<u>281,081</u>
Change in net position before transfers	(132,697)	(124,001)
Transfers	<u>16,687</u>	<u>17,512</u>
Change in net position	(116,010)	(106,489)
Net position - beginning of year	<u>3,731,685</u>	<u>3,838,174</u>
Net position - ending of year	<u>\$ 3,615,675</u>	<u>\$ 3,731,685</u>

The main funding source for business-type activities is charges for services, which provided 47.8% and 55.9% of expenses in 2014 and 2013 respectively. Overall, there was a decrease of \$116,010 in the net position.

Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the Town. At the end of the current year, the General Fund had an unassigned fund balance of \$44,370. Additional fund balance components at year end amounted to \$676,692 and are detailed on page 24 of the Notes to the Basic Financial Statements.

The total General Fund balance decreased \$92,422 from December 31, 2013. A decrease in fund balance was anticipated since \$179,813 of the prior year fund balance was appropriated to fund 2014 warrant articles.

Permanent Funds

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. At December 31, 2014, the balance of \$572,316 was nonspendable and \$259,666 was restricted. The total fund balance in the permanent funds increased \$51,721 from the prior year.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Other Governmental Funds

The total fund balance of \$209,698 in the other governmental funds is committed for the purposes of the individually established fund. The largest portion of this total represents the balance in the Conservation Fund, Police Details Fund and the Expendable Trust Funds.

Proprietary Funds

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business.

The Town's proprietary funds had a combined unrestricted net position of \$89,367 at December 31, 2014. Charges for services for water and sewer operations covered 47.8% of operating expenses. The water fund had a decrease in net position of \$59,914. Although there was a transfer of \$16,687 from the General Fund for debt service payments, the sewer fund also had a decrease in net position of \$56,096.

Capital Assets and Long-term Obligations

Capital Assets

The Town of Canaan considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. See Note 6 to the basic financial statements for a complete schedule of capital asset activity for the year.

Long-Term Obligations

During 2014, the Town's long-term obligations of the governmental activities decreased by \$37,930 from scheduled payments on the capital lease. The Town had a reduction of \$15,000 in the long-term obligations of its business-type activities from scheduled payments on bonds.

See Note 8 to the basic financial statements for additional information on the long-term obligations of the Town.

Budgetary Highlights

Budgetary information for the General Fund (a major governmental fund) is included in the Required Supplementary Information section.

Actual revenues and transfers in on the budgetary basis were higher than the budgeted amount by \$78,508. This favorable variance represents approximately 2.2% of the estimated revenues projected when the property tax rate was established.

The Town underexpended its budgeted appropriations by \$76,495. Demonstrating fiscal restraint, town officials were able to manage the town's business under budget. Detailed budgetary results may be found in Schedule 1 in the financial statements.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Economic Factors

The Town taxpayers are experiencing ever increasing tax rates. The primary reason for increasing taxes is significantly increasing school tax rates. Over the five year period between 2009 and 2014, the school tax rate increased 59.5% and is expected to increase at least 10% more in 2015. During that same period of time, the Town tax rate increased 4% of which half was due to increased tax exemptions. There was a similar increase of 40% in the County tax.

In light of this extraordinary increased tax burden, the Town supported an increase in the levels for elderly and handicapped tax exemptions. During the past two years, there has been a 100% increase in the number of applicants for tax exemptions. The properties involved went about \$1 million dollars in 2013 to about \$4 million dollars or a 400% increase.

A corollary to school taxes increasing much faster than other taxes is that the impact of delinquent taxes impacts the Town cash flow since we are absolutely bound to pay the full amount due to the schools. To date, we are aggressively matching the collection of delinquent taxes to the new delinquent taxes. Even with that action, there is a growing cash flow issue that may require the use of a higher overlay in the tax rate.

To put these issues in perspective, we currently have no debt (as of 2015), we use no tax anticipation notes and we maintain a cash cushion in our lowest balance months of at least \$150,000. The Town tax rate, adjusted for cyclical revaluation, has dropped from \$6.40 in 2008 to \$5.73 in 2014. The Town is clearly managing our debt and tax rates conservatively. At this point, there is a recognition of the impact of higher school taxes in the near future on low income taxpayers; particularly working poor and on the cash flow of Town government.

While we anticipate that there will be no increase in the Town portion of the tax rate due to increased spending, there may well be a tax increase when the rates are set this fall if the New Hampshire Legislature persists in reducing state-aid by \$65,000 in the state budgeting process. This would result in a 2% increase in taxes. The Town has lived frugally for many years but there is a need to increase our tax rate by about 2% a year starting in 2017 at the latest. This increase would be above the increase due to state funding cuts.

