

TOWN OF BELMONT, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
December 31, 2013
and
Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance**

Schedule of Findings and Questioned Costs

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

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December 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Belmont, 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 Belmont, New Hampshire (the Town), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for other post-employment benefits on pages i-vii and 30-33 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 Belmont, New Hampshire's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, 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 schedule of expenditures of federal awards and 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 schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2014 on our consideration of the Town of Belmont, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Belmont, New Hampshire's internal control over financial reporting and compliance.

Vachon Clutay & Company PC

Manchester, New Hampshire
August 5, 2014

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2013

Presented herewith, please find the Management Discussion and Analysis Report for the Town of Belmont, New Hampshire for the year ended December 31, 2013. 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 all material aspects. This report and its content have been designed to fairly present the Town's financial position, including the results 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 Belmont, New Hampshire 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 Belmont, New Hampshire's financial statements. The basic financial statements are comprised of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes 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.

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 fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2013

The government-wide financial statements have separate columns for the following two fund types:

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

Business-type activities – Account for the Town's water and sewer operations and receive the 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 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 Permanent Funds, which are considered major funds. Other governmental funds are aggregated and reported as nonmajor governmental funds.

The Town adopts an annual appropriation 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 the Town. 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 own 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 BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2013**

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 General Fund, the Town's only major governmental fund with an adopted budget, and the schedule of funding progress for other post-employment benefits.

Other Supplementary Information

Other supplementary information includes combining financial statements for the nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

Statement of Net position

Net position of the governmental activities as of December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Capital assets, net	\$ 11,162,771	\$ 11,125,960
Other assets	<u>12,075,510</u>	<u>11,667,694</u>
Total Assets	<u>23,238,281</u>	<u>22,793,654</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Long-term liabilities	1,713,614	1,659,879
Other liabilities	<u>4,497,305</u>	<u>4,996,488</u>
Total Liabilities	<u>6,210,919</u>	<u>6,656,367</u>
Unearned revenue	<u>3,500</u>	<u>9,048</u>
Total Deferred Inflows of Resources	<u>3,500</u>	<u>9,048</u>
Net Position:		
Net investment in capital assets	11,039,596	10,049,770
Restricted	2,405,789	2,081,548
Unrestricted	<u>3,578,477</u>	<u>3,996,921</u>
Total Net Position	<u>\$ 17,023,862</u>	<u>\$ 16,128,239</u>

The Town's net position for its governmental activities totaled \$17,023,862 as of December 31, 2013, an increase of \$895,623 when compared to the previous year.

Approximately 65% of the Town's net position reflects its net investment in capital assets such as land, infrastructure, buildings and equipment, less any related outstanding debt used to acquire those assets.

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2013

Another 14% of the Town's net position is restricted in regard to how it may be used by the Town. The majority of the restrictions consist of the balances of the permanent funds. The remaining unrestricted portion of 21% represents the part of net position available to finance the day-to-day operations.

Statement of Activities

Changes in net position of the governmental activities for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 391,868	\$ 372,682
Operating grants and contributions	244,468	486,250
Capital grants and contributions	29,465	14,383
General revenues:		
Property and other taxes	5,439,577	5,357,680
Licenses and permits	1,347,974	1,321,552
Intergovernmental	326,833	327,584
Interest and investment earnings	364,373	158,449
Miscellaneous	104,144	133,688
Total revenues	<u>8,248,702</u>	<u>8,172,268</u>
 Expenses		
General government	1,560,244	1,668,445
Public safety	3,291,816	3,366,521
Highways and streets	1,385,066	1,402,624
Sanitation	516,967	545,418
Health and welfare	242,948	251,822
Culture and recreation	300,072	287,128
Conservation	24,275	43,616
Economic development		
Interest and fiscal charges	31,691	34,092
Total expenses	<u>7,353,079</u>	<u>7,599,666</u>
 Increase in net position	895,623	572,602
 Net position, beginning of year, as restated	<u>16,128,239</u>	<u>15,555,637</u>
Net position, end of year	<u>\$ 17,023,862</u>	<u>\$ 16,128,239</u>

As shown in the above statement the Town's governmental activities experienced an improvement in financial position of \$895,623 on the full accrual basis of accounting.

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2013

Business-type Activities

Statement of Net position

Net position of the business type activities as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Capital assets, net	\$ 6,552,773	\$ 5,956,661
Other assets	<u>1,558,878</u>	<u>1,412,228</u>
Total Assets	<u>8,111,651</u>	<u>7,368,889</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Long-term liabilities	2,040,165	1,542,442
Other liabilities	<u>289,653</u>	<u>177,997</u>
Total Liabilities	<u>2,329,818</u>	<u>1,720,439</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	4,530,146	4,584,586
Unrestricted	<u>1,251,687</u>	<u>1,063,864</u>
Total Net Position	<u>\$ 5,781,833</u>	<u>\$ 5,648,450</u>

The largest portion of the Town's net position for its business-type activities reflects its net investment in capital assets, primarily utility plants (Water and Wastewater) 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 business-type activities for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 873,977	\$ 837,281
Capital grants and contributions	118,362	184,846
General revenues:		
Interest and investment earnings	1,258	2,029
Miscellaneous	<u>1,094</u>	<u>5,107</u>
Total revenues	<u>994,691</u>	<u>1,029,263</u>

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2013**

Expenses		
Water Department	234,501	267,709
Sewer Department	<u>626,807</u>	<u>480,191</u>
Total expenses	<u>861,308</u>	<u>747,900</u>
Increase in net position	133,383	281,363
Net position, beginning of year	<u>5,648,450</u>	<u>5,367,087</u>
Net position, end of year	<u>\$ 5,781,833</u>	<u>\$ 5,648,450</u>

The main funding source for the business-type activities is charges for services, which provided for 100% of the expenses in both fiscal years 2013 and 2012. Net position increased by \$133,383 from the prior year.

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, unassigned 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 and Budgetary Highlights

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a fund balance of \$1,839,875 on the modified accrual basis of accounting, a decrease of (\$174,050). This decrease is primarily due to an excess of appropriations over revenues, which was partially offset by authorized transfers from the Nonmajor Governmental Funds. However, the General Fund unassigned fund balance at year end of \$187,838 increased from the prior year balance by \$147,729 due primarily to a reduction in committed fund balance.

During the year, the original budget for appropriations and revenues decreased by (\$715,683) and (\$673,736), respectively. This decrease is the result of approved appropriations and revenues being carried forward to the 2014 budget, net of the addition of \$18,399 to both revenues and appropriations for unanticipated funds accepted per RSA 31:95-b.

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, 2013, a balance of \$1,435,964 was nonspendable for endowments and \$952,565 was restricted for income. The total fund balance in the permanent funds increased \$324,241 from the prior year, largely due to realized and unrealized gains on investments.

Nonmajor Governmental Funds

At December 31, 2013, the Nonmajor Governmental Funds had a total fund balance of \$779,704 which represents a decrease of (\$19,446) from the prior year due to a budgeted transfer to the General Fund.

