

**TOWN OF DURHAM, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2015**

**Town of Durham, New Hampshire**

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## INDEPENDENT AUDITORS' REPORT

To the Town Council  
Town of Durham, New Hampshire

### Additional Offices:

Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

### **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 Durham, New Hampshire, as of December 31, 2015, and for the year then ended, 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**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opin-

ion 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 (1) qualified audit opinion on the governmental activities; and (2) unmodified audit opinion on each major fund and the aggregate remaining fund information.

### **Basis for Qualified Opinion on Governmental Activities**

Management has not included any of the Town of Durham, New Hampshire's capital assets acquired in years prior to 2004, nor the accumulated depreciation and depreciation expense related to those assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### **Qualified Opinion on Governmental Activities**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on Governmental Activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Durham, New Hampshire, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Opinion on Major Funds and Aggregate Remaining Fund Information**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Town of Durham, New Hampshire, as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 49 through 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Melanson Heath*

June 9, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Durham, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town of Durham, New Hampshire for the fiscal year ended December 31, 2015.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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 our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all 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 is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All 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 government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, highways and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, and conservation.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, 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 near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the 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 government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to 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 which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$8,837,338 (i.e., net position), a change of \$2,875,659 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,786,928, a change of \$1,322,865 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,364,052, a change of \$1,298,722 in comparison to the prior year.



- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$21,508,035, a change of \$1,131,758 in comparison to the prior year.

### **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current year.

#### **NET POSITION**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 18,674,434	\$ 17,086,276
Deferred outflows	2,665,805	-
Capital assets	<u>38,374,881</u>	<u>35,251,178</u>
Total assets	59,715,120	52,337,454
Current liabilities	14,503,080	13,573,795
Noncurrent liabilities	34,657,667	21,491,113
Deferred inflows	<u>1,717,035</u>	<u>447,737</u>
Total liabilities and deferred inflows	50,877,782	35,512,645
Net position:		
Net investment in capital assets	16,295,295	14,274,014
Restricted	2,925,084	2,650,912
Unrestricted	<u>(10,383,041)</u>	<u>(100,117)</u>
Total net position	<u>\$ 8,837,338</u>	<u>\$ 16,824,809</u>

#### **CHANGES IN NET POSITION**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,979,426	\$ 3,505,443
Capital grants and contributions	143,501	215,837
General revenues:		
Property taxes	8,144,049	7,456,860
Motor vehicle permit fees	1,007,192	946,353
Penalties and interest on taxes	229,948	229,498
Grants and contributions not restricted to specific programs	4,154,976	3,741,839
Investment income	26,585	2,570
Other	<u>1,023,598</u>	<u>570,292</u>
Total revenues	18,709,275	16,668,692

(continued)

(continued)

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Expenses:		
General government	1,387,704	2,292,664
Public safety	7,300,674	7,001,611
Highway and streets	1,993,811	2,045,057
Sanitation	2,139,280	2,201,930
Water distribution and treatment	1,129,247	341,074
Health	20,865	19,165
Welfare	33,153	35,862
Culture and recreation	991,283	894,925
Conservation	62,256	35,079
Interest on long-term debt	<u>775,343</u>	<u>704,089</u>
Total expenses	<u>15,833,616</u>	<u>15,571,456</u>
Change in net position	2,875,659	1,097,236
Net position - beginning of year, as restated *	<u>5,961,679</u>	<u>15,727,573</u>
Net position - end of year	<u>\$ 8,837,338</u>	<u>\$ 16,824,809</u>

\* Beginning net pension has been restated for the implementation of Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$8,837,338, a change of \$2,875,659 from the prior year.

The largest portion of net position, \$16,295,295, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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.

An additional portion of net position, \$2,925,084, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(10,383,041) primarily resulting from the Town's unfunded net pension liability.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$2,875,659. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,026,063
Capital project fund activities, accrual basis	1,631,695
Nonmajor fund activities, accrual basis	267,466
Principal debt service in excess of depreciation expense	389,586
Change in other post-employment benefits liability	(147,380)
Other	<u>(291,771)</u>
Total	<u>\$ 2,875,659</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5,786,928, a change of \$1,322,865 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 1,026,063
Capital project fund activities	29,336
Nonmajor fund activities	<u>267,466</u>
Total	<u>\$ 1,322,865</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,364,052, while total fund balance was \$3,433,396. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 1,364,052	\$ 65,330	\$ 1,298,722	10.4%
Total fund balance	\$ 3,433,396	\$ 2,407,333	\$ 1,026,063	26.1%

