

**TOWN OF RYE,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rye as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Emphasis of Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 8) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 38) 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 them 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

***Town of Rye
Independent Auditor's Report***

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.

Emphasis of Matter – Supplementary Information

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

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

April 25, 2014

*Plodzik & Sanderson
Professional Association*

Town of Rye, NH
Management Discussion and Analysis
2013

1. Brief discussion of the Basic Financial Statements
2. Condensed Government – Wide Financial Information
3. Financial Results
4. Fund Balances
5. Budgets
6. Capital Assets and Long Term Debt

As management of the Town of Rye, NH, we offer readers of the Town of Rye, NH financial statements this narrative overview and analysis of the financial activities of the Town of Rye, NH for the fiscal year ended December 31, 2013.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Rye's basic financial statements. The Town of Rye's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Rye's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Rye's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Rye, NH is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the Town of Rye, NH include general government, public safety, roadways, cemetery, library, trust and capital reserve funds, grants, conservation, sanitation, culture and recreation.

Fund financial statements- A *fund* is a set of reports that is used to segregate specific activities. For example, Sewer department activity, which is paid from sewer user fees, is reported separately from Cemetery activity, which is paid from perpetual care trust funds. The Town of Rye, NH, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Rye, NH can be divided into two categories: governmental or fiduciary funds.

Governmental Funds. *Governmental funds* are used to report on the general operations of the town. They 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, fund financial statements focus only on current expenditures and revenue (*inflows and outflows of spendable resources this year*), as well as on balances (of *spendable resources*) available at the end of the fiscal year. Such information may be useful in evaluating a government's current 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Rye, NH adopts an annual appropriated budget for its general fund as well as several non-major funds. A budgetary comparison statement has been provided for the major general fund to demonstrate compliance with this budget.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the Rye town government, such as developer's performance bonds, capital reserve and expendable trust funds belonging to other governments, and trust funds for which the income is used for purposes that are not normally funded by the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because these funds are not available to support the Town of Rye's own programs. The accounting used for the fiduciary funds is much like that used for businesses.

Notes to the 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of a Schedule of Funding Progress for Other Postemployment Benefit Plan.

Government-wide Financial Analysis

As noted earlier, net position may, over time serve as a useful indicator of a government's financial position. In the case of the Town of Rye, NH, assets exceeded liabilities by \$40,144,349 at the close of the most recent fiscal year.

By far the largest portion of the Town of Rye's net position \$32,877,090 reflects its investment in capital assets (e.g., land, buildings, vehicles, etc.). The Town of Rye, NH uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rye's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Rye, NH's Net Assets

	Governmental Activities	
	2012	2013
Current & other assets	13,398,210	13,830,905
Capital assets	35,702,935	35,206,524
Total assets	49,101,145	49,037,429
Long-term liabilities outstanding	6,182,184	6,057,336
Other liabilities	3,793,592	2,835,744
Total liabilities	9,976,406	8,893,080
Net position:		
Net investment in capital assets	32,428,849	32,877,090
Restricted	2,979,897	3,585,508
Unrestricted	3,715,993	3,681,751
Total net position	39,124,739	40,144,349

At the end of the current fiscal year, the Town of Rye, NH is able to report positive balances in net position, for the government as a whole. The same situation held true for the prior fiscal year.

Town of Rye, NH Changes in Fund Balances

Governmental Activities

	2012 AMOUNT	2013 AMOUNT	DIFFERENCE
Revenues:			
Program revenues:			
Charges for services	1,039,996	860,617	(179,379)
Operating grants	128,235	255,236	127,001
Capital Contributions	158,991		(158,991)
General revenues:			
Taxes	5,845,416	5,452,845	(392,571)
Licenses and permits	1,391,302	1,496,980	105,678
Unrestricted grants	265,798	239,823	(25,975)
Unrestricted Investment Income		111,264	111,264
Miscellaneous	458,048	887,019	428,971
Total revenues	9,287,786	9,303,784	15,998
Expenses:			
General Government	1,434,907	1,550,990	116,083
Public Safety	2,806,296	2,822,648	16,352
Highways and Streets	1,459,208	1,729,003	269,795
Sanitation	646,751	630,166	(16,585)
Health	94,766	95,755	989
Welfare	27,789	49,096	21,307
Culture & Recreation	1,063,014	1,134,975	71,961
Conservation	32,772	80,215	47,443
Interest on long-term debt	96,243	133,902	37,659
Capital Outlay	245,202	57,424	(187,778)
Total governmental activities	7,906,948	8,284,174	377,226
Change in net position	1,380,838	1,019,610	(361,228)
Beginning net position	37,743,901	39,124,739	1,380,838
Ending net position	39,124,739	40,144,349	1,019,610

General fund budgetary highlights

As shown in the above chart, revenues received during 2013 increased by \$15,998 from 2012. The actual budgetary revenues were more than the budget for estimated revenues by \$370,973. Motor Vehicle Registrations were \$74,755 over the amount projected. Building Permits were \$16,040 over the amount projected. General income from department services was short \$15,722 projected. Interest income on deposits and investments increased by \$329 from the prior year and was \$1,095 over the 2013 projection.

Catastrophic events during 2013 that had a significant impact on total expenditures included:

- Public Works Department responded to a total of 26 weather events; (17 snow and 9 ice storms). The winter of 2012-2013 saw snowfall accumulation totaling 86 inches.
- Emergency Management responded to two weather events:
 - NEMO hit the seacoast on Friday, February 8, 2013 and continued for three (3) days. The Rye saw 18-24" of snow along with high tides, coastal flooding and winds, creating blizzard conditions.
 - Another weekend storm on March 8, 2013 washed out the seawalls along Bass and Foss Beaches.
- Fire, Police and Public Works Departments all experienced staff shortages throughout 2013, due to long term illnesses, retirements and terminations of full-time, permanent staff.