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2013**

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 (Water and Sewer Funds) had total unrestricted net position of \$1,251,687 at December 31, 2013, which increased by \$187,823 or 18% from 2012.

Capital Assets

The Town of Belmont considers a capital asset to be an asset whose costs exceed or equal \$15,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their estimated useful life. During the year the Town's net capital assets for governmental and business type activities increased by a total of \$949,550 and \$564,112, respectively, which was primarily due to Town road reconstruction and improvements to water lines and sewer pump station, respectively. Additional information on capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

Long-Term Obligations

During the year ended 2013, the Town had a decrease in general obligation bonds payable for governmental activities of (\$69,161), due to scheduled payments made on existing debt obligations. General obligation debt for business-type activities increased during the year by \$1,298,373 due to State Revolving Loan Funds of \$1,468,508 converted to debt and scheduled payments on existing obligations of (\$170,135). Capital leases payable for governmental activities increased during the year by \$28,885, due to current year proceeds of \$87,192, less scheduled payments of (\$58,307). The compensated absences for governmental activities had a net increase in activity of \$6,763 for the year. Additional information on the long-term obligations of the Town can be found in Note 9 of the Notes to the Basic Financial Statements.

GASB Statement 45 requires the Town to account for other post-employment benefits (OPEB) on an accrual basis rather than a pay-as-you-go basis. Although the Town is not required to fund this contribution, it is recognized as a liability in these financial statements. The net OPEB obligation as of December 31, 2013 is \$517,382. Additional information on other post-employment benefits payable can be found in Note 8 of the Notes to the Basic Financial Statements.

Contacting the Town of Belmont's Financial Management

This financial report is intended 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 310, Belmont, NH 03220, telephone number (603) 267-8300.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,723,774	\$ 634,176	\$ 5,357,950
Investments	3,978,304	438,852	4,417,156
Taxes receivable, net	1,982,581		1,982,581
Accounts receivable, net	280,826	299,070	579,896
Due from other governments	35,043	93,732	128,775
Prepaid expenses	22,338		22,338
Internal balances	139,905	(139,905)	-
Total Current Assets	<u>11,162,771</u>	<u>1,325,925</u>	<u>12,488,696</u>
Noncurrent Assets:			
Due from other governments		83,200	83,200
Capital assets:			
Non-depreciable capital assets	5,277,988	451,239	5,729,227
Depreciable capital assets, net	<u>6,797,522</u>	<u>6,101,534</u>	<u>12,899,056</u>
Total Noncurrent Assets	<u>12,075,510</u>	<u>6,635,973</u>	<u>18,711,483</u>
Total Assets	<u>23,238,281</u>	<u>7,961,898</u>	<u>31,200,179</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	242,356	1,773	244,129
Accrued expenses	85,823	14,040	99,863
Retainage payable	47,720	21,966	69,686
Due to other governments	4,121,406	102,121	4,223,527
Current portion of bonds payable	71,547	211,541	283,088
Current portion of capital leases payable	81,722		81,722
Current portion of compensated absences payable	50,000		50,000
Total Current Liabilities	<u>4,700,574</u>	<u>351,441</u>	<u>5,052,015</u>
Noncurrent Liabilities:			
Bonds payable	816,344	1,811,086	2,627,430
Capital leases payable	66,301		66,301
Compensated absences payable	127,856		127,856
Other post-employment benefits payable	499,844	17,538	517,382
Total Noncurrent Liabilities	<u>1,510,345</u>	<u>1,828,624</u>	<u>3,338,969</u>
Total Liabilities	<u>6,210,919</u>	<u>2,180,065</u>	<u>8,390,984</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned land use change tax	3,500		3,500
Total Deferred Inflows of Resources	<u>3,500</u>	<u>-</u>	<u>3,500</u>
NET POSITION			
Net investment in capital assets	11,039,596	4,530,146	15,569,742
Restricted	2,405,789		2,405,789
Unrestricted	<u>3,578,477</u>	<u>1,251,687</u>	<u>4,830,164</u>
Total Net Position	<u>\$ 17,023,862</u>	<u>\$ 5,781,833</u>	<u>\$ 22,805,695</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
General government	\$ 1,560,244	\$ 21,778	\$ 12,101		\$ (1,526,365)		\$ (1,526,365)
Public safety	3,291,816	312,968	48,282		(2,930,566)		(2,930,566)
Highways and streets	1,385,066		184,085		(1,200,981)		(1,200,981)
Sanitation	516,967				(516,967)		(516,967)
Health and welfare	242,948				(242,948)		(242,948)
Culture and recreation	300,072	57,122		\$ 29,465	(213,485)		(213,485)
Conservation	24,275				(24,275)		(24,275)
Interest and fiscal charges	31,691				(31,691)		(31,691)
Total governmental activities	<u>7,353,079</u>	<u>391,868</u>	<u>244,468</u>	<u>29,465</u>	<u>(6,687,278)</u>	<u>\$ -</u>	<u>(6,687,278)</u>
Business-type activities:							
Sewer Department	626,807	588,700				(38,107)	(38,107)
Water Department	234,501	285,277		118,362		169,138	169,138
Total business-type activities	<u>861,308</u>	<u>873,977</u>	<u>-</u>	<u>118,362</u>	<u>-</u>	<u>131,031</u>	<u>131,031</u>
Total primary government	<u>\$ 8,214,387</u>	<u>\$ 1,265,845</u>	<u>\$ 244,468</u>	<u>\$ 147,827</u>	<u>(6,687,278)</u>	<u>131,031</u>	<u>(6,556,247)</u>
General revenues:							
Property and other taxes					5,439,577		5,439,577
Licenses and permits					1,347,974		1,347,974
Grants and contributions:							
Rooms and meals tax distribution					326,824		326,824
State and federal forest land reimbursement					9		9
Interest and investment earnings					364,373	1,258	365,631
Miscellaneous					104,144	1,094	105,238
Total general revenues					<u>7,582,901</u>	<u>2,352</u>	<u>7,585,253</u>
Change in net position					895,623	133,383	1,029,006
Net position - beginning, as restated					16,128,239	5,648,450	21,776,689
Net position - ending					<u>\$ 17,023,862</u>	<u>\$ 5,781,833</u>	<u>\$ 22,805,695</u>