The total fund balance of the general fund changed by \$1,026,063 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$	785,804
Expenditures in excess of budget		182,823
Prior year encumbrances over current year		(57,842)
Adjust tax revenue to budgetary basis		222,966
Change in capital reserves		(22,864)
Library activities		8,584
Use of fund balance as a funding source		(95,491)
Other		<u>2,083</u>
Total	\$	<u><u>1,026,063</u></u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>12/31/15</u>	<u>12/31/14</u>	<u>Change</u>
Capital reserves	\$ <u>982,219</u>	\$ <u>1,005,083</u>	\$ <u>(22,864)</u>
Total	\$ <u><u>982,219</u></u>	\$ <u><u>1,005,083</u></u>	\$ <u><u>(22,864)</u></u>

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original and the final amended budget resulted in an overall change in appropriations of \$122,055. The reason for this amendment was:

- The acceptance and expenditure of \$3,000 in unanticipated revenue from Liberty Mutual Insurance Company for its "Serve with Liberty" Community Service Program.
- The acceptance and expenditure of \$95,491 from committed fund balance for transfer to the Downtown TIF District.
- The acceptance and expenditure of \$23,564 in unanticipated revenue from the State of New Hampshire Department of Safety for FEMA Declaration #4209-DR-NH following the January 27-29, 2015 winter snow storm.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$38,374,881 (net of accumulated depreciation), a change of \$3,123,703 from the prior year. This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

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

Governmental Activities:

New Additions to Construction in Progress:

Sludge Dewatering Upgrade	\$ 1,105,182
Chemical Disinfectant Building	825,330
2015 Road Resurfacing	454,652
Sewer Line - Main St/Mill Rd	206,611
Main Street Railroad Bridge repairs	113,038
Pettee Brook Parking Lot	100,592

Conversion of Construction in Progress to  
Depreciable Asset:

New Town Offices	2,954,811
Engine 1	525,000
Drainage - Coe Drive	264,208
Sewer - Davis/Garrison	187,272

Additional information on capital assets can be found in the Notes to the Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$21,508,035, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Durham, New Hampshire's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Business Manager  
Town of Durham  
8 Newmarket Road  
Durham, NH 03824

TOWN OF DURHAM, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental Activities
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 14,670,604
Investments	2,140,334
Restricted cash	479,497
Receivables, net of allowance for uncollectibles:	
Property taxes	780,456
User fees	165,416
Intergovernmental	65,433
Other assets	127,504
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	245,190
Capital assets:	
Land and construction in progress	15,556,099
Other capital assets, net of accumulated depreciation	22,818,782
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,665,805</u>
<b>TOTAL ASSETS</b>	59,715,120
<b>LIABILITIES</b>	
Current:	
Accounts payable	1,356,857
Retainage payable	161,573
Accrued liabilities	382,131
Tax refunds payable	125,000
Due to school district	9,197,784
Due to other governments	98,842
Other current liabilities	980,900
Current portion of long-term liabilities:	
Bonds payable	2,047,801
Landfill	10,000
Compensated absence	74,217
Other liabilities	67,975
Noncurrent:	
Bonds payable, net of current portion	19,460,234
Landfill, net of current portion	180,000
Compensated absence, net of current portion	667,951
Other liabilities, net of current portion	741,244
Accrued other post employment benefits	1,368,454
Net pension liability	12,239,784
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,717,035</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	50,877,782
<b>NET POSITION</b>	
Net investment in capital assets	16,295,295
Restricted for:	
Grants and other statutory restrictions	2,526,919
Permanent funds:	
Nonexpendable	368,059
Expendable	30,106
Unrestricted	<u>(10,383,041)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,837,338</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
General government	\$ 1,387,704	\$ 328,724	\$ -	\$ -	\$ (1,058,980)
Public safety	7,300,674	936,953	-	-	(6,363,721)
Highway and streets	1,993,811	3,160	-	-	(1,990,651)
Sanitation	2,139,280	1,759,967	-	70,172	(309,141)
Water distribution and treatment	1,129,247	716,626	-	-	(412,621)
Health	20,865	-	-	-	(20,865)
Welfare	33,153	-	-	-	(33,153)
Culture and recreation	991,283	233,996	-	73,329	(683,958)
Conservation	62,256	-	-	-	(62,256)
Interest	775,343	-	-	-	(775,343)
Total Governmental Activities	<u>\$ 15,833,616</u>	<u>\$ 3,979,426</u>	<u>\$ -</u>	<u>\$ 143,501</u>	(11,710,689)
<b>General Revenues:</b>					
					8,144,049
					1,007,192
					229,948
					4,154,976
					26,585
					1,023,598
Total general revenues					<u>14,586,348</u>
Change in Net Position					2,875,659
<b>Net Position:</b>					
					5,961,679
End of year					<u>\$ 8,837,338</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2015