We have reduced our health costs over the past two years while increasing the number of employees protected. With the planned health center and new insurance products, we hope to at least stabilize the cost of health insurance.

Town management will continue to conservatively manage the Town to maintain a low tax rate.

Contacting the Town of Canaan's Financial Management

This financial report is to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 38, Canaan, NH 03741, telephone number 603-523-4501.

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,596,103	\$ 75,596	\$ 3,671,699
Investments	1,421,972	2,740	1,424,712
Taxes receivable, net	837,039		837,039
Accounts receivable	1,190	28,740	29,930
Due from other governments	188,416		188,416
Internal balances	18,660	(18,660)	-
Prepaid expenses	11,029	1,270	12,299
Tax deeded property	65,005		65,005
Total Current Assets	<u>6,139,414</u>	<u>89,686</u>	<u>6,229,100</u>
Noncurrent Assets:			
Due from other governments	17,014		17,014
Capital assets:			
Non-depreciable capital assets	425,096	238,341	663,437
Depreciable capital assets, net	3,552,118	3,302,967	6,855,085
Total Noncurrent Assets	<u>3,994,228</u>	<u>3,541,308</u>	<u>7,535,536</u>
Total Assets	<u>10,133,642</u>	<u>3,630,994</u>	<u>13,764,636</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	303,058		303,058
Accrued expenses	44,540	319	44,859
Due to other governments	3,320,496		3,320,496
Deposits	690		690
Current portion of bonds payable		15,000	15,000
Total Current Liabilities	<u>3,668,784</u>	<u>15,319</u>	<u>3,684,103</u>
Total Liabilities	<u>3,668,784</u>	<u>15,319</u>	<u>3,684,103</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned land use tax revenue	10,764		10,764
Total Deferred Inflows of Resources	<u>10,764</u>	<u>-</u>	<u>10,764</u>
NET POSITION			
Net investment in capital assets	3,977,214	3,526,308	7,503,522
Restricted	861,041		861,041
Unrestricted	1,615,839	89,367	1,705,206
Total Net Position	<u>\$ 6,454,094</u>	<u>\$ 3,615,675</u>	<u>\$ 10,069,769</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF CANAAN, 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		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 1,010,052	\$ 1,398			\$(1,008,654)		\$ (1,008,654)
Public safety	971,620	38,902	\$ 71,528		(861,190)		(861,190)
Highways and streets	968,411		136,184	\$ 395,346	(436,881)		(436,881)
Sanitation	174,193	20,233			(153,960)		(153,960)
Health and welfare	92,330	1,637			(90,693)		(90,693)
Culture and recreation	228,305	24,377	2,500		(201,428)		(201,428)
Conservation	245				(245)		(245)
Economic development	6,031				(6,031)		(6,031)
Interest and other fiscal charges	1,838				(1,838)		(1,838)
Total governmental activities	<u>3,453,025</u>	<u>86,547</u>	<u>210,212</u>	<u>395,346</u>	<u>(2,760,920)</u>	<u>\$ -</u>	<u>(2,760,920)</u>
Business-type activities:							
Water	110,483	50,569				(59,914)	(59,914)
Sewer	143,573	70,790				(72,783)	(72,783)
Total business-type activities	<u>254,056</u>	<u>121,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(132,697)</u>	<u>(132,697)</u>
Total primary government	<u>\$ 3,707,081</u>	<u>\$ 207,906</u>	<u>\$ 210,212</u>	<u>\$ 395,346</u>	<u>(2,760,920)</u>	<u>(132,697)</u>	<u>(2,893,617)</u>
General revenues:							
Property and other taxes					2,172,814		2,172,814
Licenses and permits					635,544		635,544
Grants and contributions:							
Rooms and meals tax distribution					188,649		188,649
State and federal forest land					63		63
Interest and investment income					60,599		60,599
Miscellaneous					185,557		185,557
Transfers, net					(16,687)	16,687	-
Total general revenues and transfers					<u>3,226,539</u>	<u>16,687</u>	<u>3,243,226</u>
Change in net position					465,619	(116,010)	349,609
Net position - beginning					5,988,475	3,731,685	9,720,160
Net position - ending					<u>\$ 6,454,094</u>	<u>\$ 3,615,675</u>	<u>\$ 10,069,769</u>