See accompanying notes to the basic financial statements

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

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,226,900		\$ 496,874	\$ 4,723,774
Investments	1,589,775	\$ 2,388,529		3,978,304
Taxes receivable, net	1,982,581			1,982,581
Accounts receivable, net	34,672		246,154	280,826
Due from other governments	35,043			35,043
Due from other funds	149,753		36,876	186,629
Prepaid expenses	22,338			22,338
Total Assets	<u>8,041,062</u>	<u>2,388,529</u>	<u>779,904</u>	<u>11,209,495</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 8,041,062</u>	<u>\$ 2,388,529</u>	<u>\$ 779,904</u>	<u>\$ 11,209,495</u>
LIABILITIES				
Accounts payable	\$ 242,356			\$ 242,356
Accrued expenses	85,823			85,823
Retainage payable	47,720			47,720
Due to other governments	4,121,406			4,121,406
Due to other funds	46,724			46,724
Total Liabilities	<u>4,544,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,544,029</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned property taxes	1,653,658			1,653,658
Unearned land use change tax	3,500			3,500
Total Deferred Inflows of Resources	<u>1,657,158</u>	<u>-</u>	<u>-</u>	<u>1,657,158</u>
FUND BALANCES				
Nonspendable	22,338	1,435,964		1,458,302
Restricted		952,565	17,260	969,825
Committed	1,547,962		762,644	2,310,606
Assigned	81,737			81,737
Unassigned	187,838			187,838
Total Fund Balances	<u>1,839,875</u>	<u>2,388,529</u>	<u>779,904</u>	<u>5,008,308</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,041,062</u>	<u>\$ 2,388,529</u>	<u>\$ 779,904</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 12,075,510

Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis 1,653,658

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Bonds payable (887,891)
Capital leases payable (148,023)
Compensated absences payable (177,856)
Other post-employment benefits payable (499,844)

Net Position of Governmental Activities \$ 17,023,862

See accompanying notes to the basic financial statements

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

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

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds	
Revenues:					
Taxes	\$ 5,555,047		\$ 15,467	\$ 5,570,514	
Licenses and permits	1,347,974			1,347,974	
Intergovernmental	600,766			600,766	
Charges for services	124,603		267,265	391,868	
Interest and investment income	2,008	\$ 362,140	225	364,373	
Miscellaneous	66,877	600		67,477	
Total Revenues	<u>7,697,275</u>	<u>362,740</u>	<u>282,957</u>	<u>8,342,972</u>	
Expenditures:					
Current operations:					
General government	1,410,175	31,453		1,441,628	
Public safety	3,077,587		1,503	3,079,090	
Highways and streets	1,369,857			1,369,857	
Sanitation	515,275			515,275	
Health and welfare	240,652			240,652	
Culture and recreation	241,163	6,046		247,209	
Conservation	21,405		32,025	53,430	
Capital outlay	1,251,426			1,251,426	
Debt service:					
Principal retirement	69,161			69,161	
Interest and fiscal charges	31,691			31,691	
Total Expenditures	<u>8,228,392</u>	<u>37,499</u>	<u>33,528</u>	<u>8,299,419</u>	
Excess revenues over (under) expenditures	<u>(531,117)</u>	<u>325,241</u>	<u>249,429</u>	<u>43,553</u>	
Other financing sources (uses):					
Proceeds from capital lease obligations	87,192			87,192	
Transfers in	272,945		3,070	276,015	
Transfers out	(3,070)	(1,000)	(271,945)	(276,015)	
Total other financing sources (uses)	<u>357,067</u>	<u>(1,000)</u>	<u>(268,875)</u>	<u>87,192</u>	
Net change in fund balances	<u>(174,050)</u>	<u>324,241</u>	<u>(19,446)</u>	<u>130,745</u>	
Fund balances at beginning of year, as restated	<u>2,013,925</u>	<u>2,064,288</u>	<u>799,350</u>	<u>4,877,563</u>	
Fund balances at end of year	<u>\$ 1,839,875</u>	<u>\$ 2,388,529</u>	<u>\$ 779,904</u>	<u>\$ 5,008,308</u>	
Net Change in Fund Balances--Total Governmental Funds					\$ 130,745
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.					912,883
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.					(65,937)
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 on disposed capital assets reduced by the actual proceeds received from the disposal.					(28,333)
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.					58,307
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.					69,161
Proceeds from capital lease issuance are reported as other financing sources in the governmental funds, but capital leases increase long-term liabilities in the statement of net position.					(87,192)
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.					(94,011)
Change in Net Position of Governmental Activities					<u>\$ 895,623</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 237,572	\$ 396,604	\$ 634,176
Investments	72,772	366,080	438,852
Accounts receivable	102,500	196,570	299,070
Due from other governments	90,532	3,200	93,732
Due from other funds		9,848	9,848
Total Current Assets	<u>503,376</u>	<u>972,302</u>	<u>1,475,678</u>
Noncurrent Assets:			
Due from other governments		83,200	83,200
Non-depreciable capital assets	436,230	15,009	451,239
Depreciable capital assets, net	<u>1,609,944</u>	<u>4,491,590</u>	<u>6,101,534</u>
Total Noncurrent Assets	<u>2,046,174</u>	<u>4,589,799</u>	<u>6,635,973</u>
Total Assets	<u>2,549,550</u>	<u>5,562,101</u>	<u>8,111,651</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	1,773		1,773
Accrued expenses	5,868	8,172	14,040
Retainage payable		21,966	21,966
Due to other governments		102,121	102,121
Due to other funds	149,753		149,753
Current portion of bonds payable	<u>69,651</u>	<u>141,890</u>	<u>211,541</u>
Total Current Liabilities	<u>227,045</u>	<u>274,149</u>	<u>501,194</u>
Noncurrent Liabilities:			
Bonds payable	247,456	1,563,630	1,811,086
Other post-employment benefits payable	<u>8,769</u>	<u>8,769</u>	<u>17,538</u>
Total Noncurrent Liabilities	<u>256,225</u>	<u>1,572,399</u>	<u>1,828,624</u>
Total Liabilities	<u>483,270</u>	<u>1,846,548</u>	<u>2,329,818</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,729,067	2,801,079	4,530,146
Unrestricted	<u>337,213</u>	<u>914,474</u>	<u>1,251,687</u>
Total Net Position	<u>\$ 2,066,280</u>	<u>\$ 3,715,553</u>	<u>\$ 5,781,833</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 285,277	\$ 588,700	\$ 873,977
Miscellaneous	573	521	1,094
Total operating revenues	<u>285,850</u>	<u>589,221</u>	<u>875,071</u>
Operating expenses:			
Personnel services	84,512	68,318	152,830
Contractual services	55,315	246,909	302,224
Materials and supplies	9,831	63,818	73,649
Utilities	19,653	13,414	33,067
Depreciation	54,893	127,633	182,526
Total operating expenses	<u>224,204</u>	<u>520,092</u>	<u>744,296</u>
Operating income	<u>61,646</u>	<u>69,129</u>	<u>130,775</u>
Non-operating revenues (expenses):			
Interest revenue	119	1,139	1,258
Bad debt expense		(69,490)	(69,490)
Interest expense	(10,297)	(37,225)	(47,522)
Net non-operating revenues (expenses)	<u>(10,178)</u>	<u>(105,576)</u>	<u>(115,754)</u>
Income (Loss) before capital contributions	51,468	(36,447)	15,021
Capital contributions	<u>118,362</u>		<u>118,362</u>
Change in net position	169,830	(36,447)	133,383
Total net position at beginning of year	<u>1,896,450</u>	<u>3,752,000</u>	<u>5,648,450</u>
Total net position at end of year	<u>\$ 2,066,280</u>	<u>\$ 3,715,553</u>	<u>\$ 5,781,833</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 298,789	\$ 570,989	\$ 869,778
Other operating cash receipts	573	521	1,094
Cash paid to suppliers	(109,578)	(241,460)	(351,038)
Cash paid to employees	(57,134)	(47,788)	(104,922)
Net cash provided by operating activities	<u>132,650</u>	<u>282,262</u>	<u>414,912</u>
Cash flows from capital and related financing activities:			
Capital contributions	24,875		24,875
Purchases of capital assets	(165,677)	(724,886)	(890,563)
Proceeds from other long-term obligations	87,582	696,998	784,580
Principal paid on long-term debt	(67,835)	(99,346)	(167,181)
Interest paid on long-term debt	(10,296)	(37,892)	(48,188)
Net cash used for capital and related financing activities	<u>(131,351)</u>	<u>(165,126)</u>	<u>(296,477)</u>
Cash flows from investing activities:			
Purchase of investments	(54,955)	(16,028)	(70,983)
Interest on investments	108	1,070	1,178
Net cash used in investing activities	<u>(54,847)</u>	<u>(14,958)</u>	<u>(69,805)</u>
Net increase (decrease) in cash and cash equivalents	(53,548)	102,178	48,630
Cash and cash equivalents at beginning of year	141,367	304,274	445,641
Cash and cash equivalents at end of year	<u>\$ 87,819</u>	<u>\$ 406,452</u>	<u>\$ 494,271</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 61,646	\$ 69,129	\$ 130,775
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	54,893	127,633	182,526
Changes in assets and liabilities:			
Accounts receivable	13,512	(17,711)	(4,199)
Accounts payable	1,068	(440)	628
Due to other governments		102,121	102,121
Other post-employment benefits payable	1,531	1,530	3,061
Net cash provided by operating activities	<u>\$ 132,650</u>	<u>\$ 282,262</u>	<u>\$ 414,912</u>
Noncash Transactions Affecting Financial Position:			
Capital asset additions included in year end liabilities		\$ 21,966	\$ 21,966
Amortization on bond premium		3,745	3,745
Principal forgiveness on debt	\$ 2,955		2,955
	<u>\$ 2,955</u>	<u>\$ 25,711</u>	<u>\$ 28,666</u>

