

**TOWN OF ALEXANDRIA,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014**

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2014

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Alexandria 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 of material misstatement.

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

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

Opinions

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

Other Matters

Management's Discussion and Analysis - Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Town of Alexandria
Independent Auditor's Report

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

The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

July 1, 2015

Plodzik & Sanderson
Professional Association

BASIC FINANCIAL STATEMENTS

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

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,729,798 |
| Investments | 565,449 |
| Taxes receivable (net) | 493,149 |
| Account receivables | 1,800 |
| Tax deeded property, subject to resale | 21,216 |
| Capital assets: | |
| Land and construction in progress | 130,725 |
| Other capital assets, net of depreciation | 3,875,368 |
| Total assets | 6,817,505 |
| LIABILITIES | |
| Accounts payable | 41,329 |
| Accrued salaries and benefits | 7,969 |
| Accrued interest payable | 3,599 |
| Intergovernmental payable | 1,396,553 |
| Long-term liabilities: | |
| Due within one year | 25,000 |
| Due in more than one year | 187,245 |
| Total liabilities | 1,661,695 |
| NET POSITION | |
| Net investment in capital assets | 3,806,093 |
| Restricted | 608,138 |
| Unrestricted | 741,579 |
| Total net position | \$ 5,155,810 |

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

EXHIBIT B
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2014

| | Expenses | Program Revenues | | Net (Expense) Revenue and Change In Net Position |
|-------------------------------|---------------------|----------------------------|--|---|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| General government | \$ 379,909 | \$ 2,920 | \$ - | \$ (376,989) |
| Public safety | 229,199 | 2,789 | - | (226,410) |
| Highways and streets | 585,963 | 2,431 | 72,899 | (510,633) |
| Sanitation | 141,256 | 15,973 | - | (125,283) |
| Health | 22,645 | - | - | (22,645) |
| Welfare | 27,763 | - | - | (27,763) |
| Culture and recreation | 32,980 | - | - | (32,980) |
| Conservation | 690 | - | - | (690) |
| Interest on long-term debt | 8,776 | - | - | (8,776) |
| Capital outlay | 125,577 | - | - | (125,577) |
| Total governmental activities | <u>\$ 1,554,758</u> | <u>\$ 24,113</u> | <u>\$ 72,899</u> | <u>(1,457,746)</u> |

General revenues:

| | |
|--|---------------------|
| Taxes: | |
| Property | 947,970 |
| Other | 74,908 |
| Motor vehicle permit fees | 271,686 |
| Licenses and other fees | 10,485 |
| Grants and contributions not restricted to specific programs | 78,544 |
| Unrestricted investment earnings | 31,821 |
| Miscellaneous | 87,477 |
| Total general revenues | <u>1,502,891</u> |
| Change in net position | 45,145 |
| Net position, beginning | 5,110,665 |
| Net position, ending | <u>\$ 5,155,810</u> |

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

EXHIBIT C-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2014

| | General | Permanent | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,478,511 | \$ 13,581 | \$ 112,349 | \$ 1,604,441 |
| Investments | 34,489 | 530,960 | - | 565,449 |
| Accounts receivable | - | - | 1,800 | 1,800 |
| Taxes receivable | 532,195 | - | - | 532,195 |
| Interfund receivable | 7,639 | - | 2,500 | 10,139 |
| Tax dedeed property, subject to resale | 21,216 | - | - | 21,216 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 125,357 | - | - | 125,357 |
| Total assets | <u>\$ 2,199,407</u> | <u>\$ 544,541</u> | <u>\$ 116,649</u> | <u>\$ 2,860,597</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 41,329 | \$ - | \$ - | \$ 41,329 |
| Accrued salaries and benefits | 7,969 | - | - | 7,969 |
| Due to other governments | 1,396,553 | - | - | 1,396,553 |
| Interfund payable | 2,500 | 5,991 | 1,648 | 10,139 |
| Total liabilities | <u>1,448,351</u> | <u>5,991</u> | <u>1,648</u> | <u>1,455,990</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - Property taxes | 77,017 | - | - | 77,017 |
| FUND BALANCES | | | | |
| Nonspendable | 21,216 | 493,503 | - | 514,719 |
| Restricted | - | 45,047 | 69,588 | 114,635 |
| Committed | 105,357 | - | 45,413 | 150,770 |
| Unassigned | 547,466 | - | - | 547,466 |
| Total fund balances | <u>674,039</u> | <u>538,550</u> | <u>115,001</u> | <u>1,327,590</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,199,407</u> | <u>\$ 544,541</u> | <u>\$ 116,649</u> | <u>\$ 2,860,597</u> |