Total governmental expenditures increased by \$377,226 (.05%) over the prior year. The Town realized a savings of \$132,051 in actual expenditures over the 2013 budgeted appropriation.

The total Town's property assessed valuation increased by \$16,792,700. The total property tax commitment decreased by \$127,317 from the prior year. At the 2013 Tax Rate setting the Board of Selectmen chose to use \$818,648 of the Town's beginning general fund balance to bring the tax rate to \$10.97.

Capital Asset and Debt Administration

Capital Assets - The Town of Rye's investment in capital assets includes land and improvements, buildings, rolling stock, sewer mains, equipment, and roadways with a value in excess of \$10,000 and a useful life of over 5 years.

Assets are depreciated on a straight-line basis, with the original cost divided evenly by the useful life of the asset.

Major capital asset events during the current fiscal year included the following:

- Acquisitions:
 - 2013 Police Cruiser
- Disposals:
 - 1986 International Flat Bed Truck
 - 2003 3500 Silverado Pickup Truck

Town of Rye, NH Capital Assets

Governmental Activities
(at original cost)

	2012	additions	disposals	2013
Not being depreciated:				
Land	9,924,986			9,924,986
Intangible assets	2,676,480			2,676,480
Construction in progress		213,610		213,610
Total capital assets not being depreciated	12,601,466	213,610		12,815,076
Being depreciated:				
Land improvements	509,602			509,602
Buildings	6,650,542			6,650,542
Rolling Stock	2,033,215	46,539	(108,964)	1,970,790
Equipment	443,960			443,960
Sewer Mains - Infrastructure	4,400,000			4,400,000
Roadways – Infrastructure	29,964,590	191,619		30,156,209
Total capital assets being depreciated	44,001,909	238,158	(108,964)	44,131,103
Total all capital assets	56,603,375	451,768	(108,964)	56,946,179

Additional information on the Town of Rye's net capital assets, depreciation, and debt may be found in the notes to the financial statements.

Long-term Debt. At the end of the current fiscal year, the Town of Rye, NH had total bonded debt outstanding of \$2,185,000 which is a .27% decrease from the \$3,050,000 owed at the end of 2012. These bonds are a general obligation of the taxpayers of Rye, N.H.

NH RSA 33:4-A establishes a debt limit. Towns may not incur outstanding indebtedness exceeding 3% (\$53,088,639) of the town valuation (\$1,769,621,290). Rye's debt is less than 1% of the valuation, so it is well within the debt limit. Rye has an allowed debt margin of \$50,867,577.

The Town of Rye issues bonds through the NH Municipal Bond Bank, and uses the bond bank credit rating of Aa2 with Moody's Investment Service.

Requests for information

This financial report is designed to provide a general overview of the Town of Rye, NH's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Administrator, 10 Central Road, Town of Rye, NH, 03870.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,246,147
Investments	3,164,957
Taxes receivables (net)	963,374
Account receivables (net)	228,533
Intergovernmental receivable	4,851
Inventory	10,104
Prepaid Items	12,324
Restricted Assets:	
Cash and cash equivalents	301,592
Investments	899,023
Capital assets:	
Land and construction in progress	12,815,076
Other capital assets, net of depreciation	22,391,448
Total assets	<u>49,037,429</u>
LIABILITIES	
Accounts payable	325,548
Accrued interest payable	103,680
Intergovernmental payable	5,628,108
Long-term liabilities:	
Due within one year	949,843
Due in more than one year	1,885,901
Total liabilities	<u>8,893,080</u>
NET POSITION	
Net investment in capital assets	32,877,090
Restricted for library	296,408
Restricted for perpetual care	3,289,100
Unrestricted	3,681,751
Total net position	<u>\$ 40,144,349</u>

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

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

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
General government	\$ 1,550,990	\$ 21,273	\$ 38,667	\$ (1,491,050)
Public safety	2,822,648	319,104	50,634	(2,452,910)
Highways and streets	1,729,003	6,002	135,963	(1,587,038)
Sanitation	630,166	318,577	-	(311,589)
Health	95,755	-	-	(95,755)
Welfare	49,096	-	-	(49,096)
Culture and recreation	1,134,975	195,661	10,910	(928,404)
Conservation	80,215	-	19,062	(61,153)
Interest on long-term debt	133,902	-	-	(133,902)
Capital outlay	57,424	-	-	(57,424)
Total governmental activities	<u>\$ 8,284,174</u>	<u>\$ 860,617</u>	<u>\$ 255,236</u>	<u>(7,168,321)</u>
General revenues:				
Taxes:				
Property				5,301,343
Other				151,502
Motor vehicle permit fees				1,232,280
Licenses and other fees				264,700
Grants and contributions not restricted to specific programs				239,823
Unrestricted investment earnings				111,264
Miscellaneous				887,019
Total general revenues				<u>8,187,931</u>
Change in net position				1,019,610
Net position, beginning				39,124,739
Net position, ending				<u>\$ 40,144,349</u>

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

EXHIBIT C-1
TOWN OF RYE, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2013