See accompanying notes to the basic financial statements

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

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 209,604
Investments	<u>1,034,497</u>
Total Assets	<u>\$ 1,244,101</u>
LIABILITIES	
Deposits	\$ 209,604
Due to other governments	<u>1,034,497</u>
Total Liabilities	<u>\$ 1,244,101</u>

See accompanying notes to the basic financial statements

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Belmont, New Hampshire (the Town) was incorporated in 1727. 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 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 BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013

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

Fund Accounting

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

1. Governmental Funds:

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

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

The *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 is comprised solely of agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve and scholarship funds of the Shaker Regional School District, which are held by the Town's Trustees of Trust Funds in accordance with State law. Other agency funds consist of certain developer's performance deposits.

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

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

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 2). Revenue from grants,

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

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

3. Expenses/Expenditures:

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2013, the Town applied \$425,000 of its unappropriated fund balance to reduce taxes.

Cash and Cash Equivalents

The Town maintains separate cash accounts for its governmental and proprietary funds; however, most cash transactions flow through the General Fund. As a result, cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

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

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 237,572	\$ 396,604	\$ 634,176
Due <i>from</i> other funds		9,848	9,848
Due <i>to</i> other funds	<u>(149,753)</u>		<u>(149,753)</u>
Total cash and cash equivalents	<u>\$ 87,819</u>	<u>\$ 406,452</u>	<u>\$ 494,271</u>

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2013 are recorded as receivables net of reserves for estimated uncollectible taxes of \$313,000.

Accounts Receivable

Charges for services billed during the current year and prior and uncollected at December 31, 2013 are recorded as receivables net of reserves for estimated uncollectibles of \$97,222 in the Nonmajor Governmental Funds.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$15,000. The Town's infrastructure consists of roads, sidewalks, water purification and distribution system, sewer collection and treatment system, and similar items. Intangible assets of the Town consist of land easements which are reported as non-depreciable capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is also capitalized.

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

All reported capital assets except for land, easements with an indefinite life 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:

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

<u>Description</u>	<u>Years</u>
Land improvements	15
Infrastructure	20 - 75
Buildings and improvements	10 - 30
Vehicles and equipment	3 - 15
Computer software	5

Bond Premiums

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium. The balance of the unamortized bond premium recorded in the Sewer Fund as of December 31, 2013 is \$52,119.

Compensated Absences

Full time employees accrue sick leave at a rate of one day per month, cumulative to a maximum of 480 hours. Upon retirement, employees with 10 or more years of service, and who qualify for retirement under the guidelines set forth by the New Hampshire Retirement System, may receive a payout of 50% of their accumulated sick time at current rates of pay, up to a maximum of 225 hours. Full time employees earn vacation leave at 5-25 days per year, dependent upon length of service. Upon retirement, employees shall be compensated for unused vacation leave at current rates of pay, up to a maximum of 80 hours.

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

Accrued Liabilities and Long-Term Obligations

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the 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.

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

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

Fund Balance Policy

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

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

Spending Prioritizations

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

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

Minimum Level of Unassigned Fund Balance

The Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-17% of the total appropriations of the community (which includes Town, School, and County). The Board of Selectmen will review this information each year in order to determine the amount, if any, of unassigned fund balance to use to balance the budget and to reduce the property tax rate.

Interfund Activity

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

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

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 on 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, the liability for other post-employment benefits and the allowances for uncollectible taxes and accounts receivable.

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$732,371,163 as of April 1, 2013) and are due in two installments on July 1, 2013 and December 9, 2013. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized in governmental funds 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 Shaker Regional School District and Belknap 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 \$10,067,353 and \$827,466 for the Shaker Regional School District and Belknap County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 3—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2013, the Town was a member of and participated in a public entity risk pool (Trust) for

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

property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

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

Property and Liability Insurance

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

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 4—DEPOSITS AND INVESTMENTS

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

Statement of Net Position:	
Cash and cash equivalents	\$ 5,357,950
Investments	4,417,156
Statement of Fiduciary Net Position:	
Cash and cash equivalents	209,604
Investments	1,034,497
Total deposits and investments	<u>\$ 11,019,207</u>

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

Cash on hand	\$ 1,145
Deposits with financial institutions	1,468,000
Investments	9,550,062
Total deposits and investments	<u>\$ 11,019,207</u>

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

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

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

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 more its fair value becomes sensitive to changes in market interest rates. The Town's investment policy for its governmental and business-type funds regarding interest rate risk indicates that investments shall be limited to those with maturity dates that meet projected cash flow needs or six months, whichever is shorter. The Trustees of Trust Funds do not have a specific policy regarding 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>Fair Value</u>	<u>Remaining Maturity (In Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
Municipal bonds & notes	\$ 237,549		\$ 170,843	\$ 66,706
Corporate bonds & notes	706,574	\$ 147,775	499,409	59,390
	<u>\$ 944,123</u>	<u>\$ 147,775</u>	<u>\$ 670,252</u>	<u>\$ 126,096</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy for its governmental and business-type funds regarding credit risk is to have each investment transaction seek to ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value and that investment earnings are maximized based on the current investment options available. The Trustees of Trust Funds do not have a specific policy regarding credit risk.