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

EXHIBIT C-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2014

| | | |
|---|--------------------|----------------------------|
| Total fund balances of governmental funds (Exhibit C-1) | | \$ 1,327,590 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. | | |
| Cost | \$ 5,843,065 | |
| Less accumulated depreciation | <u>(1,836,972)</u> | 4,006,093 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | \$ (10,139) | |
| Payables | <u>10,139</u> | - |
| Long term revenue (taxes) is not available to pay current-period expenditures and therefore, is deferred in the governmental funds. | | 77,017 |
| Allowance for uncollectible property taxes that is recognized on a full accrual basis but not on the modified accrual basis. | | (39,046) |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (3,599) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds. | | |
| Bond | \$ 200,000 | |
| Compensated absences | <u>12,245</u> | (212,245) |
| Net position of governmental activities (Exhibit A) | | <u><u>\$ 5,155,810</u></u> |

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

EXHIBIT C-3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2014

| | General | Permanent | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 1,027,842 | \$ - | \$ 2,590 | \$ 1,030,432 |
| Licenses and permits | 282,171 | - | - | 282,171 |
| Intergovernmental | 151,443 | - | - | 151,443 |
| Charges for services | 16,084 | - | 8,029 | 24,113 |
| Miscellaneous | 87,502 | 31,776 | 20 | 119,298 |
| Total revenues | <u>1,565,042</u> | <u>31,776</u> | <u>10,639</u> | <u>1,607,457</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 320,806 | 1,757 | - | 322,563 |
| Public safety | 210,336 | - | 1,938 | 212,274 |
| Highways and streets | 573,216 | - | - | 573,216 |
| Sanitation | 139,943 | - | - | 139,943 |
| Health | 22,645 | - | - | 22,645 |
| Welfare | 27,763 | - | - | 27,763 |
| Culture and recreation | 32,980 | - | - | 32,980 |
| Conservation | 690 | - | - | 690 |
| Debt service: | | | | |
| Principal | 25,000 | - | - | 25,000 |
| Interest | 9,180 | - | - | 9,180 |
| Capital outlay | 125,577 | - | - | 125,577 |
| Total expenditures | <u>1,488,136</u> | <u>1,757</u> | <u>1,938</u> | <u>1,491,831</u> |
| Excess of revenues over expenditures | <u>76,906</u> | <u>30,019</u> | <u>8,701</u> | <u>115,626</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 5,991 | - | - | 5,991 |
| Transfers out | - | (5,991) | - | (5,991) |
| Total other financing sources (uses) | <u>5,991</u> | <u>(5,991)</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 82,897 | 24,028 | 8,701 | 115,626 |
| Fund balances, beginning, as restated (see Note 15) | 591,142 | 514,522 | 106,300 | 1,211,964 |
| Fund balances, ending | <u>\$ 674,039</u> | <u>\$ 538,550</u> | <u>\$ 115,001</u> | <u>\$ 1,327,590</u> |

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

EXHIBIT C-4
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2014

| | | |
|--|------------------|-------------------------|
| Net change in fund balances of governmental funds (Exhibit C-3) | | \$ 115,626 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures. In the Statement as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay and capital asset disposals in the current period. | | |
| Capitalized capital outlay | \$ 141,077 | |
| Capital asset disposals | (44,349) | |
| Depreciation expense | <u>(184,224)</u> | |
| | | (87,496) |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities. | | |
| Transfers in | \$ (5,991) | |
| Transfers out | <u>5,991</u> | |
| | | - |
| Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds. | | |
| Change in deferred tax revenue | \$ (4,586) | |
| Change in allowance for uncollectible property taxes | <u>(2,968)</u> | |
| | | (7,554) |
| The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position. | | |
| Repayment of bond principal | | 25,000 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. | | |
| Decrease in accrued interest expense | \$ 404 | |
| Increase in compensated absences payable | <u>(835)</u> | |
| | | <u>(431)</u> |
| Changes in net position of governmental activities (Exhibit B) | | <u><u>\$ 45,145</u></u> |