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,682,283	\$ 206,360	\$ 1,357,504	\$ 8,246,147
Investments	60,908	3,104,049	-	3,164,957
Accounts receivable (net)	97,789	-	130,744	228,533
Taxes receivable (net)	993,374	-	-	993,374
Intergovernmental receivable	918	-	3,933	4,851
Interfund receivable	28,772	-	-	28,772
Voluntary tax liens	150,680	-	-	150,680
Voluntary tax liens reserved until collected	(150,680)	-	-	(150,680)
Inventory	10,104	-	-	10,104
Prepaid items	11,046	-	1,278	12,324
Restricted assets:				
Cash and cash equivalents	301,592	-	-	301,592
Investments	849,675	-	49,348	899,023
Total assets	<u>\$ 9,036,461</u>	<u>\$ 3,310,409</u>	<u>\$ 1,542,807</u>	<u>\$ 13,889,677</u>
LIABILITIES				
Accounts payable	\$ 304,105	\$ -	\$ 21,443	\$ 325,548
Intergovernmental payable	5,628,108	-	-	5,628,108
Interfund payable	-	21,309	7,463	28,772
Total liabilities	<u>5,932,213</u>	<u>21,309</u>	<u>28,906</u>	<u>5,982,428</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	<u>701,192</u>	<u>-</u>	<u>-</u>	<u>701,192</u>
FUND BALANCES				
Nonspendable	21,150	2,055,218	1,278	2,077,646
Restricted	370,861	1,233,882	6,126	1,610,869
Committed	836,116	-	1,445,301	2,281,417
Assigned	215,276	-	61,196	276,472
Unassigned	959,653	-	-	959,653
Total fund balances	<u>2,403,056</u>	<u>3,289,100</u>	<u>1,513,901</u>	<u>7,206,057</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,036,461</u>	<u>\$ 3,310,409</u>	<u>\$ 1,542,807</u>	<u>\$ 13,889,677</u>

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

EXHIBIT C-2
TOWN OF RYE, NEW HAMPSHIRE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,206,057
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 56,946,179	
Less accumulated depreciation	<u>(21,739,655)</u>	
		35,206,524
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (28,772)	
Payables	<u>28,772</u>	
		-
Property tax revenues that are reported on the accrual basis of accounting and are not deferred until collection on the Statement of Net Position.		701,192
Recognize the allowance for doubtful property tax receivables under the accrual basis of accounting.		(30,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(103,680)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 2,185,000	
Unamortized bond premium	108,375	
Capital leases	36,059	
Compensated absences	482,310	
Accrued landfill postclosure costs	<u>24,000</u>	
		<u>(2,835,744)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 40,144,349</u></u>

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

EXHIBIT C-3
TOWN OF RYE, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2013

	General	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 5,569,071	\$ -	\$ 10,000	\$ 5,579,071
Licenses and permits	1,496,980	-	-	1,496,980
Intergovernmental	379,681	-	30,079	409,760
Charges for services	273,865	-	586,752	860,617
Investment earnings	5,380	-	1,057	6,437
Miscellaneous	305,129	704,558	67,458	1,077,145
Total revenues	8,030,106	704,558	695,346	9,430,010
EXPENDITURES				
Current:				
General government	1,428,873	101,903	1,771	1,532,547
Public safety	2,656,690	-	105,304	2,761,994
Highways and streets	1,156,888	-	23,472	1,180,360
Sanitation	382,945	-	249,513	632,458
Health	95,755	-	-	95,755
Welfare	49,096	-	-	49,096
Culture and recreation	929,230	-	168,237	1,097,467
Conservation	79,074	-	1,141	80,215
Debt service:				
Principal	865,000	-	-	865,000
Interest	129,580	-	-	129,580
Capital outlay	229,484	-	41,550	271,034
Total expenditures	8,002,615	101,903	590,988	8,695,506
Excess of revenues over expenditures	27,491	602,655	104,358	734,504
OTHER FINANCING SOURCES (USES)				
Transfers in	27,189	3,419	-	30,608
Transfers out	(3,419)	(21,989)	(5,200)	(30,608)
Total other financing sources (uses)	23,770	(18,570)	(5,200)	-
Net change in fund balances	51,261	584,085	99,158	734,504
Fund balances, beginning, as restated (see Note 17)	2,351,795	2,705,015	1,414,743	6,471,553
Fund balances, ending	\$ 2,403,056	\$ 3,289,100	\$ 1,513,901	\$ 7,206,057

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

EXHIBIT C-4
TOWN OF RYE, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2013

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 734,504
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. 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 depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 342,804	
Depreciation expense	<u>(839,215)</u>	
		(496,411)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (30,608)	
Transfers out	<u>30,608</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (96,226)	
Allowance for doubtful property tax receivables	<u>(30,000)</u>	
		(126,226)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and when debt is first issued, whichever these amounts are deferred and amortized in the Statement of Activities.		
Repayment of bond principal	\$ 865,000	
Repayment of capital leases	33,870	
Amortization of bond premium	<u>45,783</u>	
		944,653
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (50,105)	
Decrease in compensated absences payable	5,195	
Decrease in accrued landfill postclosure care costs	<u>8,000</u>	
		(36,910)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 1,019,610</u></u>

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

EXHIBIT D
TOWN OF RYE, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 5,312,370	\$ 5,442,845	\$ 130,475
Licenses and permits	1,404,750	1,496,980	92,230
Intergovernmental	380,979	379,681	(1,298)
Charges for services	289,587	273,865	(15,722)
Investment earnings	4,000	5,095	1,095
Miscellaneous	89,514	187,225	97,711
Total revenues	<u>7,481,200</u>	<u>7,785,691</u>	<u>304,491</u>
EXPENDITURES			
Current:			
General government	1,444,008	1,434,384	9,624
Public safety	2,676,153	2,656,690	19,463
Highways and streets	1,142,247	1,130,959	11,288
Sanitation	396,567	390,571	5,996
Health	110,087	95,755	14,332
Welfare	35,000	49,096	(14,096)
Culture and recreation	911,306	899,701	11,605
Conservation	90,700	122,642	(31,942)
Debt service:			
Principal	865,000	865,000	-
Interest	134,580	129,580	5,000
Capital outlay	394,200	293,419	100,781
Total expenditures	<u>8,199,848</u>	<u>8,067,797</u>	<u>132,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(718,648)</u>	<u>(282,106)</u>	<u>436,542</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	66,482	66,482
Transfers out	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>(33,518)</u>	<u>66,482</u>
Net change in fund balances	<u>\$ (818,648)</u>	<u>(315,624)</u>	<u>\$ 503,024</u>
Decrease in nonspendable fund balance		4,587	
Increase in restricted fund balance		(11,031)	
Unassigned fund balance, beginning		1,952,913	
Unassigned fund balance, ending		<u>\$ 1,630,845</u>	