The following are the actual ratings as of December 31, 2013, for each investment type:

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

	Investment Type				Totals
	Municipal bonds & notes	Corporate bonds & notes	Money market funds	State investment pool	
Ratings as of year end		\$ 35,267			\$ 35,267
AA+					26,486
AA	\$ 26,486				65,285
AA-	34,441	30,844			122,312
A+	57,675	64,637			149,705
A	118,947	30,758			188,330
A-		188,330			67,727
BBB+		67,727			193,414
BBB		193,414			95,597
BBB-		95,597			2,722,112
Unrated			\$ 306,615	\$ 2,415,497	\$ 3,666,235
Total Fair Value	\$ 237,549	\$ 706,574	\$ 306,615	\$ 2,415,497	

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment policy for its governmental and business-type funds regarding assurance against custodial credit risk requires that all investment and depository instruments not covered by federal depository insurance be collateralized through third party custodial safekeeping. The Trustees of Trust Funds do not have a specific policy regarding custodial credit risk.

Of the Town's deposits with financial institutions at year end, \$1,237,418 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2013, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

Investment Type	Reported Amount
Municipal bonds & notes	\$ 237,549
Corporate bonds & notes	706,574
Equity securities	1,608,304
Money market funds	306,615
Overnight repurchase agreement (Commercial Sweep)	4,275,523
	<u>\$ 7,134,565</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.

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

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 5—CAPITAL ASSETS

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

	(As Restated)			
	Balance			Balance
	<u>01/01/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 3,508,840			\$ 3,508,840
Intangible assets	109,975			109,975
Construction in progress	597,754	\$ 1,061,419		1,659,173
Total capital assets not being depreciated	<u>4,216,569</u>	<u>1,061,419</u>	<u>\$ -</u>	<u>5,277,988</u>
Other capital assets:				
Land improvements	102,500			102,500
Infrastructure	4,202,383			4,202,383
Buildings and improvements	3,323,653			3,323,653
Vehicles and equipment	3,317,127	355,440	(295,000)	3,377,567
Computer software	62,290			62,290
Total other capital assets at historical cost	<u>11,007,953</u>	<u>355,440</u>	<u>(295,000)</u>	<u>11,068,393</u>
Less accumulated depreciation for:				
Land improvements	(13,667)	(6,833)		(20,500)
Infrastructure	(235,711)	(84,847)		(320,558)
Buildings and improvements	(1,735,100)	(116,525)		(1,851,625)
Vehicles and equipment	(2,051,794)	(230,771)	266,667	(2,015,898)
Computer software	(62,290)			(62,290)
Total accumulated depreciation	<u>(4,098,562)</u>	<u>(438,976)</u>	<u>266,667</u>	<u>(4,270,871)</u>
Total other capital assets, net	<u>6,909,391</u>	<u>(83,536)</u>	<u>(28,333)</u>	<u>6,797,522</u>
Total capital assets, net	<u>\$ 11,125,960</u>	<u>\$ 977,883</u>	<u>\$ (28,333)</u>	<u>\$ 12,075,510</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 66,150
Public safety	197,432
Highways and streets	168,561
Culture and recreation	6,833
Total governmental activities depreciation expense	<u>\$ 438,976</u>

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

Vehicles and equipment	\$ 377,515
Less: Accumulated depreciation	<u>(59,377)</u>
	<u>\$ 318,138</u>

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

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

	(As Restated)			
	Balance			Balance
	<u>01/01/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2013</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 15,009			\$ 15,009
Construction in progress	<u>1,055,330</u>	\$ 165,676	\$ (784,776)	<u>436,230</u>
Total capital assets not being depreciated	<u>1,070,339</u>	<u>165,676</u>	<u>(784,776)</u>	<u>451,239</u>
Other capital assets:				
Water infrastructure	2,453,845			2,453,845
Sewer infrastructure	6,225,423	1,365,738		7,591,161
Vehicles and equipment	<u>42,227</u>			<u>42,227</u>
Total other capital assets at historical cost	<u>8,721,495</u>	<u>1,365,738</u>	<u>-</u>	<u>10,087,233</u>
Less accumulated depreciation for:				
Water infrastructure	(789,008)	(54,893)		(843,901)
Sewer infrastructure	(2,971,938)	(127,633)		(3,099,571)
Vehicles and equipment	<u>(42,227)</u>			<u>(42,227)</u>
Total accumulated depreciation	<u>(3,803,173)</u>	<u>(182,526)</u>	<u>-</u>	<u>(3,985,699)</u>
Total other capital assets, net	<u>4,918,322</u>	<u>1,183,212</u>	<u>-</u>	<u>6,101,534</u>
Total capital assets, net	<u>\$ 5,988,661</u>	<u>\$ 1,348,888</u>	<u>\$ (784,776)</u>	<u>\$ 6,552,773</u>

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	\$ 54,893
Sewer Fund	<u>127,633</u>
Total business-type activities depreciation expense	<u>\$ 182,526</u>

NOTE 6—DUE TO OTHER GOVERNMENTS

At December 31, 2013, payments due to other governments of the governmental activities consists solely of the property tax appropriation due to the Shaker Regional School District in the amount of \$4,121,406. The balance due to other governments of the business-type activities at year end consists of various sewer capital charges payable to the State of New Hampshire Department of Environmental Services in the amount of \$102,121.

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.

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

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 19.95%, 22.89% and 8.8%, respectively, through June 30, 2013, and 25.30%, 27.74% and 10.77%, respectively, thereafter. 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, 2013, 2012 and 2011 were \$479,688, \$430,478 and \$392,899, respectively, equal to the required contributions for each year.

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides medical benefits to its eligible retirees and their spouses. Retirees under the age of 65 have a medical insurance plan with either Blue Choice or Matthew Thornton. Retirees over the age of 65 are covered by the Medicare supplemental plan. The following groups of retirees qualify for this benefit: Group I employees are required to reach age 60 with no minimum service requirement or any age with 20 years of service and age plus service is at least 70; Group II employees are eligible at age 45 with 20 years of service or at age 60 with no minimum service requirement. Retirees and surviving spouses pay the full cost of the medical premium. As of January 1, 2012, the most recent actuarial valuation date, approximately 7 retirees and 52 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's December 31, 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending December 31, 2013 including the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2012 is as follows:

Annual Required Contribution (ARC)	\$ 125,444
Interest on net OPEB obligation	17,083
Adjustment to ARC	<u>(19,884)</u>
Annual OPEB cost	122,643
Contributions made	<u>(32,334)</u>
Increase in net OPEB obligation	90,309
Net OPEB obligation - beginning of year	<u>427,073</u>
Net OPEB obligation - end of year	<u>\$ 517,382</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2013, 2012, and 2011 are as follows:

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

Fiscal Year	Annual	Percentage of	Net OPEB	Covered	OPEB Cost
<u>Ending</u>	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>	<u>Payroll</u>	<u>% of pay</u>
12/31/2011	\$ 131,495	13.5%	\$ 332,973	\$ 2,459,730	5.3%
12/31/2012	\$ 116,723	19.4%	\$ 427,073	\$ 2,364,781	4.9%
12/31/2013	\$ 122,643	26.4%	\$ 517,382	\$ 2,459,372	5.0%

The Town's net OPEB obligation as of December 31, 2013 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 888,338
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 888,338</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,364,781
UAAL as a percentage of covered payroll	37.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the January 1, 2012 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The Town employs the Pay-as-you-go basis to fund the plan. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 9.0% which decreases to a 5.0% long-term rate for all healthcare benefits after four years. The amortization costs for the Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed group basis. This has been calculated assuming the amortization payment increases at a rate of 2.5% per year.