See accompanying notes to the basic financial statements

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

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,539,292		\$ 56,811	\$ 3,596,103
Investments	440,253	\$ 831,982	149,737	1,421,972
Taxes receivable, net	837,039			837,039
Accounts receivable			1,190	1,190
Due from other governments	182,869			182,869
Due from other funds	24,973		8,273	33,246
Prepaid expenses	11,029			11,029
Tax dedeed property	65,005			65,005
Total Assets	<u>5,100,460</u>	<u>831,982</u>	<u>216,011</u>	<u>6,148,453</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>\$ 5,100,460</u>	<u>\$ 831,982</u>	<u>\$ 216,011</u>	<u>\$ 6,148,453</u>
LIABILITIES				
Accounts payable	\$ 303,058			\$ 303,058
Accrued expenses	44,540			44,540
Due to other governments	3,320,496			3,320,496
Due to other funds	8,273		\$ 6,313	14,586
Deposits	690			690
Total Liabilities	<u>3,677,057</u>	<u>\$ -</u>	<u>6,313</u>	<u>3,683,370</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned land use tax revenue	10,764			10,764
Unearned property tax revenue	691,577			691,577
Total Deferred Inflows of Resources	<u>702,341</u>	<u>-</u>	<u>-</u>	<u>702,341</u>
FUND BALANCES				
Nonspendable	11,029	572,316		583,345
Restricted	29,059	259,666		288,725
Committed	338,436		209,698	548,134
Assigned	298,168			298,168
Unassigned	44,370			44,370
Total Fund Balances	<u>721,062</u>	<u>831,982</u>	<u>209,698</u>	<u>1,762,742</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,100,460</u>	<u>\$ 831,982</u>	<u>\$ 216,011</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 3,977,214

Property taxes are recognized on an accrual basis in the
statement of net position, not the modified accrual basis 691,577

The long-term state aid grant receivable is recognized on an accrual
basis in the statement of net position, not the modified accrual basis 22,561
Net position of governmental activities \$ 6,454,094

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,188,876		\$ 3,668	\$ 2,192,544
Licenses and permits	635,544			635,544
Intergovernmental	797,329		2,488	799,817
Charges for services	45,894		40,653	86,547
Interest and investment income	892	\$ 58,131	1,576	60,599
Miscellaneous	134,440		13,117	147,557
Total Revenues	<u>3,802,975</u>	<u>58,131</u>	<u>61,502</u>	<u>3,922,608</u>
Expenditures:				
Current operations:				
General government	973,678	6,171	281	980,130
Public safety	907,760		15,004	922,764
Highways and streets	809,047			809,047
Sanitation	169,955			169,955
Health and welfare	88,334			88,334
Culture and recreation	147,916	134	51,047	199,097
Conservation			245	245
Capital outlay	780,287		4,905	785,192
Debt service:				
Interest and fiscal charges	1,838			1,838
Total Expenditures	<u>3,878,815</u>	<u>6,305</u>	<u>71,482</u>	<u>3,956,602</u>
Excess revenues over (under) expenditures	<u>(75,840)</u>	<u>51,826</u>	<u>(9,980)</u>	<u>(33,994)</u>
Other financing sources (uses):				
Transfers in	105			105
Transfers out	(16,687)	(105)		(16,792)
Total other financing sources (uses)	<u>(16,582)</u>	<u>(105)</u>	<u>-</u>	<u>(16,687)</u>
Net change in fund balances	(92,422)	51,721	(9,980)	(50,681)
Fund balances at beginning of year	<u>813,484</u>	<u>780,261</u>	<u>219,678</u>	<u>1,813,423</u>
Fund balances at end of year	<u>\$ 721,062</u>	<u>\$ 831,982</u>	<u>\$ 209,698</u>	<u>\$ 1,762,742</u>