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

EXHIBIT E-1
TOWN OF RYE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2013

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 102,090
Investments	<u>1,811</u>	<u>424,251</u>
Total assets	<u>1,811</u>	<u>526,341</u>
LIABILITIES		
Due to other governmental units	-	424,251
Due to others	<u>-</u>	<u>102,090</u>
Total liabilities	<u>-</u>	<u>526,341</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 1,811</u>	<u>\$ -</u>

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

EXHIBIT E-2
TOWN OF RYE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2013

	Private Purpose Trust
Net position, beginning	<u>\$ 1,811</u>
Net position, ending	<u>\$ 1,811</u>

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

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund types:

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

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

1-D Cash and Cash Equivalents

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

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

1-E Restricted Assets

Certain cash and investments are classified as restricted assets on the balance sheet because their use is legally restricted for specified purposes through laws and/or enabling legislation.

1-F Investments

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

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

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

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

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

1-G Receivables

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

1-H Interfund Balances

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

1-I Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's general fund consist of materials and supplies held for subsequent use. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1-J Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

1-K Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column of the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

	<u>Years</u>
Capital Asset Classes:	
Land improvements	25
Buildings and building improvements	100
Vehicles	10-25
Equipment	5-15
Infrastructure	30-50

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

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-L Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-M Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 21, 2013 and November 12, 2013. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

The Town net assessed valuation as of April 1, 2013 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,763,653,590
For all other taxes	\$ 1,769,621,290

The tax rates and amounts assessed for the year ended December 31, 2013 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.12	\$ 5,523,126
School portion:		
State of New Hampshire	\$2.44	4,297,456
Local	\$4.29	7,590,621
County portion	\$1.12	1,986,981
Precinct portions:		
Jenness Beach	\$0.23	87,886
Rye Beach Village	\$0.30	67,135
Rye Water District	\$0.62	688,006
Total		<u>\$ 20,241,211</u>

1-N Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

All compensated absence liabilities include salary-related payments, where applicable. The total compensated absence liability is reported on the government-wide fund financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

1-O Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the governmental fund financial statements, bond premiums are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources.

1-P Claims and Judgments

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

1-Q Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-R Net Position/Fund Balance Reporting

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

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

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified inventories, prepaid items, and the principal portion of permanent funds as being nonspendable.

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its library, heritage commission, and the income portion of permanent funds as being restricted, as well as certain donations received from third parties for specific purposes because their use is restricted by Federal/State statutes for expenditures.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Expendable trust, sewer, recreation revolving, conservation commission, police outside detail, beach parking permits, beach cleaning, and ambulance funds are included in this classification.

Assigned – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. The Town also has assigned funds consisting of encumbrances in the general, recreation revolving and sewer funds and a reserve for contingency in the general fund at year-end.

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

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

In the general fund, the Board of Selectmen will maintain an appropriate level of unassigned fund balance following the guidelines established by the New Hampshire Government Finance Officers Association (NHGFOA), which are as follows:

- 5% to 15% of regular general fund operating revenues, or
- 5% to 17% of regular general fund operating expenditures.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, as well as five nonmajor funds (sewer, recreation revolving, police outside detail, beach cleaning, and beach parking permit funds). Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

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

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2013, \$818,648 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues and other financing sources:

Per Exhibit D (budgetary basis)	\$ 7,852,173
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	118,189
To eliminate transfers between blended funds	(39,293)
Change in deferred tax revenue relating to 60-day revenue recognition	96,226
Allowance for uncollectible taxes not recognized on the budgetary basis	
recognized as revenue on the GAAP basis, but not on the budgetary basis	30,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 8,057,295</u>

Expenditures and other financing uses:

Per Exhibit D (budgetary basis)	\$ 8,167,797
Adjustment:	
Basis differences:	
Encumbrances, beginning	68,302
Encumbrances, ending	(165,276)
GASB Statement No. 54:	
To record expendable trust expenditures during the year	31,792
To eliminate transfers between general and expendable trust funds	(96,581)
Per Exhibit C-3 (GAAP basis)	<u>\$ 8,006,034</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2013, \$74,830 of the Town's bank balance of \$8,843,653 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 8,547,739
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	102,090
Total cash and cash equivalents	<u>\$ 8,649,829</u>

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 4 – INVESTMENTS

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

Investments type:	
New Hampshire Public Deposit Investment Pool	\$ 1,435,709
Common stock:	
Technology	510,333
Utilities	623,583
Financial	246,505
Healthcare	289,889
Basic materials	102,302
Industrial goods	262,587
Consumer goods	773,732
Conglomerates	41,967
Other	175,105
Mutual funds	28,330
	<u>\$ 4,490,042</u>

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that change could materially affect the amounts reported in the Statement of Net Position.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. No more than 5% of the Town's investments are invested in any one issuer.