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

EXHIBIT D
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2014

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------------------|-------------------|------------------------------------|
| REVENUES | | | |
| Taxes | \$ 984,699 | \$ 1,020,288 | \$ 35,589 |
| Licenses and permits | 246,500 | 282,171 | 35,671 |
| Intergovernmental | 151,182 | 151,443 | 261 |
| Charges for services | 20,000 | 16,084 | (3,916) |
| Miscellaneous | 74,000 | 87,493 | 13,493 |
| Total revenues | <u>1,476,381</u> | <u>1,557,479</u> | <u>81,098</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 324,331 | 320,806 | 3,525 |
| Public safety | 248,848 | 210,336 | 38,512 |
| Highways and streets | 556,295 | 573,216 | (16,921) |
| Sanitation | 150,000 | 139,943 | 10,057 |
| Health | 25,552 | 22,645 | 2,907 |
| Welfare | 22,300 | 27,763 | (5,463) |
| Culture and recreation | 36,374 | 32,980 | 3,394 |
| Conservation | 930 | 690 | 240 |
| Debt service: | | | |
| Principal | 25,000 | 25,000 | - |
| Interest | 10,451 | 9,180 | 1,271 |
| Capital outlay | 127,000 | 125,577 | 1,423 |
| Total expenditures | <u>1,527,081</u> | <u>1,488,136</u> | <u>38,945</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(50,700)</u> | <u>69,343</u> | <u>120,043</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 25,700 | 25,991 | 291 |
| Transfers out | (40,000) | (40,000) | - |
| Total other financing sources (uses) | <u>(14,300)</u> | <u>(14,009)</u> | <u>291</u> |
| Net change in fund balance | <u>\$ (65,000)</u> | 55,334 | <u>\$ 120,334</u> |
| Increase in nonspendable fund balance | | (16,789) | |
| Unassigned fund balance, beginning | | 546,892 | |
| Unassigned fund balance, ending | | <u>\$ 585,437</u> | |

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

EXHIBIT E-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2014

| | Private Purpose Trust | Agency |
|-------------------------------------|-----------------------------|----------|
| ASSETS | | |
| Cash and cash equivalents | \$ 14,408 | \$ 4,863 |
| Investments | 563,316 | - |
| Total assets | 577,724 | 4,863 |
| LIABILITIES | | |
| Accounts payable | 2,329 | - |
| Due to others | - | 4,863 |
| Total liabilities | 2,329 | 4,863 |
| NET POSITION | | |
| Held in trust for specific purposes | \$ 575,395 | \$ - |

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

EXHIBIT E-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2014

| | Private Purpose Trust |
|-----------------------------|-----------------------------|
| ADDITIONS | |
| Interest | \$ 13,152 |
| Change in fair market value | 35,745 |
| Total revenue | 48,897 |
| DEDUCTIONS | |
| Scholarships | 12,962 |
| Change in net position | 35,935 |
| Net position, beginning | 539,460 |
| Net position, ending | \$ 575,395 |

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

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

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TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

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

1-B Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

The Town reports the following major governmental funds:

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

Permanent Funds – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

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

Additionally, the Town reports the following nonmajor fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Fiduciary Funds – The Town also reports the following fiduciary fund types:

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

Private Purpose Trust Fund – accounts for money left for the benefit of students.