	<u>General</u>	<u>Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 12,185,585	\$ 457,784	\$ 2,027,235	\$ 14,670,604
Investments	1,022,902	-	1,117,432	2,140,334
Restricted cash	479,497	-	-	479,497
Receivables:				
Property taxes	1,138,322	-	8,500	1,146,822
User fees	47,073	-	118,343	165,416
Due from other funds	2,900	-	120,697	123,597
Due from other governments	65,433	-	-	65,433
Other assets	127,504	-	-	127,504
<b>TOTAL ASSETS</b>	<b>\$ 15,069,216</b>	<b>\$ 457,784</b>	<b>\$ 3,392,207</b>	<b>\$ 18,919,207</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 435,433	\$ 867,762	\$ 53,662	\$ 1,356,857
Retainage payable	-	161,573	-	161,573
Accrued liabilities	107,214	-	6,794	114,008
Tax refunds payable	125,000	-	-	125,000
Due to other funds	120,697	-	2,900	123,597
Due to school district	9,197,784	-	-	9,197,784
Due to other governments	3,444	-	95,398	98,842
Other liabilities	979,899	-	1,001	980,900
<b>TOTAL LIABILITIES</b>	<b>10,969,471</b>	<b>1,029,335</b>	<b>159,755</b>	<b>12,158,561</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>666,349</b>	<b>-</b>	<b>307,369</b>	<b>973,718</b>
<b>FUND BALANCES</b>				
Nonspendable	127,504	-	368,059	495,563
Restricted	427,985	456,218	1,695,413	2,579,616
Committed	707,369	-	774,965	1,482,334
Assigned	806,486	-	86,646	893,132
Unassigned	1,364,052	(1,027,769)	-	336,283
<b>TOTAL FUND BALANCES</b>	<b>3,433,396</b>	<b>(571,551)</b>	<b>2,925,083</b>	<b>5,786,928</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 15,069,216</b>	<b>\$ 457,784</b>	<b>\$ 3,392,207</b>	<b>\$ 18,919,207</b>

The accompanying notes are an integral part of these financial statements.