Custodial Credit Risk – The custodial credit risk is the risk that the Town will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. Of the Town's \$4,490,042 in investments at December 31, 2013, \$3,054,333 of the underlying securities are held by the investment counterparties trust department, not in the name of the Town. The Town does not have custodial credit risk for deposits.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 4,063,980
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	426,062
Total investments	<u>\$ 4,490,042</u>

TOWN OF RYE, NEW HAMPSHIRE
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NOTE 5 – RESTRICTED CASH AND INVESTMENTS

Certain Town cash and investments in the general fund are for funds belonging to the Rye Public Library and the expendable trust funds and have been blended with the general fund in accordance with the requirements of GASB Statement No. 54, as follows:

Cash and cash equivalents:	
Public library	\$ 285,200
Expendable trust	16,392
Total cash and cash equivalents	<u>301,592</u>
Investments:	
Public library	29,951
Expendable trust	869,072
Total investments	<u>899,023</u>
Total restricted assets	<u>\$ 1,200,615</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2013. The amount has been reduced by an allowance for an estimated uncollectible amount of \$30,000. Taxes receivable by year are as follows:

	Budgetary Basis
Property:	
Levy of 2013	\$ 759,742
Unredeemed (under tax lien):	
Levy of 2012	146,527
Levy of 2011	86,732
Levies of 2010 and prior	373
Less: allowance for estimated uncollectible taxes	(30,000) *
Net taxes receivable	<u>\$ 963,374</u>

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

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2013, consisted of accounts (billings for police details, sewer, ambulance and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2013 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 294,456	\$ 130,744	\$ 425,200
Intergovernmental	918	3,933	4,851
Liens	150,680	-	150,680
Gross receivables	446,054	134,677	580,731
Less: allowance for uncollectibles	(196,667)	-	(196,667)
Net total receivables	<u>\$ 249,387</u>	<u>\$ 134,677</u>	<u>\$ 384,064</u>

TOWN OF RYE, NEW HAMPSHIRE
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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 9,924,986	\$ -	\$ -	\$ 9,924,986
Intangible assets	2,676,480	-	-	2,676,480
Construction in progress	-	213,610	-	213,610
Total capital assets not being depreciated	12,601,466	213,610	-	12,815,076
Being depreciated:				
Land improvements	509,602	-	-	509,602
Buildings and building improvements	6,650,542	-	-	6,650,542
Vehicles	2,033,215	46,539	(108,964)	1,970,790
Equipment	443,960	-	-	443,960
Infrastructure	34,364,590	191,619	-	34,556,209
Total capital assets being depreciated	44,001,909	238,158	(108,964)	44,131,103
Total all capital assets	56,603,375	451,768	(108,964)	56,946,179
Less accumulated depreciation:				
Land improvements	(183,783)	(20,421)	-	(204,204)
Buildings and building improvements	(608,315)	(66,505)	-	(674,820)
Vehicles	(1,071,180)	(119,420)	102,029	(1,088,571)
Equipment	(102,271)	(37,579)	-	(139,850)
Infrastructure	(18,934,891)	(697,318)	-	(19,632,209)
Total accumulated depreciation	(20,900,440)	(941,244)	102,029	(21,739,655)
Net book value, capital assets being depreciated	23,101,469	(703,086)	(6,935)	22,391,448
Net book value, all governmental activities capital assets	\$ 35,702,935	\$ (489,476)	\$ (6,935)	\$ 35,206,524

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

General government	\$ 13,976
Public safety	113,624
Highways and streets	688,306
Sanitation	92,048
Culture and recreation	33,000
Conservation	290
Total depreciation expense	<u>\$ 941,244</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Permanent fund	\$ 21,309
General	Nonmajor	7,463
		<u>\$ 28,772</u>

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

TOWN OF RYE, NEW HAMPSHIRE
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Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2013 is as follows:

	Transfers In:		
	General Fund	Permanent Fund	Total
Transfers out:			
General fund	\$ -	\$ 3,419	\$ 3,419
Permanent fund	21,989	-	21,989
Nonmajor fund	5,200	-	5,200
Total	<u>\$ 27,189</u>	<u>\$ 3,419</u>	<u>\$ 30,608</u>

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

NOTE 10 – INTERGOVERNMENTAL PAYABLES

General fund:	
Balance due to the 2013-2014 district assessment due to the Rye School District	\$ 5,623,077
Due to the New Hampshire Retirement System	5,031
Total general fund	<u>5,628,108</u>
Agency fund:	
Balance of the expendable trust funds due to the Rye Water District	137,308
Balance of the expendable trust funds due to the Rye Beach Precinct	3,987
Balance of the expendable trust funds due to the Rye School District	282,956
Total agency fund	<u>424,251</u>
Total intergovernmental payables due	<u>\$ 6,052,359</u>

NOTE 11 – DEFERRED INFLOW OF RESOURCES

Deferred inflows of resources of \$701,192, in the general fund at December 31, 2013, consists of property tax receivables uncollected beyond the first 60 days of the subsequent year.

NOTE 12 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2013
Capital lease obligations:		
Backhoe loader	4.55%	\$ 23,338
Compactor	9.98%	12,721
Total capital lease obligations		<u>\$ 36,059</u>

Leased equipment under capital leases, included in capital assets, is as follows:

Equipment:	
Backhoe loader	\$ 113,230
Compactor	38,278
Total equipment	151,508
Less: accumulated depreciation	33,425
Total capital lease equipment	<u>\$ 118,083</u>

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The annual requirements to amortize the capital leases payable as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30, 2014	Governmental Activities
	\$ 37,864
Less: interest	1,805
Present value of remaining payments	<u>\$ 36,059</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2013:

	Balance January 1, 2013	Reductions	Balance December 31, 2013
Bonds payable:			
General obligation bonds	\$ 3,050,000	\$ (865,000)	\$ 2,185,000
Premium	154,158	(45,783)	108,375
Total bonds payable	3,204,158	(910,783)	2,293,375
Capital leases	69,929	(33,870)	36,059
Compensated absences	487,505	(5,195)	482,310
Accrued landfill closure and postclosure care costs	32,000	(8,000)	24,000
Total long-term liabilities	<u>\$ 3,793,592</u>	<u>\$ (957,848)</u>	<u>\$ 2,835,744</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2013	Due Within One Year
General obligation bonds payable:						
Library addition	\$ 859,139	1999	2014	4.0-4.45	\$ 55,000	\$ 55,000
Conservation easements	\$ 5,185,600	2004	2015	5.625	515,000	515,000
Land acquisition	\$ 946,400	2006	2017	3.770	380,000	95,000
Land acquisition	\$ 973,055	2009	2019	2.990	575,000	100,000
Land acquisition	\$ 942,500	2010	2020	2.788	660,000	95,000
					<u>2,185,000</u>	<u>860,000</u>
Bond premium					<u>108,375</u>	<u>45,784</u>
					<u>2,293,375</u>	<u>905,784</u>
Capital leases payable:						
Backhoe loader	\$ 89,326	2011	2014	4.550	23,338	23,338
Compactor	\$ 38,278	2012	2014	9.980	12,721	12,721
					<u>36,059</u>	<u>36,059</u>
Compensated absences payable:						
Vested sick leave					312,372	-
Accrued vacation leave					169,938	-
					<u>482,310</u>	<u>-</u>
Accrued landfill postclosure care costs payable					<u>24,000</u>	<u>8,000</u>
Total					<u>\$ 2,835,744</u>	<u>\$ 949,843</u>

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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 860,000	\$ 90,652	\$ 950,652
2015	285,000	52,095	337,095
2016	285,000	41,389	326,389
2017	285,000	30,682	315,682
2018	190,000	19,738	209,738
2019-2020	280,000	17,569	297,569
Totals	<u>\$ 2,185,000</u>	<u>\$ 252,125</u>	<u>\$ 2,437,125</u>

Bond premiums are being amortized on a straight-line basis over the life of the bonds.

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

Accrued Landfill Postclosure Care Costs – The Breakfast Hill Road/Route 1 Landfill was closed in 1986 and requires postclosure care monitoring. Based on the time of operation for the Grove Road Landfill, and water quality test results to date, the New Hampshire Department of Environmental Services has indicated that the Town is not required to perform closure construction of the landfill at this time. If groundwater quality at the site were to become further impacted by the landfill, the Town would be required to re-evaluate the closure or implement other measures. No liability is being recognized for closure construction as there is no indication at this time that it will be required. State laws and regulations require that the Town continue to perform monitoring functions at this site.

The estimated liability for landfill postclosure costs for both landfills is \$24,000 as of December 31, 2013, and is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfills were acquired as of. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in the landfill laws and regulations. The Town expects to finance the postclosure care by State grants and general tax revenue, as well as a capital reserve fund established for this purpose.

NOTE 14 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2013 are as follows:

Major fund:	
General fund:	
General government	\$ 46,123
Sanitation	11,650
Conservation	43,568
Capital outlay	63,935
Total general fund	<u>165,276</u>
Nonmajor funds:	
Sewer:	
Sewer operation and maintenance	11,091
Recreation revolving:	
Culture and recreation	18,747
Total nonmajor funds	<u>29,838</u>
Total encumbrances	<u>\$ 195,114</u>

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NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2013 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 35,206,524
Less:	
General obligation bonds payable	(2,185,000)
Unamortized bond premiums	(108,375)
Capital leases payable	(36,059)
Total net investment in capital assets	<u>32,877,090</u>
Restricted for:	
Library	296,408
Perpetual care	<u>3,289,100</u>
Total restricted	<u>3,585,508</u>
Unrestricted	<u>3,681,751</u>
Total net position	<u><u>\$ 40,144,349</u></u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

Nonspendable:

Major funds:

General:

Inventory	\$ 10,104
Prepaid items	<u>11,046</u>
	<u>21,150</u>
Permanent - principal portion	<u>2,055,218</u>

Nonmajor funds:

Special revenue:

Sewer	615
Beach cleaning	<u>663</u>
	<u>1,278</u>

 Total nonspendable fund balance \$ 2,077,646

Restricted:

Major funds:

General:

Library purposes	\$ 296,408
Asset forfeiture	10,749
Recreation youth activities	<u>63,704</u>
	<u>370,861</u>
Permanent - income portion	<u>1,233,882</u>

Nonmajor fund:

Special revenue:

Heritage commission	<u>6,126</u>
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 Total restricted fund balance 1,610,869

(continued)

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Governmental fund balances continued:

Committed:

Major fund:

General fund:

Expendable trust \$ 836,116

Nonmajor funds:

Special revenue:

Sewer 625,690

Police outside detail 89,103

Beach parking permits 56,635

Recreation revolving 309,030

Beach cleaning 18,363

Ambulance 233,192

Conservation commission 113,288

1,445,301

Total committed fund balance

2,281,417

Assigned:

Major fund:

General:

Encumbrances \$ 165,276

Contingency 50,000

215,276

Nonmajor funds:

Special revenue:

Sewer 11,091

Recreation revolving 18,747

Conservation commission 31,358

61,196

Total assigned fund balance

276,472

Unassigned:

Major fund:

General

959,653

Total governmental fund balances

\$ 7,206,057

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Fund balance at January 1, 2013 was restated to give retroactive effect to the following prior period adjustment:

	General Fund
To record deferred inflows of resources at January 1, 2013	
related to property taxes not collected within 60 days of December 31, 2012	\$ (797,418)
Fund balance, as previously reported	3,149,213
Fund balance, as restated	<u><u>\$ 2,351,795</u></u>

NOTE 18 – EMPLOYEE RETIREMENT PLAN

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

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The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for the period January 1, 2013 through June 30, 2013 for pension and medical subsidy were police officers 19.95%; firefighter, 22.89%; all other employees, 8.80%, and for the period of July 1 through December 31, 2013 the contribution rates were police officers 25.30%; firefighter, 27.74%; all other employees, 10.77%.