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

NOTE 9—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

	(As Restated)			Balance	Due Within
	Balance			12/31/13	One Year
	<u>01/01/13</u>	<u>Additions</u>	<u>Reductions</u>		
Governmental activities:					
Bonds payable	\$ 957,052		\$ (69,161)	\$ 887,891	\$ 71,547
Capital leases payable	119,138	\$ 87,192	(58,307)	148,023	81,722
Compensated absences payable	171,093	49,133	(42,370)	177,856	50,000
Total governmental activities	<u>\$ 1,247,283</u>	<u>\$ 136,325</u>	<u>\$ (169,838)</u>	<u>\$ 1,213,770</u>	<u>\$ 203,269</u>
Business-type activities:					
Bonds payable	\$ 672,135	\$ 1,468,508	\$ (170,135)	\$ 1,970,508	\$ 207,391
Unamortized bond premium	55,864		(3,745)	52,119	4,150
Total bonds payable	727,999	1,468,508	(173,880)	2,022,627	211,541
Other long-term obligations	831,966	636,542	(1,468,508)	-	-
Total business-type activities	<u>\$ 1,559,965</u>	<u>\$ 2,105,050</u>	<u>\$(1,642,388)</u>	<u>\$ 2,022,627</u>	<u>\$ 211,541</u>

Payments on the general obligation bond, capital lease obligations, and compensated absences 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 Water and Sewer Funds, as applicable to each fund for related debt. Amortization on the bond premium of the business-type activities is recognized as a component of interest expense in the Sewer Fund on the Statement of Revenues, Expenses and Changes in Net position – Proprietary Funds (Exhibit F).

General Obligation Bonds

Governmental Activities

Bonds payable at December 31, 2013 is comprised of the following individual issue:

\$1,150,000 Pleasant Valley Project bond, due in quarterly installments of \$25,213 through June 2024; including interest at 3.36%	<u>\$ 887,891</u>
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Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2013 are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 71,547	\$ 29,304	\$ 100,851
2015	74,016	26,836	100,852
2016	76,499	24,353	100,852
2017	79,210	21,642	100,852

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

2018	81,943	18,909	100,852
2019-2023	454,081	50,177	504,258
2024	50,595	635	51,230
	<u>\$ 887,891</u>	<u>\$ 171,856</u>	<u>\$ 1,059,747</u>

As included on the Statement of Activities (Exhibit B) as 'Interest and fiscal charges', interest expense on general obligation debt of the governmental activities for the year ended December 31, 2013 was \$31,691.

Business-type Activities

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

\$432,000 Sewer Refunding bond 2012, due in variable semi-annual installments of \$31,402 to \$32,363 through August 2033; including interest at 3.12%	\$ 416,000
\$1,320,746 Clean Water bond 2013, due in annual principal installments of \$123,740 through May 2023; interest at 1.70%	1,237,401
\$296,641 Route 3 Water bond 2007, due in semi-annual principal installments of \$17,737 through July 2016; interest at 4.02%	101,536
\$75,000 Well Water bond 2008, due in semi-annual principal installments of \$3,750 through October 2017; interest at 3.92%	30,000
\$147,762 Drinking Water bond 2013, due in variable annual installments of \$12,859 to \$13,471 through November 2022; including interest at 1.70%	133,072
\$105,000 New Well Water bond 2009, due in semi-annual principal installments of \$6,563 through October 2017; interest at 4.09%	52,499
	<u>1,970,508</u>
Add: Unamortized bond premium	52,119
	<u>\$ 2,022,627</u>

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2013, net of principal forgiveness from the State of New Hampshire (to be forgiven over a period of 10 years from the start of the related State Revolving Loan debt) are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 204,436	\$ 30,028	\$ 234,464
2015	205,728	42,530	248,258
2016	201,140	37,485	238,625
2017	171,848	33,090	204,938
2018	151,536	29,375	180,911
2019-2023	759,223	103,446	862,669
2024-2028	111,000	47,493	158,493

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

2019-2023	759,223	103,446	862,669
2024-2028	111,000	47,493	158,493
2029-2033	139,000	19,420	158,420
	<u>1,943,911</u>	<u>342,867</u>	<u>2,286,778</u>
Add: <i>Principal Forgiveness</i>	26,597	-	26,597
Sub-total Bonds payable	1,970,508	342,867	2,313,375
Add: <i>Unamortized Bond Premium</i>	52,119	-	52,119
Total Bonds payable	<u>\$ 2,022,627</u>	<u>\$ 342,867</u>	<u>\$ 2,365,494</u>

As included on the Statement of Revenues, Expenses and Changes in Net position – Proprietary Funds (Exhibit F), interest expense for the year ended December 31, 2013 was \$47,522 on general obligation debt for the business-type activities.

Capital Lease Obligations

Governmental Activities

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following are the individual capital lease obligations outstanding of the governmental activities at December 31, 2013:

Vehicle, due in annual installments of \$25,631 through December 2014, including interest at 4.34%	\$ 24,565
Vehicle, due in annual installments of \$23,368 through April 2017, including interest at 2.841%	87,192
Vehicles, due in annual installments of \$38,119 through October 2014, including interest at 4.912%	36,266
	<u>\$ 148,023</u>

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 81,722	\$ 5,396	\$ 87,118
2015	21,484	1,884	23,368
2016	22,095	1,273	23,368
2017	22,722	646	23,368
	<u>\$ 148,023</u>	<u>\$ 9,199</u>	<u>\$ 157,222</u>

NOTE 10—INTERFUND BALANCES AND TRANSFERS

The Town maintains separate cash accounts for its governmental and proprietary funds; however, most cash transactions flow through the General Fund. For accounting and reporting purposes, the portion of cash applicable to a particular fund is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2013 are as follows:

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

	Due from		
	General Fund	Water Fund	Totals
General Fund		\$ 149,753	\$ 149,753
Nonmajor Governmental Funds	\$ 36,876		36,876
Sewer Fund	9,848		9,848
	<u>\$ 46,724</u>	<u>\$ 149,753</u>	<u>\$ 196,477</u>