TOWN OF DURHAM, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2015

<b>Total governmental fund balances</b>	\$ 5,786,928
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	38,374,881
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	517,012
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(268,123)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(35,573,360)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 8,837,338</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 8,284,721	\$ -	\$ 107,294	\$ 8,392,015
Penalties, interest and other taxes	223,889	-	6,059	229,948
Charges for services	840,992	-	2,686,392	3,527,384
Intergovernmental	3,337,016	305,770	582,362	4,225,148
Licenses and permits	386,992	-	65,050	452,042
Investment income	16,009	-	10,576	26,585
Contributions	106,465	1,500	4,500	112,465
Miscellaneous	<u>1,533,030</u>	<u>370,681</u>	<u>29,462</u>	<u>1,933,173</u>
Total Revenues	14,729,114	677,951	3,491,695	18,898,760
<b>Expenditures:</b>				
Current:				
General government	2,152,642	38,599	23,634	2,214,875
Public safety	6,789,317	202,442	-	6,991,759
Highway and streets	1,333,179	1,108,526	-	2,441,705
Sanitation	618,737	1,720,744	1,023,042	3,362,523
Water distribution and treatment	-	1,348,626	294,380	1,643,006
Health	20,865	-	-	20,865
Welfare	33,153	-	-	33,153
Culture and recreation	786,856	194,477	168,776	1,150,109
Conservation	58,957	-	3,299	62,256
Debt service	<u>1,355,285</u>	<u>-</u>	<u>1,195,359</u>	<u>2,550,644</u>
Total Expenditures	<u>13,148,991</u>	<u>4,613,414</u>	<u>2,708,490</u>	<u>20,470,895</u>
Excess (deficiency) of revenues over expenditures	1,580,123	(3,935,463)	783,205	(1,572,135)
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds	-	2,895,000	-	2,895,000
Transfers in	348,298	1,174,035	97,394	1,619,727
Transfers out	<u>(902,358)</u>	<u>(104,236)</u>	<u>(613,133)</u>	<u>(1,619,727)</u>
Total Other Financing Sources (Uses)	<u>(554,060)</u>	<u>3,964,799</u>	<u>(515,739)</u>	<u>2,895,000</u>
Change in fund balance	1,026,063	29,336	267,466	1,322,865
Fund Equity, at Beginning of Year	<u>2,407,333</u>	<u>(600,887)</u>	<u>2,657,617</u>	<u>4,464,063</u>
Fund Equity, at End of Year	<u>\$ 3,433,396</u>	<u>\$ (571,551)</u>	<u>\$ 2,925,083</u>	<u>\$ 5,786,928</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 1,322,865</b>										
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases, net of disposals</td><td style="text-align: right;">4,497,359</td></tr> <tr> <td style="padding-left: 40px;">Depreciation</td><td style="text-align: right;">(1,373,656)</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. <div style="text-align: right;">(247,966)</div> </li> <li>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 40px;">Issuance of debt</td><td style="text-align: right;">(2,895,000)</td></tr> <tr> <td style="padding-left: 40px;">Repayments of debt</td><td style="text-align: right;">1,763,242</td></tr> <tr> <td style="padding-left: 40px;">Amortization of bond premium</td><td style="text-align: right;">58,481</td></tr> </table> </li> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">12,059</div> </li> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <div style="text-align: right;">(261,725)</div> </li> </ul>	Capital outlay purchases, net of disposals	4,497,359	Depreciation	(1,373,656)	Issuance of debt	(2,895,000)	Repayments of debt	1,763,242	Amortization of bond premium	58,481	
Capital outlay purchases, net of disposals	4,497,359										
Depreciation	(1,373,656)										
Issuance of debt	(2,895,000)										
Repayments of debt	1,763,242										
Amortization of bond premium	58,481										
<b>Change in net position of governmental activities</b>	<b>\$ <u>2,875,659</u></b>										

The accompanying notes are an integral part of these financial statements.

## TOWN OF DURHAM, NEW HAMPSHIRE

## GENERAL FUND

## STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Other Sources:</b>				
Taxes	\$ 7,924,798	\$ 7,924,798	\$ 8,061,755	\$ 136,957
Penalties, interest and other taxes	198,726	198,726	223,889	25,163
Charges for services	442,195	442,195	457,236	15,041
Intergovernmental	3,296,435	3,296,435	3,337,016	40,581
Licenses and permits	1,304,900	1,304,900	1,352,096	47,196
Investment income	2,000	2,000	7,117	5,117
Miscellaneous	133,741	160,305	531,209	370,904
Transfers in	482,672	482,672	627,517	144,845
Use of fund balance	-	95,491	95,491	-
Total Revenues and Other Sources	13,785,467	13,907,522	14,693,326	785,804
<b>Expenditures and Other Uses:</b>				
General government	2,211,686	2,214,686	2,140,003	74,683
Public safety	6,576,023	6,576,023	6,554,702	21,321
Highway and streets	1,366,986	1,390,550	1,301,615	88,935
Sanitation	615,935	615,935	618,737	(2,802)
Health	20,666	20,666	20,865	(199)
Welfare	15,000	15,000	33,153	(18,153)
Culture and recreation	369,821	369,821	328,284	41,537
Conservation	55,765	55,765	58,957	(3,192)
Debt service	1,371,944	1,371,944	1,355,285	16,659
Transfers out	1,181,641	1,277,132	1,313,098	(35,966)
Total Expenditures and Other Uses	13,785,467	13,907,522	13,724,699	182,823
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 968,627	\$ 968,627

The accompanying notes are an integral part of these financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2015

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ -	\$ 318,148
Investments	<u>151,656</u>	<u>619,245</u>
Total Assets	151,656	937,393
<b><u>LIABILITIES AND NET POSITION</u></b>		
Other liabilities	<u>-</u>	<u>937,393</u>
Total Liabilities	<u>-</u>	<u>937,393</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	\$ <u><u>151,656</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 11,925
Interest income	<u>1,276</u>
Total additions	13,201
<b>Deductions:</b>	
Other	<u>13,334</u>
Total deductions	<u>13,334</u>
Net increase (decrease)	(133)
<b>Net position:</b>	
Beginning of year	<u>151,789</u>
End of year	<u><u>\$ 151,656</u></u>

The accompanying notes are an integral part of these financial statements.