TOWN OF CANAAN, 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	\$ (50,681)
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.	465,647
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(19,730)
Revenues in the governmental fund financial statements that reduce long-term assets recorded on the statement of net position are not reported as revenues in the statement of activities.	(5,547)
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.	37,930
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 gain of disposed capital assets reduced by the actual proceeds received from the sale of capital assets.	38,000
Change in Net Position of Governmental Activities	<u>\$ 465,619</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 75,596		\$ 75,596
Investments	2,740		2,740
Accounts receivable	14,542	\$ 14,198	28,740
Due from other funds	87,319		87,319
Prepaid expenses	635	635	1,270
Total Current Assets	<u>180,832</u>	<u>14,833</u>	<u>195,665</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets		238,341	238,341
Depreciable capital assets, net	1,098,059	2,204,908	3,302,967
Total Noncurrent Assets	<u>1,098,059</u>	<u>2,443,249</u>	<u>3,541,308</u>
Total Assets	<u>1,278,891</u>	<u>2,458,082</u>	<u>3,736,973</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accrued expenses	25	294	319
Due to other funds	10,387	95,592	105,979
Current portion of bonds payable		15,000	15,000
Total Current Liabilities	<u>10,412</u>	<u>110,886</u>	<u>121,298</u>
Total Liabilities	<u>10,412</u>	<u>110,886</u>	<u>121,298</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,098,059	2,428,249	3,526,308
Unrestricted (deficit)	170,420	(81,053)	89,367
Total Net Position	<u>\$ 1,268,479</u>	<u>\$ 2,347,196</u>	<u>\$ 3,615,675</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 50,569	\$ 70,790	\$ 121,359
Total operating revenues	<u>50,569</u>	<u>70,790</u>	<u>121,359</u>
Operating expenses:			
Personnel services	30,080	30,079	60,159
Contractual services	11,818	958	12,776
Repairs and maintenance	7,249	6,776	14,025
Materials and supplies	3,352	1,011	4,363
Utilities	8,054	22,091	30,145
Depreciation	49,930	81,290	131,220
Total operating expenses	<u>110,483</u>	<u>142,205</u>	<u>252,688</u>
Operating loss	<u>(59,914)</u>	<u>(71,415)</u>	<u>(131,329)</u>
Non-operating revenues (expenses):			
Interest expense		(1,368)	(1,368)
Net non-operating expenses	<u>-</u>	<u>(1,368)</u>	<u>(1,368)</u>
Loss before transfers	(59,914)	(72,783)	(132,697)
Transfers in		16,687	16,687
Change in net position	(59,914)	(56,096)	(116,010)
Total net position at beginning of year	<u>1,328,393</u>	<u>2,403,292</u>	<u>3,731,685</u>
Total net position at end of year	<u>\$ 1,268,479</u>	<u>\$ 2,347,196</u>	<u>\$ 3,615,675</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities		
	Water	Sewer	
	<u>Department</u>	<u>Department</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 56,216	\$ 77,030	\$ 133,246
Cash paid to suppliers	(38,283)	(38,645)	(76,928)
Cash paid to employees	(22,905)	(22,905)	(45,810)
Net cash provided (used) by operating activities	(4,972)	15,480	10,508
Cash flows from capital financing activities:			
Transfers from other funds		16,687	16,687
Principal paid on long-term debt		(15,000)	(15,000)
Interest paid on long-term debt		(1,687)	(1,687)
Net cash used for capital financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(4,972)	15,480	10,508
Cash and cash equivalents (deficiency) at beginning of year	157,500	(111,072)	46,428
Cash and cash equivalents (deficiency) at end of year	<u>\$ 152,528</u>	<u>\$ (95,592)</u>	<u>\$ 56,936</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (59,914)	\$ (71,415)	\$ (131,329)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	49,930	81,290	131,220
Changes in assets and liabilities:			
Accounts receivable	5,647	6,240	11,887
Prepaid expenses	(635)	(635)	(1,270)
Net cash provided (used) by operating activities	<u>\$ (4,972)</u>	<u>\$ 15,480</u>	<u>\$ 10,508</u>

See accompanying notes to the basic financial statements

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

	Agency Funds
ASSETS	
Investments	\$ 764,976
Total Assets	<u>\$ 764,976</u>
LIABILITIES	
Due to other governments	<u>\$ 764,976</u>
Total Liabilities	<u>\$ 764,976</u>

See accompanying notes to the basic financial statements

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Canaan, New Hampshire conform to accounting principles 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 Canaan, New Hampshire (the Town) was incorporated on July 9, 1761. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other elected 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 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 CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
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 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.

The *Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

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 and Sewer Funds* 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 has one classification: agency fund. The Town's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve funds of the Mascoma Valley Regional School District, which are held by the Town's Trustees of Trust Funds in accordance with State law.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
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 types are 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.

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 are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

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 year for which the taxes are levied (see Note 3). Revenue from grants,

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a 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 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 the revenue recognition criteria have been satisfied. Grants 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 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.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Water Fund	Sewer Fund	Totals
Cash	\$ 75,596		\$ 75,596
Due from other funds	87,319		87,319
Due to other funds	(10,387)	\$ (95,592)	(105,979)
Totals	<u>\$ 152,528</u>	<u>\$ (95,592)</u>	<u>\$ 56,936</u>

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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 year and prior and uncollected at December 31, 2014 are recorded as receivables net of reserves for estimated uncollectibles of \$87,475.