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

	Transfers from			Totals
	General Fund	Permanent Funds	Nonmajor Governmental Funds	
General Fund		\$ 1,000	\$ 271,945	\$ 272,945
Nonmajor Governmental Funds	\$ 3,070			3,070
	<u>\$ 3,070</u>	<u>\$ 1,000</u>	<u>\$ 271,945</u>	<u>\$ 276,015</u>

NOTE 11—RESTRICTED NET POSITION

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

Permanent Funds - Endowments	\$ 1,435,964
Permanent Funds - Income	952,565
Drug Forfeiture funds	17,260
	<u>\$ 2,405,789</u>

NOTE 12—COMPONENTS OF FUND BALANCE

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

Fund Balances	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 22,338			\$ 22,338
Permanent funds - Endowments		\$ 1,435,964		1,435,964
Restricted for:				
Permanent funds - Income		952,565		952,565
Drug forfeiture			\$ 17,260	17,260

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

Committed for:			
Continuing appropriations	41,945		41,945
Capital reserves	1,343,394		1,343,394
Expendable trusts	162,623		162,623
Conservation		137,112	137,112
Ambulance revolving		616,711	616,711
Recreation revolving		8,821	8,821
Assigned for:			
Encumbrances	3,902		3,902
Library	14,555		14,555
Heritage Commission	33,280		33,280
Designated for subsequent year appropriation	30,000		30,000
Unassigned:			
Unassigned - General operations	187,838		187,838
	<u>\$ 1,839,875</u>	<u>\$ 2,388,529</u>	<u>\$ 779,904</u>
			<u>\$ 5,008,308</u>

NOTE 13—PERFORMANCE DEPOSITS

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and performance bonds are not included as part of the financial statements. At December 31, 2013, the Town held performance deposits totaling \$799,700.

NOTE 14—CONTINGENCIES

Litigation

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

Federal Grants

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

NOTE 15—RESTATEMENT OF EQUITY

During the year ended December 31, 2013, it was determined that capital assets, capital leases, and compensated absences of the Governmental Activities were understated. It was also determined that the interfund receivable of the General Fund was understated. In addition, it was determined that due from other governments, capital assets, interfund payable, and other long-term obligations of the Water Fund were understated, however, there was no resulting impact from the understatements on the net position, as previously reported on January 1, 2013.

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

Government-Wide Financial Statements

Net position of the Governmental Activities as of January 1, 2013 has been restated as follows:

	Governmental <u>Activities</u>
Net Position - January 1, 2013 (as previously reported)	\$ 16,167,603
Amount of restatement due to:	
Understatement of interfund receivable	32,000
Understatement of capital assets	71,692
Understatement of capital leases	(71,031)
Understatement of compensated absences	<u>(72,025)</u>
Net Position - January 1, 2013, as restated	<u>\$ 16,128,239</u>

Governmental Fund Statements

The impact of the restatements noted in the above on the governmental funds as of January 1, 2013 is as follows:

	General <u>Fund</u>
Fund balance - January 1, 2013 (as previously reported)	\$ 1,981,925
Amount of restatement due to:	
Understatement of interfund receivable	<u>32,000</u>
Fund balance - January 1, 2013, as restated	<u>\$ 2,013,925</u>

NOTE 16—SUBSEQUENT EVENTS

During the March 2014 Annual Meeting, the Town authorized the issuance of not more than \$375,000 of bonds or notes for the purpose of a Town-Wide Water Replacement Project. The Town has not yet issued or drawn any funds on this debt authorization.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 5,476,391	\$ 5,476,391	\$ 5,424,110	\$ (52,281)
Licenses and permits	1,336,675	1,336,675	1,347,974	11,299
Intergovernmental	1,241,305	567,569	600,766	33,197
Charges for services	128,000	128,000	124,603	(3,397)
Interest income	1,075	1,075	1,388	313
Miscellaneous	70,300	70,300	64,845	(5,455)
Total Revenues	<u>8,253,746</u>	<u>7,580,010</u>	<u>7,563,686</u>	<u>(16,324)</u>
Expenditures:				
Current operations:				
General government	1,363,479	1,363,479	1,274,216	89,263
Public safety	3,415,605	3,415,605	3,067,442	348,163
Highways and streets	1,237,866	1,253,958	1,242,215	11,743
Sanitation	530,830	530,830	515,275	15,555
Health and welfare	294,251	294,251	240,440	53,811
Culture and recreation	252,950	252,950	205,043	47,907
Conservation	24,527	24,527	21,457	3,070
Capital outlay	1,157,424	425,649	282,120	143,529
Debt service:				
Principal retirement	69,161	69,161	69,161	-
Interest and fiscal charges	31,692	31,692	31,691	1
Total Expenditures	<u>8,377,785</u>	<u>7,662,102</u>	<u>6,949,060</u>	<u>713,042</u>
Excess revenues over (under) expenditures	<u>(124,039)</u>	<u>(82,092)</u>	<u>614,626</u>	<u>696,718</u>
Other financing sources (uses):				
Transfers in	288,868	288,868	289,080	212
Transfers out	<u>(884,500)</u>	<u>(884,500)</u>	<u>(913,705)</u>	<u>(29,205)</u>
Total other financing sources (uses)	<u>(595,632)</u>	<u>(595,632)</u>	<u>(624,625)</u>	<u>(28,993)</u>
Net change in fund balance	(719,671)	(677,724)	(9,999)	667,725
Fund balance at beginning of year, as restated				
- Budgetary Basis	<u>2,024,444</u>	<u>2,024,444</u>	<u>2,024,444</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,304,773</u>	<u>\$ 1,346,720</u>	<u>\$ 2,014,445</u>	<u>\$ 667,725</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF BELMONT, NEW HAMPSHIRE
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended December 31, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2009	\$ -	\$ 757,542	\$ 757,542	0.0%	\$ 2,341,206	32.4%
1/1/2012	\$ -	\$ 888,338	\$ 888,338	0.0%	\$ 2,364,781	37.6%

See accompanying notes to the required supplementary information

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

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. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for payroll timing differences, non-budgetary revenues and expenditures, budgetary transfers in and out, capital lease proceeds, and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 8,057,412	\$ 8,231,462
Difference in property taxes meeting susceptible to accrual criteria	(130,937)	
Payroll timing differences - December 31, 2012		86,579
Payroll timing differences - December 31, 2013		(78,666)
Non-budgetary revenues and expenditures	(2,652)	(1,155,462)
Budgetary transfers in and out	16,135	910,635
Capital lease proceeds	(87,192)	(87,192)
Encumbrances - December 31, 2012		(48,493)
Encumbrances - December 31, 2013		3,902
Per Schedule 1	<u>\$ 7,852,766</u>	<u>\$ 7,862,765</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Nonspendable:</i>	
Prepaid expenses	\$ 22,338
<i>Committed for:</i>	
Continuing appropriations	41,945
<i>Assigned for:</i>	
Designated for subsequent year appropriation	30,000
<i>Unassigned:</i>	
Unassigned - General operations	<u>1,920,162</u>
	<u>\$ 2,014,445</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2013

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended December 31, 2009. Accordingly, the funding progress has only been presented for the two most recent actuarial valuation reports. Additional disclosures will be made as the information becomes available.