1-D Cash and Cash Equivalents

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

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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1-E Restricted Assets

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

1-F Investments

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

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

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-H Interfund Balances

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

1-I Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

| | <u>Years</u> |
|-------------------------------------|--------------|
| Land improvements | 30 |
| Buildings and building improvements | 50 - 126 |
| Machinery, equipment, and vehicles | 8 - 30 |
| Infrastructure | 50 |

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

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1-J Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 19, 2014 and November 12, 2014. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

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

| | |
|-------------------------------------|----------------|
| For the New Hampshire education tax | \$ 184,913,262 |
| For all other taxes | \$ 202,685,462 |

The tax rates and amounts assessed for the year ended December 31, 2014 were as follows:

| | Per \$1,000 of Assessed Valuation | Property Taxes Assessed |
|------------------------|---|-------------------------------|
| Municipal portion | \$4.83 | \$ 978,689 |
| School portion: | | |
| State of New Hampshire | \$2.47 | 457,579 |
| Local | \$12.14 | 2,466,974 |
| County portion | \$1.53 | 309,256 |
| Total | | \$ 4,212,498 |

1-L Compensated Absences

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

1-M Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

1-N Claims and Judgments

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

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1-O Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-P Net Position/Fund Balance Reporting

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

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

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

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

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

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2014, \$65,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis presents the actual results to provide a comparison with the budget.

The following reconciles the general fund budgetary basis to the GAAP basis:

| | |
|---|---------------------|
| Revenues and other financing sources: | |
| Per Exhibit D (budgetary basis) | \$ 1,583,470 |
| Adjustment: | |
| Basis difference: | |
| GASB Statement No. 54: | |
| To record interest earned on eliminated expendable trust funds | 9 |
| To eliminate transfers between blended funds | (20,000) |
| Change in deferred tax revenue relating to 60-day revenue recognition | 4,586 |
| Change in allowance for uncollectible property taxes | 2,968 |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 1,571,033</u> |
| Expenditures and other financing uses: | |
| Per Exhibit D (budgetary basis) | \$ 1,528,136 |
| Adjustment: | |
| Basis differences: | |
| GASB Statement No. 54: | |
| To eliminate transfers between general and expendable trust funds | (40,000) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 1,488,136</u> |

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2014, the reported amount of the Town’s deposits was \$1,749,068 and the bank balance was \$1,761,360. Of the bank balance \$452,763 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$1,308,596 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

| | |
|--|---------------------|
| Cash per Statement of Net Position (Exhibit A) | \$ 1,729,798 |
| Cash per Statement of Fiduciary Net Position (Exhibit E-1) | 19,271 |
| Total cash and cash equivalents | <u>\$ 1,749,069</u> |

NOTE 4 – INVESTMENTS

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

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At December 31, 2014, the Town had the following investments:

| | Fair Value |
|--|--------------|
| Investments type: | |
| Closed end mutual funds | \$ 530,961 |
| Fixed income funds | 563,315 |
| New Hampshire Public Deposit Investment Pool | 34,489 |
| Total fair value | \$ 1,128,765 |

Investment reconciliation:

| | |
|---|--------------|
| Investments per Statement of Net Position (Exhibit A) | \$ 565,449 |
| Investments per Statement of Fiduciary Net Position (Exhibit E-1) | 563,316 |
| Total investments | \$ 1,128,765 |

NOTE 5 – RESTRICTED CASH

Cash in the general fund in the amount of \$125,357 is restricted for expendable trust purposes.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2014. Taxes receivable by year are as follows:

| | Exhibit A (Accrual Basis) | Exhibit C-1 (Modified Accrual Basis) |
|---|------------------------------|--|
| Property: | | |
| Levy of 2014 | \$ 352,747 | \$ 352,747 |
| Unredeemed (under tax lien): | | |
| Levy of 2013 | 101,588 | 101,588 |
| Levy of 2012 | 59,199 | 59,199 |
| Levies of 2011 and prior | 13,113 | 13,113 |
| Yield | 548 | 548 |
| Land use change | 5,000 | 5,000 |
| Less: allowance for estimated uncollectible taxes | (39,046) * | - |
| Net taxes receivable | \$ 493,149 | \$ 532,195 |