The contribution requirements for the Town of Rye for the fiscal years 2011, 2012, and 2013 were \$382,188, \$419,061, and \$479,477, respectively, which were paid in full in each year.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in the preceding Note, the Town provides postemployment benefit options for health care insurance to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. There are 94 participants currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 was implemented by the Town during fiscal year 2010, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2013:

Annual required contribution/OPEB cost	\$	-
Contributions made (pay-as-you-go)		-
Increase in net OPEB obligation		-
Net OPEB obligation, beginning		-
Net OPEB obligation, ending	\$	-

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

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ -	\$ -	0.00%	\$ -
December 31, 2012	\$ -	\$ -	0.00%	\$ -
December 31, 2011	\$ 1,974	\$ -	0.00%	\$ 47,212

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

As of December 31, 2013, the date of the most recent actuarial valuation, there was zero actuarial accrued liability (AAL) for benefits, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$2,691,175 during fiscal year 2013, and the ratio of the UAAL to the covered payroll was 0%.

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 1.0% investment rate of return per annum. The projected annual healthcare cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after four years.

NOTE 20 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2013, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2013 to December 31, 2013 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Rye billed and paid for the year ended December 31, 2013 was \$16,853 for workers' compensation and received a premium holiday in the amount of \$43,798. The Town paid \$84,369 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any.

NOTE 21 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

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NOTE 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2013. Only GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

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

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending December 31, 2014. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, issued in November 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, and is required to be applied simultaneously with the provisions of that Statement.

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NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through April 25, 2014, the date the December 31, 2013 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF RYE, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
December 31, 2013	\$ -	\$ -	\$ -	0.00%	\$ 2,691,175	0.00%
December 31, 2012	\$ -	\$ -	\$ -	0.00%	\$ 2,729,499	0.00%
December 31, 2011	\$ -	\$ 371,812	\$ 371,812	0.00%	\$ 2,679,091	13.90%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF RYE, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2013.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF RYE, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 5,200,296	\$ 5,321,068	\$ 120,772
Land use change	-	14,290	14,290
Payment in lieu of taxes	13,074	13,182	108
Interest and penalties on taxes	99,000	94,305	(4,695)
Total from taxes	5,312,370	5,442,845	130,475
Licenses, permits, and fees:			
Business licenses, permits, and fees	1,000	945	(55)
Motor vehicle permit fees	1,157,525	1,232,280	74,755
Building permits	200,000	216,040	16,040
Other	46,225	47,715	1,490
Total from licenses, permits, and fees	1,404,750	1,496,980	92,230
Intergovernmental:			
State:			
Meals and rooms distribution	237,496	237,496	-
Highway block grant	114,600	114,308	(292)
Other	1,070	65	(1,005)
Federal:			
FEMA	21,813	21,655	(158)
Other	6,000	6,157	157
Total from intergovernmental	380,979	379,681	(1,298)
Charges for services:			
Income from departments	289,587	273,865	(15,722)
Miscellaneous:			
Sale of municipal property	7,500	18,053	10,553
Interest on investments	4,000	5,095	1,095
Rent of property	9,824	9,824	-
Fines and forfeits	4,200	15,804	11,604
Insurance dividends and reimbursements	63,305	66,374	3,069
Contributions and donations	-	10,910	10,910
Other	4,685	66,260	61,575
Total from miscellaneous	93,514	192,320	98,806
Other financing sources:			
Transfers in	-	66,482	66,482
Total revenues and other financing sources	7,481,200	\$ 7,852,173	\$ 370,973
Unassigned fund balance used to reduce tax rate	818,648		
Total revenues, other financing sources, and use of fund balance	\$ 8,299,848		

SCHEDULE 2
TOWN OF RYE, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 192,999	\$ 203,880	\$ -	\$ (10,881)
Election and registration	-	23,295	13,901	-	9,394
Financial administration	31,000	406,867	382,695	3,100	52,072
Revaluation of property	-	161,012	167,366	-	(6,354)
Legal	-	100,000	82,224	-	17,776
Planning and zoning	1,153	128,106	130,632	-	(1,373)
General government buildings	-	116,319	124,296	25,475	(33,452)
Insurance, not otherwise allocated	-	202,216	210,011	-	(7,795)
Other	2,500	64,000	58,715	17,548	(9,763)
Total general government	34,653	1,444,008	1,422,914	46,123	9,624
Public safety:					
Police	-	1,231,168	1,183,032	-	48,136
Ambulance	-	116,673	96,621	-	20,052
Fire	-	1,180,884	1,233,538	-	(52,654)
Building inspection	-	141,528	140,993	-	535
Emergency management	-	5,900	2,506	-	3,394
Total public safety	-	2,676,153	2,656,690	-	19,463
Highways and streets:					
Highways and streets	25,929	1,136,747	1,152,415	-	10,261
Street lighting	-	5,500	4,473	-	1,027
Total highways and streets	25,929	1,142,247	1,156,888	-	11,288
Sanitation:					
Solid waste collection	4,024	197,064	194,765	8,150	(1,827)
Solid waste disposal	-	199,503	188,180	3,500	7,823
Total sanitation	4,024	396,567	382,945	11,650	5,996
Health:					
Administration	-	5,220	5,085	-	135
Pest control	-	8,367	9,570	-	(1,203)
Other	-	96,500	81,100	-	15,400
Total health	-	110,087	95,755	-	14,332
Welfare:					
Administration	-	3,000	2,825	-	175
Direct assistance	-	1,000	103	-	897
Vendor payments	-	30,250	46,168	-	(15,918)
Other	-	750	-	-	750
Total welfare	-	35,000	49,096	-	(14,096)
Culture and recreation:					
Parks and recreation	3,696	275,098	268,814	-	9,980
Library	-	626,243	625,583	-	660
Patriotic purposes	-	7,600	6,617	-	983
Other	-	2,365	2,383	-	(18)
Total culture and recreation	3,696	911,306	903,397	-	11,605
Conservation	-	90,700	79,074	43,568	(31,942)

(Continued)