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 and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated 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 system, sewer collection and treatment system, and similar items. 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 business-type activities is also capitalized.

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges, and sidewalks) or its intangible assets. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress 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	30-50
Buildings and improvements	10-40
Land improvements	7-15
Vehicles and equipment	3-25

Compensated Absences

Full time employees may accumulate sick leave days at a rate of one day per month, cumulative to a maximum of sixty days. No payment for unused sick leave is made upon termination. Employees earn vacation dependent on the length of service. Vacation time is calculated on the anniversary date of hire. Five days of accumulated time may be carried into the next anniversary year. Upon retirement, termination, or death, employees are compensated for unused vacation at their current rates of pay.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

Unused vacation has been included as a liability in the governmental funds in these 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. 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 net 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.

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

Fund Balance Policy

As of December 31, 2014, the Town has not adopted a formal 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. These 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 constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. Restrictions may be changed or lifted only upon the consent of the external resource provider or enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (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.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

- Assigned Fund Balance: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned Fund Balance: Amounts that are not obligated or specifically designated and is available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

Spending Prioritizations

In circumstances where 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 then unassigned amounts.

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 fund and sewer fund, 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 allowance for uncollectible taxes.

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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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 (\$321,131,405 as of April 1, 2014) and are due in two installments on July 1, 2014 and December 8, 2014. 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 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 Mascoma Valley Regional School District and Grafton 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 \$6,321,733 and \$558,935 for the Mascoma Valley Regional School District and Grafton 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 Mascoma Valley Regional School District is \$3,320,496.

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.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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.

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

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	\$ 3,671,699
Investments	1,424,712
Statement of Fiduciary Net Position:	
Investments	<u>764,976</u>
	<u>\$ 5,861,387</u>

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

Cash on hand	\$ 22,100
Deposits with financial institutions	269,349
Investments	<u>5,569,938</u>
Total cash and investments	<u>\$ 5,861,387</u>

The Town's investment policy for governmental and proprietary fund types requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law (RSA 197:23-a). Town funds may also be deposited into solvent banks within the State of New Hampshire, short-term obligations of United States government agency, or repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized by United States Treasury Bills.

Responsibility for the investments of the expendable trust funds, permanent funds, and agency 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 CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time.

The Town's investment policy for the General Fund, other governmental funds and proprietary funds indicates that investments shall be limited to instruments maturing within one year at the time of purchase or the NHPDIP. The Trustees of Trust Funds and the Library Trustees have no policy with respect to interest rate risk.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
U.S. Treasury notes	\$ 10,463		\$ 10,463	
Federal agency securities	73,769		31,961	\$ 41,808
Municipal obligations	115,581	\$ 30,000	31,024	54,557
Corporate bonds	240,439		166,504	73,935
	<u>\$ 440,252</u>	<u>\$ 30,000</u>	<u>\$ 239,952</u>	<u>\$ 170,300</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 policy states that the Treasurer may place any excess funds into obligations of the United States government maturing in less than one year or the NHPDIP. The investment policy of the Trustees of Trust Funds states that all investments should be undertaken in a manner that seeks to preserve capital. The Library Trustees have no policy with respect to credit risk.

The following is the actual rating at year end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>			
		<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>
Municipal obligations	\$ 115,581	\$ 85,581			\$ 30,000
Corporate bonds	240,439	109,034	\$ 66,849	\$ 54,506	10,050
Money market funds	74,523				74,523
State investment pool	1,303,834				1,303,834
	<u>\$ 1,734,377</u>	<u>\$ 194,615</u>	<u>\$ 66,849</u>	<u>\$ 54,506</u>	<u>\$ 1,418,407</u>

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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 policy for governmental and proprietary funds states that deposits shall be fully collateralized with the delivery of United States government obligations, United States government agency obligations, or obligations of the State of New Hampshire in market value at least equal to 100% of the cash deposit. The Trustees of Trust Funds policy states that its investments shall be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, industry or specific issuer. The Trustees shall also use prudence in the selection of securities. The Library Trustees have no policy with respect to custodial credit risk.

The Town has no deposits with financial institutions at year end that are exposed to custodial credit risk. 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.