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2014, consisted of accounts (billings for police details, reimbursements, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 consisted of the following:

| | Balance, beginning | Additions | Disposals | Balance, ending |
|--|-----------------------|--------------------|--------------------|---------------------|
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 130,725 | \$ - | \$ - | \$ 130,725 |
| Being depreciated: | | | | |
| Land improvements | 61,970 | - | - | 61,970 |
| Buildings and building improvements | 1,634,713 | - | - | 1,634,713 |
| Machinery, equipment, and vehicles | 1,421,682 | 68,077 | (78,262) | 1,411,497 |
| Infrastructure | 2,531,160 | 73,000 | - | 2,604,160 |
| Total capital assets being depreciated | <u>5,649,525</u> | <u>141,077</u> | <u>(78,262)</u> | <u>5,712,340</u> |
| Total all capital assets | <u>5,780,250</u> | <u>141,077</u> | <u>(78,262)</u> | <u>5,843,065</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (52,164) | (1,506) | - | (53,670) |
| Buildings and building improvements | (288,223) | (26,989) | - | (315,212) |
| Machinery, equipment, and vehicles | (788,828) | (70,600) | 33,914 | (825,514) |
| Infrastructure | (557,446) | (85,130) | - | (642,576) |
| Total accumulated depreciation | <u>(1,686,662)</u> | <u>(184,224)</u> | <u>33,914</u> | <u>(1,836,972)</u> |
| Net book value, capital assets being depreciated | <u>3,962,863</u> | <u>(43,147)</u> | <u>(44,348)</u> | <u>3,875,368</u> |
| Net book value, all capital assets | <u>\$ 4,093,588</u> | <u>\$ (43,147)</u> | <u>\$ (44,348)</u> | <u>\$ 4,006,093</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 12,786 |
| Public safety | 15,353 |
| Highways and streets | 154,805 |
| Sanitation | 1,280 |
| Total depreciation expense | <u>\$ 184,224</u> |

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2014 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|------------------|
| General | Permanent | \$ 5,991 |
| Nonmajor | General | 2,500 |
| General | Nonmajor | 1,648 |
| | | <u>\$ 10,139</u> |

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of the interfund transfers in the amount of \$5,991 for the year ended December 31, 2014 consists of a transfer from the permanent fund to the general fund.

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

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NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$1,396,553 at December 31, 2014 consist of the balance of the 2014-2015 district assessment due to the Newfound Area School District.

NOTE 11 – DEFERRED INFLOW OF RESOURCES

The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues recorded in the amount of \$77,017 is for property taxes that have not been collected within 60 days of the fiscal year-end.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2014:

| | Balance January 1, 2014 | Additions | Reductions | Balance December 31, 2014 | Due Within One Year |
|---------------------------------|-------------------------------|---------------|--------------------|---------------------------------|------------------------|
| General obligation bond payable | \$ 225,000 | \$ - | \$ (25,000) | \$ 200,000 | \$ 25,000 |
| Compensated absences | 11,410 | 835 | - | 12,245 | - |
| Total long-term liabilities | <u>\$ 236,410</u> | <u>\$ 835</u> | <u>\$ (25,000)</u> | <u>\$ 212,245</u> | <u>\$ 25,000</u> |

Long-term liabilities are comprised of the following:

| | Original Amount | Issue Date | Maturity Date | Interest Rate % | Outstanding at December 31, 2014 | Current Portion |
|----------------------------------|--------------------|---------------|------------------|--------------------|--|--------------------|
| General obligation bond payable: | | | | | | |
| Town shed | \$ 500,000 | 2002 | 2022 | 3.0-5.0 | \$ 200,000 | \$ 25,000 |
| Compensated absences payable: | | | | | | |
| Accrued vacation leave | | | | | 12,245 | - |
| Total | | | | | <u>\$ 212,245</u> | <u>\$ 25,000</u> |

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2014, including interest payments, are as follows:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|-------------------|------------------|-------------------|
| 2015 | \$ 25,000 | \$ 8,649 | \$ 33,649 |
| 2016 | 25,000 | 7,574 | 32,574 |
| 2017 | 25,000 | 6,475 | 31,475 |
| 2018 | 25,000 | 5,224 | 30,224 |
| 2019 | 25,000 | 5,000 | 30,000 |
| 2020-2022 | 75,000 | 7,500 | 82,500 |
| Totals | <u>\$ 200,000</u> | <u>\$ 40,422</u> | <u>\$ 240,422</u> |

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

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NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2014 include the following:

| | |
|--|----------------------------|
| Net investment in capital assets: | |
| Net property, buildings, and equipment | \$ 4,006,093 |
| Less: | |
| General obligation bond payable | <u>(200,000)</u> |
| Total net investment in capital assets | <u>3,806,093</u> |
| Restricted net position: | |
| Capital project | 69,588 |
| Perpetual care - nonexpendable | 493,503 |
| Perpetual care - expendable | <u>45,047</u> |
| Total restricted net position | <u>608,138</u> |
| Unrestricted | <u>741,579</u> |
| Total net position | <u><u>\$ 5,155,810</u></u> |