SCHEDULE I
TOWN OF BELMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass Through Payments from the New Hampshire Community Development Finance Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	
#12-003-CDPF		\$ 24,875
#12-003-FSHS		11,944
#13-003-CDPF		<u>90,532</u>
Total Department of Housing and Urban Development		<u>127,351</u>
DEPARTMENT OF THE INTERIOR		
Pass Through Payments from the New Hampshire Department of Resources and Economic Development Outdoor Recreation_Acquisition, Development and Planning	15.916	
		<u>11,600</u>
Total Department of the Interior		<u>11,600</u>
DEPARTMENT OF TRANSPORTATION		
Pass Through Payments from the New Hampshire Department of Transportation Highway Planning and Construction	20.205	
#X-A000(340)		<u>17,865</u>
Pass Through Payments from the New Hampshire Highway Safety Agency State and Community Highway Safety	20.600	
#315-12B-060		2,612
#315-13B-169		<u>3,510</u>
		<u>6,122</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	
#308-13B-080		4,653
#308-13B-096		<u>2,736</u>
		<u>7,389</u>
Total Department of Transportation		<u>31,376</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
TOWN OF BELMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2013

ENVIRONMENTAL PROTECTION AGENCY		
Pass Through Payments from the New Hampshire		
Department of Environmental Services		
Capitalization Grants for Clean Water State Revolving Funds #CS-330220-05	66.458	<u>580,961</u>
Capitalization Grants for Drinking Water State Revolving Funds #0201010	66.468	<u>11,116</u>
Total Environmental Protection Agency		<u>592,077</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments from the New Hampshire		
Department of Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters) #FEMA-4105-DR-NH	97.036	<u>18,399</u>
Homeland Security Grant Program	97.067	<u>34,771</u>
Total Department of Homeland Security		<u>53,170</u>
Total Expenditures of Federal Awards		<u>\$ 815,574</u>

See notes to schedule of expenditures of federal awards

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2013

NOTE 1—GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Belmont, New Hampshire. The Town of Belmont, New Hampshire's reporting entity is defined in Note 1 to the Town's basic financial statements. All federal funds are included on the schedule.

NOTE 2—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's basic financial statements.

NOTE 3—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the Town's basic financial statements as intergovernmental revenues in the governmental funds and capital contributions in the proprietary funds as follows:

Major Governmental Fund:	
General Fund	\$ 108,090
Major Proprietary Fund:	
Water Fund	115,407
	<u>\$ 223,497</u>

The recognition of expenditures of federal awards in the amount of \$580,961 represents one hundred percent of the drawdowns from the Clean Water State Revolving Loan Fund Program. Federal financial assistance with the principal sum not to exceed \$1,500,000 or 100% of aggregate disbursements, whichever is less, is provided in the form of a federal loan through the program.

Additionally, the recognition of expenditures of federal awards in the amount of \$11,116 represents twenty percent of the drawdowns from the Drinking Water State Revolving Loan Fund Program. Federal financial assistance in the form of principal forgiveness not to exceed \$44,000 or 20% of aggregate disbursements, whichever is less, will be forgiven at the time of the initial loan repayment.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Board of Selectmen
Town of Belmont, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, New Hampshire, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Belmont, New Hampshire's basic financial statements, and have issued our report thereon dated August 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Belmont, New Hampshire's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Belmont, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Belmont, New Hampshire's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Belmont, New Hampshire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vachon Clutkey & Company PC

Manchester, New Hampshire
August 5, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditor's Report

To the Board of Selectmen
Town of Belmont, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Town of Belmont, New Hampshire's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Belmont, New Hampshire's major federal programs for the year ended December 31, 2013. The Town of Belmont, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Belmont, New Hampshire's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Belmont, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Belmont, New Hampshire's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Belmont, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Town of Belmont, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Belmont, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Belmont, New Hampshire's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vachon Clutay & Company PC

Manchester, New Hampshire
August 5, 2014

**Town of Belmont, New Hampshire
Schedule of Findings and Questioned Costs
Year Ended December 31, 2013**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified - all reporting units</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)?

_____yes ___X___no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and B program: \$ 300,000.

Auditee qualified as low-risk auditee? _____yes ___X___no

Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs required to be reported under OMB Circular A-133 .510(a).

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

	Conservation Fund	Drug Forfeiture Fund	Ambulance Fund	Recreation Revolving Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 109,057	\$ 17,260	\$ 370,557		\$ 496,874
Accounts receivable, net			246,154		246,154
Due from other funds	28,055			\$ 8,821	36,876
Total Assets	<u>137,112</u>	<u>17,260</u>	<u>616,711</u>	<u>8,821</u>	<u>779,904</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 137,112</u>	<u>\$ 17,260</u>	<u>\$ 616,711</u>	<u>\$ 8,821</u>	<u>\$ 779,904</u>
LIABILITIES					
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCES					
Restricted		17,260			17,260
Committed	137,112		616,711	8,821	762,644
Total Fund Balances	<u>137,112</u>	<u>17,260</u>	<u>616,711</u>	<u>8,821</u>	<u>779,904</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 137,112</u>	<u>\$ 17,260</u>	<u>\$ 616,711</u>	<u>\$ 8,821</u>	<u>\$ 779,904</u>

SCHEDULE B

TOWN OF BELMONT, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended December 31, 2013

	Conservation Fund	Drug Forfeiture Fund	Ambulance Fund	Recreation Revolving Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 15,467				\$ 15,467
Charges for services			\$ 237,495	\$ 29,770	267,265
Interest and investment income	52		173		225
Total Revenues	<u>15,519</u>	<u>\$ -</u>	<u>237,668</u>	<u>29,770</u>	<u>282,957</u>
Expenditures:					
Current operations:					
Public safety			1,503		1,503
Culture and recreation				32,025	32,025
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,503</u>	<u>32,025</u>	<u>33,528</u>
Excess revenues over (under) expenditures	<u>15,519</u>	<u>-</u>	<u>236,165</u>	<u>(2,255)</u>	<u>249,429</u>
Other Financing Sources (Uses):					
Transfers in	3,070				3,070
Transfers out			(271,945)		(271,945)
Total Other Financing Sources (Uses)	<u>3,070</u>	<u>-</u>	<u>(271,945)</u>	<u>-</u>	<u>(268,875)</u>
Net change in fund balances	18,589	-	(35,780)	(2,255)	(19,446)
Fund balances at beginning of year	<u>118,523</u>	<u>17,260</u>	<u>652,491</u>	<u>11,076</u>	<u>799,350</u>
Fund balances at end of year	<u>\$ 137,112</u>	<u>\$ 17,260</u>	<u>\$ 616,711</u>	<u>\$ 8,821</u>	<u>\$ 779,904</u>