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury notes	\$ 10,463
Federal agency securities	73,769
Municipal obligations	115,581
Corporate bonds	240,439
Equity securities	345,974
Overnight repurchase agreement	<u>3,405,355</u>
	<u>\$ 4,191,581</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. 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

Governmental Activities

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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

	Balance 01/01/14	Additions	Reductions	Balance 12/31/14
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 402,383			\$ 402,383
Construction in progress	90,966		\$ (68,253)	22,713
Total capital assets not being depreciated	493,349	\$ -	(68,253)	425,096
Other capital assets:				
Infrastructure	1,114,955	612,716		1,727,671
Buildings and improvements	1,758,563			1,758,563
Land improvements	13,100			13,100
Vehicles and equipment	2,308,284	204,068	(120,850)	2,391,502
Total other capital assets at historical cost	5,194,902	816,784	(120,850)	5,890,836
Less accumulated depreciation for:				
Infrastructure	(100,523)	(22,300)		(122,823)
Buildings and improvements	(756,908)	(60,448)		(817,356)
Land improvements	(1,819)	(874)		(2,693)
Vehicles and equipment	(1,355,434)	(161,262)	120,850	(1,395,846)
Total accumulated depreciation	(2,214,684)	(244,884)	120,850	(2,338,718)
Total other capital assets, net	2,980,218	571,900	-	3,552,118
Total capital assets, net	\$ 3,473,567	\$ 571,900	\$ (68,253)	\$ 3,977,214

Depreciation expense was charged to governmental functions as follows:

General government	\$ 14,109
Public safety	48,856
Highways and streets	142,442
Sanitation	4,238
Culture and recreation	29,208
Economic development	6,031
Total governmental activities depreciation expense	\$ 244,884

Business-Type Activities

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

	Balance 01/01/14	Additions	Reductions	Balance 12/31/14
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 238,341			\$ 238,341
Total capital assets not being depreciated	238,341	\$ -	\$ -	238,341

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

Other capital assets:				
Infrastructure	5,619,767			5,619,767
Buildings and improvements	67,970			67,970
Land improvements	22,395			22,395
Vehicles and equipment	212,627			212,627
Total other capital assets at historical cost	<u>5,922,759</u>	<u>-</u>	<u>-</u>	<u>5,922,759</u>
Less accumulated depreciation for:				
Infrastructure	(2,319,848)	(112,396)		(2,432,244)
Buildings and improvements	(47,572)	(1,359)		(48,931)
Land improvements	(6,398)	(3,199)		(9,597)
Vehicles and equipment	(114,754)	(14,266)		(129,020)
Total accumulated depreciation	<u>(2,488,572)</u>	<u>(131,220)</u>	<u>-</u>	<u>(2,619,792)</u>
Total other capital assets, net	<u>3,434,187</u>	<u>(131,220)</u>	<u>-</u>	<u>3,302,967</u>
Total capital assets, net	<u>\$ 3,672,528</u>	<u>\$ (131,220)</u>	<u>\$ -</u>	<u>\$ 3,541,308</u>

Depreciation expense was charged to proprietary funds as follows:

Water fund	\$ 49,930
Sewer fund	81,290
Total business-type activities depreciation expense	<u>\$ 131,220</u>

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 public safety employees are required to contribute 11.55% 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 and general employees were 25.30% 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 \$139,844, \$123,271, and \$103,334 respectively, equal to the required contributions for each year.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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 01/01/14	Additions	Reductions	Balance 12/31/14	Due Within One Year
<i>Governmental activities:</i>					
Capital leases payable	\$ 37,930		\$ (37,930)	\$ -	
Total governmental activities	<u>\$ 37,930</u>	<u>\$ -</u>	<u>\$ (37,930)</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Business-type activities:</i>					
Bonds payable	\$ 30,000		\$ (15,000)	\$ 15,000	\$ 15,000
Total business-type activities	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>

Payments on the capital leases of the governmental activities are paid out of the General Fund. Payments on the general obligation bonds of the business-type activities are paid out of the General Fund and recognized as a transfer to the Sewer Fund.