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

| | |
|----------------------------------|----------------------------|
| Nonspendable: | |
| Major funds: | |
| General: | |
| Tax deeded property | \$ 21,216 |
| Permanent - principal balance | <u>493,503</u> |
| Total nonspendable fund balance | \$ 514,719 |
| Restricted: | |
| Major fund: | |
| Permanent - income balance | \$ 45,047 |
| Nonmajor fund: | |
| Capital project | <u>69,588</u> |
| Total restricted fund balance | 114,635 |
| Committed: | |
| Major fund: | |
| General: | |
| Expendable trust | <u>\$ 105,357</u> |
| Nonmajor funds: | |
| Conservation commission | 25,250 |
| Police detail | 10,823 |
| Transfer station | <u>9,340</u> |
| | <u>45,413</u> |
| Total committed fund balance | 150,770 |
| Unassigned: | |
| Major fund: | |
| General | <u>547,466</u> |
| Total governmental fund balances | <u><u>\$ 1,327,590</u></u> |

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NOTE 15 – PRIOR PERIOD ADJUSTMENT

Fund balance at January 1, 2014 was restated to record prior year deferral of property taxes, not collected within 60 days of the fiscal year-end, as follows:

| | General Fund |
|--|-----------------|
| To adjust prior year deferral of property taxes, not collected within 60 days (school & county portion) | \$ 324,858 |
| Fund balance, as previously reported | 266,284 |
| Fund balance, as restated | \$ 591,142 |

NOTE 16 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2014, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town’s contribution rates for 2014 for pension and medical subsidy were 10.77% for all employees except police officers and firefighters and 25.30% for police officers and 27.74% for firefighters.

The contribution requirements for the Town of Alexandria for the fiscal years 2012, 2013, and 2014 were \$28,007, \$33,882, and \$37,972, respectively, which were paid in full in each year.

NOTE 17 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2014, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers’ Compensation and Property/Liability Programs. These entities are considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials’ liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2014, to be recorded as an insurance expenditure totaled \$17,045. There were no unpaid contributions for the year ended December 31, 2014.

The New Hampshire Public Risk Management Exchange (Primex³) Workers’ Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2014 to December 31, 2014 by Primex³, which retained \$1,000,000 of each workers’ compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Alexandria billed and paid for the year ended December 31, 2014 was \$14,093 for workers’ compensation.

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NOTE 18 – CONTINGENCIES

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

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2014, none of which impacted these financial statements:

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

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

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending December 31, 2015. This statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defend benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

GASB Statement No. 72, *Fair Value Measurement and Application*, issued in February 2015, will be effective for the Town beginning with the fiscal year ending December 31, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through July 1, 2015, the date the December 31, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2014

| | Estimated | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|------------------------------------|
| Taxes: | | | |
| Property | \$ 923,499 | \$ 947,970 | \$ 24,471 |
| Land use change | 1,200 | 2,590 | 1,390 |
| Yield | 13,000 | 14,684 | 1,684 |
| Payment in lieu of taxes | 3,000 | 3,000 | - |
| Interest and penalties on taxes | 44,000 | 52,044 | 8,044 |
| Total from taxes | <u>984,699</u> | <u>1,020,288</u> | <u>35,589</u> |
| Licenses, permits, and fees: | | | |
| Motor vehicle permit fees | 235,000 | 271,686 | 36,686 |
| Building permits | 500 | 700 | 200 |
| Other | 11,000 | 9,785 | (1,215) |
| Total from licenses, permits, and fees | <u>246,500</u> | <u>282,171</u> | <u>35,671</u> |
| Intergovernmental: | | | |
| State: | | | |
| Meals and rooms distribution | 78,198 | 78,198 | - |
| Highway block grant | 72,638 | 72,899 | 261 |
| State and federal forest land reimbursement | 346 | 346 | - |
| Total from intergovernmental | <u>151,182</u> | <u>151,443</u> | <u>261</u> |
| Charges for services: | | | |
| Income from departments | <u>20,000</u> | <u>16,084</u> | <u>(3,916)</u> |
| Miscellaneous: | | | |
| Sale of municipal property | 73,000 | 76,629 | 3,629 |
| Interest on investments | - | 16 | 16 |
| Other | 1,000 | 10,848 | 9,848 |
| Total from miscellaneous | <u>74,000</u> | <u>87,493</u> | <u>13,493</u> |
| Other financing sources: | | | |
| Transfers in | <u>25,700</u> | <u>25,991</u> | <u>291</u> |
| Total revenues and other financing sources | 1,502,081 | <u>\$ 1,583,470</u> | <u>\$ 81,389</u> |
| Unassigned fund balance used to reduce tax rate | 65,000 | | |
| Total revenues, other financing sources, and use of fund balance | <u>\$ 1,567,081</u> | | |