SCHEDULE 2 (Continued)
TOWN OF RYE, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	865,000	865,000	-	-
Interest on long-term debt	-	129,580	129,580	-	-
Interest on tax anticipation notes	-	5,000	-	-	5,000
Total debt service	-	999,580	994,580	-	5,000
Capital outlay	-	394,200	229,484	63,935	100,781
Other financing uses:					
Transfers out	-	100,000	100,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 68,302</u>	<u>\$ 8,299,848</u>	<u>\$ 8,070,823</u>	<u>\$ 165,276</u>	<u>\$ 132,051</u>

SCHEDULE 3
TOWN OF RYE, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

Unassigned fund balance, beginning		\$ 1,952,913
Changes:		
Unassigned fund balance used to reduce 2013 tax rate		(818,648)
2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 370,973	
Unexpended balance of appropriations (Schedule 2)	<u>132,051</u>	
2013 Budget surplus		503,024
Decrease in nonspendable fund balance		4,587
Increase in restricted fund balance		<u>(11,031)</u>
Unassigned fund balance, ending		<u>1,630,845</u>
<i>Reconciliation of Non-GAAP Basis to GAAP Basis</i>		
To comply with generally accepted accounting principles by deferring property taxes not collected with 60 days of December 31, 2013		<u>(701,192)</u>
Elimination of the allowance for doubtful accounts as part of the 60-day calculation		<u>30,000</u>
Unassigned fund balance, ending GAAP basis (Exhibit C-1)		<u><u>\$ 959,653</u></u>

SCHEDULE 4
TOWN OF RYE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds									Total
	Sewer	Grants	Police Outside Detail	Beach Parking Permits	Heritage Commission	Recreation Revolving	Bleach Cleaning	Ambulance	Conservation Commission	
ASSETS										
Cash and cash equivalents	\$ 502,920	\$ 8,473	\$ 71,252	\$ 56,635	\$ 6,126	\$ 314,782	\$ 18,363	\$ 233,192	\$ 145,761	\$ 1,357,504
Receivables, net of allowance for uncollectable:										
Accounts	99,898	-	17,851	-	-	12,995	-	-	-	130,744
Intergovernmental	-	3,933	-	-	-	-	-	-	-	3,933
Prepaid items	615	-	-	-	-	-	663	-	-	1,278
Restricted assets - Investments	49,348	-	-	-	-	-	-	-	-	49,348
Total assets	\$ 652,781	\$ 12,406	\$ 89,103	\$ 56,635	\$ 6,126	\$ 327,777	\$ 19,026	\$ 233,192	\$ 145,761	\$ 1,542,807

LIABILITIES AND FUND BALANCES

Liabilities:										
Accounts payable	\$ 9,037	\$ 12,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,443
Interfund payable	6,348	-	-	-	-	-	-	-	1,115	7,463
Total liabilities	15,385	12,406	-	-	-	-	-	-	1,115	28,906

Fund balances:

Nonspendable	615	-	-	-	-	-	663	-	-	1,278
Restricted	-	-	-	-	6,126	-	-	-	-	6,126
Committed	625,690	-	89,103	56,635	-	309,030	18,363	233,192	113,288	1,445,301
Assigned	11,091	-	-	-	-	18,747	-	-	31,358	61,196
Total fund balances	637,396	-	89,103	56,635	6,126	327,777	19,026	233,192	144,646	1,513,901
Total liabilities and fund balances	\$ 652,781	\$ 12,406	\$ 89,103	\$ 56,635	\$ 6,126	\$ 327,777	\$ 19,026	\$ 233,192	\$ 145,761	\$ 1,542,807

SCHEDULE 5

TOWN OF RYE, NEW HAMPSHIRE

Nonmajor Governmental Funds

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2013**

Special Revenue Funds										
	Sewer	Grants	Police Outside Detail	Beach Parking Permits	Heritage Commission	Recreation Revolving	Bleach Cleaning	Ambulance	Conservation Commission	Total
Revenues:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Intergovernmental	-	25,079	-	-	-	-	-	-	5,000	30,079
Charges for services	248,485	-	113,463	29,143	-	184,011	11,650	-	-	586,752
Investment earnings	859	-	-	-	-	-	-	-	198	1,057
Miscellaneous	-	164	-	-	400	2,135	-	50,992	13,767	67,458
Total revenues	249,344	25,243	113,463	29,143	400	186,146	11,650	50,992	28,965	695,346
Expenditures:										
Current:										
General government	-	1,771	-	-	-	-	-	-	-	1,771
Public safety	-	-	77,926	27,378	-	-	-	-	-	105,304
Highways and streets	-	23,472	-	-	-	-	-	-	-	23,472
Sanitation	249,513	-	-	-	-	-	-	-	-	249,513
Culture and recreation	-	-	-	-	-	152,663	15,574	-	-	168,237
Conservation	-	-	-	-	-	-	-	-	1,141	1,141
Capital outlay	-	-	22,000	-	-	19,550	-	-	-	41,550
Total expenditures	249,513	25,243	99,926	27,378	-	172,213	15,574	-	1,141	590,988
Excess (deficiency) of revenues over (under) expenditures	(169)	-	13,537	1,765	400	13,933	(3,924)	50,992	27,824	104,358
Other financing uses:										
Transfers out	(5,200)	-	-	-	-	-	-	-	-	(5,200)
Net change in fund balances	(5,369)	-	13,537	1,765	400	13,933	(3,924)	50,992	27,824	99,158
Fund balances, beginning	642,765	-	75,566	54,870	5,726	313,844	22,950	182,200	116,822	1,414,743
Fund balances, ending	\$ 637,396	\$ -	\$ 89,103	\$ 56,635	\$ 6,126	\$ 327,777	\$ 19,026	\$ 233,192	\$ 144,646	\$ 1,513,901