General Obligation Bonds

Business-Type Activities

Bonds payable at December 31, 2014 are comprised of the following individual issue:

\$315,000 Sewer System bonds of August 1995, due in annual installments of \$15,000 to \$20,000 through August 2015; interest at 5.25% to 5.625%	<u>\$ 15,000</u>
--	------------------

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

Year Ending December 31,	Principal	Interest	Totals
2015	<u>\$ 15,000</u>	<u>\$ 843</u>	<u>\$ 15,843</u>

Authorized and Unissued Debt

As of December 31, 2014, the Town had the following debt authorized and unissued:

Canaan Village Water Improvements	\$ 223,700
Municipal Sewerage System Project	435,000
Goose Pond Road Bridge	<u>220,000</u>
	<u>\$ 878,700</u>

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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 to			Totals
	General Fund	Nonmajor Governmental Funds	Water Fund	
General Fund		\$ 8,273		\$ 8,273
Nonmajor Governmental Funds	\$ 6,313			6,313
Water Fund	10,387			10,387
Sewer Fund	8,273		\$ 87,319	95,592
Totals	<u>\$ 24,973</u>	<u>\$ 8,273</u>	<u>\$ 87,319</u>	<u>\$ 120,565</u>

During the year, several interfund transactions occurred between funds. The various transfers between the General Fund, Permanent Funds, and Sewer Fund were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2014 are as follows:

	Transfer from		Totals
	General Fund	Permanent Funds	
General Fund		\$ 105	\$ 105
Sewer Fund	\$ 16,687		16,687
	<u>\$ 16,687</u>	<u>\$ 105</u>	<u>\$ 16,792</u>

NOTE 10—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

Permanent Fund - Principal	\$ 572,316
Permanent Fund - Income	259,666
CDBG Funds	27,147
Library building renovations	1,912
	<u>\$ 861,041</u>

NOTE 11—COMPONENTS OF FUND BALANCE

The Town's fund balance components are comprised as follows:

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

<u>Fund Balances</u>	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent Funds - Principal		\$ 572,316		\$ 572,316
Prepaid expenses	\$ 11,029			11,029
Restricted for:				
Permanent Funds - Income		259,666		259,666
CDBG Fund	27,147			27,147
Library building renovations	1,912			1,912
Committed for:				
Capital Reserve	338,436			338,436
Conservation Fund			\$ 52,515	52,515
Expendable Trust Funds			77,145	77,145
Transfer Station Fund			28,350	28,350
Police Outside Detail Fund			34,318	34,318
Recreation Revolving Fund			17,370	17,370
Assigned for:				
Library operations	66,577			66,577
Designated for subsequent year expenditures	190,000			190,000
Encumbrances	41,591			41,591
Unassigned:				
Unassigned - General operations	44,370			44,370
	<u>\$ 721,062</u>	<u>\$ 831,982</u>	<u>\$ 209,698</u>	<u>\$ 1,762,742</u>

NOTE 12—COMMITMENTS AND 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.

NOTE 13—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 in 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. The Town will have to report its estimated proportional share of the New Hampshire Retirement System's unfunded pension liability in the financial statements for the fiscal year beginning after June 15, 2014.

SCHEDULE 1

TOWN OF CANAAN, 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	\$ 2,110,742	\$ 2,110,742	\$ 2,169,146	\$ 58,404
Licenses and permits	606,050	606,050	635,544	29,494
Intergovernmental	479,395	479,395	401,983	(77,412)
Charges for services	19,000	19,000	45,894	26,894
Interest income	1,000	1,000	814	(186)
Miscellaneous	34,310	34,310	111,684	77,374
Total Revenues	<u>3,250,497</u>	<u>3,250,497</u>	<u>3,365,065</u>	<u>114,568</u>
Expenditures:				
Current operations:				
General government	1,032,973	1,032,973	972,118	60,855
Public safety	918,801	918,801	921,405	(2,604)
Highways and streets	805,308	805,308	805,980	(672)
Sanitation	159,086	159,086	173,137	(14,051)
Health and welfare	89,482	89,482	88,834	648
Culture and recreation	9,358	9,358	10,084	(726)
Capital outlay	270,994	270,994	235,825	35,169
Debt service:				
Interest and fiscal charges	<u>1</u>	<u>1</u>	<u>1,838</u>	<u>(1,837)</u>
Total Expenditures	<u>3,286,003</u>	<u>3,286,003</u>	<u>3,209,221</u>	<u>76,782</u>
Excess revenues over (under) expenditures	<u>(35,506)</u>	<u>(35,506)</u>	<u>155,844</u>	<u>191,350</u>
Other financing sources (uses):				
Transfers in	163,184	163,184	127,124	(36,060)
Transfers out	<u>(307,491)</u>	<u>(307,491)</u>	<u>(307,778)</u>	<u>(287)</u>
Total other financing sources (uses)	<u>(144,307)</u>	<u>(144,307)</u>	<u>(180,654)</u>	<u>(36,347)</u>
Net change in fund balance	<u>(179,813)</u>	<u>(179,813)</u>	<u>(24,810)</u>	<u>155,003</u>
Fund balance at beginning of year				
- Budgetary Basis	<u>992,742</u>	<u>992,742</u>	<u>992,742</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 812,929</u>	<u>\$ 812,929</u>	<u>\$ 967,932</u>	<u>\$ 155,003</u>