SCHEDULE 2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2014

| | <u>Appropriations</u> | <u>Expenditures</u> | Variance Positive (Negative) |
|--|-----------------------|---------------------|------------------------------------|
| Current: | | | |
| General government: | | | |
| Executive | \$ 62,200 | \$ 62,402 | \$ (202) |
| Election and registration | 9,255 | 11,180 | (1,925) |
| Financial administration | 105,930 | 99,429 | 6,501 |
| Revaluation of property | 22,253 | 22,284 | (31) |
| Legal | 33,600 | 26,978 | 6,622 |
| Planning and zoning | 7,830 | 6,337 | 1,493 |
| General government buildings | 30,500 | 37,431 | (6,931) |
| Cemeteries | 13,665 | 13,725 | (60) |
| Insurance, not otherwise allocated | 17,500 | 17,045 | 455 |
| Advertising and regional associations | 18,548 | 18,583 | (35) |
| Other | 3,050 | 5,412 | (2,362) |
| Total general government | <u>324,331</u> | <u>320,806</u> | <u>3,525</u> |
| Public safety: | | | |
| Police | 190,041 | 159,122 | 30,919 |
| Ambulance | 33,039 | 33,039 | - |
| Fire | 17,200 | 17,510 | (310) |
| Emergency management | 8,568 | 665 | 7,903 |
| Total public safety | <u>248,848</u> | <u>210,336</u> | <u>38,512</u> |
| Highways and streets: | | | |
| Highways and streets | 522,995 | 557,980 | (34,985) |
| Bridges | 30,000 | 12,144 | 17,856 |
| Street lighting | 3,300 | 3,092 | 208 |
| Total highways and streets | <u>556,295</u> | <u>573,216</u> | <u>(16,921)</u> |
| Sanitation: | | | |
| Solid waste disposal | 150,000 | 139,943 | 10,057 |
| Health: | | | |
| Administration | 4,000 | 1,093 | 2,907 |
| Health agencies | 21,552 | 21,552 | - |
| Total health | <u>25,552</u> | <u>22,645</u> | <u>2,907</u> |
| Welfare: | | | |
| Direct assistance | 22,300 | 27,763 | (5,463) |
| Culture and recreation: | | | |
| Parks and recreation | 26,874 | 28,074 | (1,200) |
| Library | 9,000 | 4,500 | 4,500 |
| Patriotic purposes | 500 | 406 | 94 |
| Total culture and recreation | <u>36,374</u> | <u>32,980</u> | <u>3,394</u> |
| Conservation | 930 | 690 | 240 |
| Debt service: | | | |
| Principal of long-term debt | 25,000 | 25,000 | - |
| Interest on long-term debt | 10,251 | 9,180 | 1,071 |
| Interest on tax anticipation notes | 200 | - | 200 |
| Total debt service | <u>35,451</u> | <u>34,180</u> | <u>1,271</u> |
| Capital outlay | 127,000 | 125,577 | 1,423 |
| Other financing uses: | | | |
| Transfers out | 40,000 | 40,000 | - |
| Total appropriations, expenditures, and other financing uses | <u>\$ 1,567,081</u> | <u>\$ 1,528,136</u> | <u>\$ 38,945</u> |