See accompanying notes to the required supplementary information

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

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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 under state regulations. 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. Expenditures were adjusted for accrued vacation, which is budgeted on a “pay as you go” basis, and encumbrances. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 3,803,080	\$ 3,895,502
Difference in property taxes meeting susceptible to accrual criteria	(19,730)	
Accrued vacation - December 31, 2014		(30,956)
Accrued vacation - December 31, 2013		24,095
Encumbrances - December 31, 2014		41,591
Encumbrances - December 31, 2013		(16,890)
Non-budgetary revenues and expenditures	(418,180)	(687,434)
Budgetary transfers in and out	127,019	291,091
Per Schedule 1	<u>\$ 3,492,189</u>	<u>\$ 3,516,999</u>

NOTE 2—BUDGETARY FUND BALANCES

The components of the budgetary fund balance for the General Fund are as follows:

Nonspendable:	
Prepaid expenses	\$ 11,029
Tax deeded property	65,005
Assigned for:	
Designated for subsequent year expenditures	190,000
Unassigned:	
Unassigned - General operations	701,898
	<u>\$ 967,932</u>

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

	Conservation Fund	Expendable Trust Funds	Transfer Station Fund	Police Outside Detail Fund	Recreation Revolving Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents				\$ 33,840	\$ 22,971	\$ 56,811
Investments	\$ 47,487	\$ 77,145	\$ 25,105			149,737
Accounts receivable				1,190		1,190
Due from other funds	5,028		3,245			8,273
Total Assets	<u>52,515</u>	<u>77,145</u>	<u>28,350</u>	<u>35,030</u>	<u>22,971</u>	<u>216,011</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 52,515</u>	<u>\$ 77,145</u>	<u>\$ 28,350</u>	<u>\$ 35,030</u>	<u>\$ 22,971</u>	<u>\$ 216,011</u>
LIABILITIES						
Due to other funds				\$ 712	\$ 5,601	\$ 6,313
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>712</u>	<u>5,601</u>	<u>6,313</u>
DEFERRED INFLOWS OF RESOURCES						
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES						
Committed	52,515	77,145	28,350	34,318	17,370	209,698
Total Fund Balances	<u>52,515</u>	<u>77,145</u>	<u>28,350</u>	<u>34,318</u>	<u>17,370</u>	<u>209,698</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 52,515</u>	<u>\$ 77,145</u>	<u>\$ 28,350</u>	<u>\$ 35,030</u>	<u>\$ 22,971</u>	<u>\$ 216,011</u>

SCHEDULE B
TOWN OF CANAAN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2014

	Conservation <u>Fund</u>	Expendable Trust <u>Funds</u>	Transfer Station <u>Fund</u>	Police Outside <u>Detail Fund</u>	Recreation Revolving <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:						
Taxes	\$ 3,668					\$ 3,668
Intergovernmental				\$ 2,488		2,488
Charges for services			\$ 3,245	13,031	\$ 24,377	40,653
Interest and investment income	8	\$ 1,464	72	18	14	1,576
Miscellaneous		1,000			12,117	13,117
Total Revenues	<u>3,676</u>	<u>2,464</u>	<u>3,317</u>	<u>15,537</u>	<u>36,508</u>	<u>61,502</u>
Expenditures:						
Current operations:						
General government		281				281
Public safety				15,004		15,004
Culture and recreation					51,047	51,047
Conservation	245					245
Capital outlay				4,905		4,905
Total Expenditures	<u>245</u>	<u>281</u>	<u>-</u>	<u>19,909</u>	<u>51,047</u>	<u>71,482</u>
Net change in fund balances	3,431	2,183	3,317	(4,372)	(14,539)	(9,980)
Fund balances at beginning of year	<u>49,084</u>	<u>74,962</u>	<u>25,033</u>	<u>38,690</u>	<u>31,909</u>	<u>219,678</u>
Fund balances at end of year	<u>\$ 52,515</u>	<u>\$ 77,145</u>	<u>\$ 28,350</u>	<u>\$ 34,318</u>	<u>\$ 17,370</u>	<u>\$ 209,698</u>