SCHEDULE 3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2014

| | | |
|---|---------------|--------------------------|
| Unassigned fund balance, beginning | | \$ 546,892 |
| Changes: | | |
| Unassigned fund balance used to reduce 2014 tax rate | | (65,000) |
| 2014 Budget summary: | | |
| Revenue surplus (Schedule 1) | \$ 81,389 | |
| Unexpended balance of appropriations (Schedule 2) | <u>38,945</u> | |
| 2014 Budget surplus | | 120,334 |
| Increase in nonspendable fund balance | | <u>(16,789)</u> |
| Unassigned fund balance, ending | | 585,437 |
| <i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i> | | |
| To comply with generally accepted accounting principles | | |
| by deferring property taxes not collected within 60 days of fiscal year-end | | (77,017) |
| Elimination of the allowance for uncollectible taxes | | <u>39,046</u> |
| Unassigned fund balance, ending GAAP basis (Exhibit C-1) | | <u><u>\$ 547,466</u></u> |

SCHEDULE 4
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2014

| | Special Revenue Funds | | | Capital Project Fund | Total |
|-------------------------------------|----------------------------|------------------|---------------------|----------------------------|-------------------|
| | Conservation Commission | Police Detail | Transfer Station | Town Hall | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 22,750 | \$ 10,671 | \$ 9,340 | \$ 69,588 | \$ 112,349 |
| Accounts receivable | - | 1,800 | - | - | 1,800 |
| Interfund receivable | 2,500 | - | - | - | 2,500 |
| Total assets | <u>\$ 25,250</u> | <u>\$ 12,471</u> | <u>\$ 9,340</u> | <u>\$ 69,588</u> | <u>\$ 116,649</u> |
| LIABILITIES | | | | | |
| Interfund payable | \$ - | \$ 1,648 | \$ - | \$ - | \$ 1,648 |
| FUND BALANCES | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ 69,588 | \$ 69,588 |
| Committed | 25,250 | 10,823 | 9,340 | - | 45,413 |
| Total fund balances | <u>25,250</u> | <u>10,823</u> | <u>9,340</u> | <u>69,588</u> | <u>115,001</u> |
| Total liabilities and fund balances | <u>\$ 25,250</u> | <u>\$ 12,471</u> | <u>\$ 9,340</u> | <u>\$ 69,588</u> | <u>\$ 116,649</u> |

SCHEDULE 5
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2014

| | Special Revenue Funds | | | Capital Project Fund | Total |
|-----------------------------|----------------------------|------------------|---------------------|----------------------------|-------------------|
| | Conservation Commission | Police Detail | Transfer Station | Town Hall | |
| Revenues: | | | | | |
| Taxes | \$ 2,590 | \$ - | \$ - | \$ - | \$ 2,590 |
| Charges for services | - | 2,090 | 5,939 | - | 8,029 |
| Miscellaneous | 20 | - | - | - | 20 |
| Total revenues | <u>2,610</u> | <u>2,090</u> | <u>5,939</u> | <u>-</u> | <u>10,639</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public safety | - | 1,938 | - | - | 1,938 |
| Net change in fund balances | 2,610 | 152 | 5,939 | - | 8,701 |
| Fund balances, beginning | 22,640 | 10,671 | 3,401 | 69,588 | 106,300 |
| Fund balances, ending | <u>\$ 25,250</u> | <u>\$ 10,823</u> | <u>\$ 9,340</u> | <u>\$ 69,588</u> | <u>\$ 115,001</u> |



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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Alexandria as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Alexandria's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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

Transfer Station Cash Receipts (Repeat Comment)

During our review of internal controls over the Transfer Station receipts, it was noted that cash receipts were not kept in a secure location prior to deposit. The Transfer Station attendants will take funds home with them to avoid leaving funds at the Transfer Station. We recommend that all receipts be kept in a secure location (at Town Hall, or secured at the Transfer Station) prior to deposit to the Town's bank account.

Cash Reconciliation (Repeat Comment)

During testing of the cash balances it was noted that no reconciliation was prepared between the Treasurer's records and the general ledger. It is recommended that the general ledger cash balance be reconciled to the Treasurer's cash balance at least monthly.

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

July 1, 2015

*Plodzik & Sanderson
Professional Association*