## Town of Durham, New Hampshire

### Notes to Financial Statements

#### 1. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Durham, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

##### A. Reporting Entity

The Town is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### B. Government-wide and Fund Financial Statements

###### Government-wide Financial Statements

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

The Statement of 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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

###### Fund Financial Statements

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

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 Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for the activity pertaining to various construction/renovation projects and the purchase of vehicles and equipment of the Town.

The *private-purpose trust fund* is used to account for trust arrangements, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.



The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

*D. Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

*E. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

*F. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in 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 useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and building improvements	10-50
Infrastructure	15 - 25
Equipment and vehicles	5-15

#### G. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### H. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the Statement of Net Position.

#### I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

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

#### *J. Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Departures from Generally Accepted Accounting Principles**

The significant departures of the financial statements from generally accepted accounting principles are as follows:

The government-wide Statement of Net Position does not include any of the Town's capital assets acquired in years prior to 2004, nor the accumulated depreciation on those assets. This is a departure from generally accepted accounting principles of the United States of America.

### **3. Stewardship, Compliance, and Accountability**

#### **A. Budgetary Information**

The Town's budget is prepared by the Town Administrator's office with the cooperation of the various department heads and submitted to Town Council for review. The Town Council will review the budget for the following year and make any modifications and amendments as necessary.

After reviewing the budget, the Town Council will hold public hearings for discussion.

The final version of the budget is then submitted for approval by the Town Council. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

#### **B. Budgetary Basis**

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all supplemental appropriations.

#### **C. Budget/GAAP Reconciliation**

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 14,729,114	\$ 13,148,991
Other financing sources/uses (GAAP Basis)	<u>348,298</u>	<u>902,358</u>
Subtotal (GAAP Basis)	15,077,412	14,051,349
Adjust tax revenue to accrual basis	(222,966)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(72,998)
Add end-of-year appropriation carryforwards from expenditures	-	15,156
To eliminate library activity	(73,083)	(64,499)
To eliminate parking activity	(211,412)	(209,312)
To eliminate police confidential activity	-	(17)
To eliminate capital reserve activity	27,884	5,020
Recognize use of fund balance as funding source	<u>95,491</u>	<u>-</u>
Budgetary Basis	<u>\$ 14,693,326</u>	<u>\$ 13,724,699</u>

**D. Deficit Fund Equity**

The following funds reflected deficit balances as of December 31, 2015:

Capital Project Fund:	
Beech Hill Water Tank	\$ (100,165)
Beech Hill & Foss Farm Tank Reconditioning	(21,763)
Bennett Road Culvert	(6,025)
Confined Space Tr - Fire	(33,214)
Downtown Parking Lot Pav	(100,592)
Fire Station (New)	(30,000)
Longmarsh Rd Culvert	(37,627)
New Library	(24,357)
Paving - Main/PetteeBrook	(45,423)
Pettee Brook Lane Corridor	(27,669)
Recycling Facility Repairs	(2,112)
Sidewalk Improvements	(31,219)
Spruce Hole Well	(380,641)
Stormwater Management System Improvement	(55,784)
WasteWater Diesel Generator	(15,021)
Woodridge Recr Area	(75,157)
Woodside Drive Improve	<u>(41,000)</u>
Subtotal Capital Project Fund	<u>\$ (1,027,769)</u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from capital reserves.

#### 4. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Pursuant to NH Statute, “the treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall 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.” The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2015, none of the Town’s bank balance of \$15,816,803 was exposed to custodial credit risk as uninsured or uncollateralized.

#### 5. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for each investment of the Town.

		Minimum	Exempt	Rating as of Year End				
	Fair	Legal	From				Other	Not
<u>Investment Type</u>	<u>Value</u>	<u>Rating</u>	<u>Disclosure</u>	<u>AA+</u>	<u>A</u>	<u>BBB+</u>	<u>Rating</u>	<u>Rated</u>
U.S. Treasury bonds	\$ 892,578	N/A	\$ -	\$ 361,712	\$ -	\$ -	\$ -	\$ 530,866
Corporate bonds	1,006,709		-	135,878	126,152	744,679	-	-
Mutual funds	<u>1,011,948</u>	N/A	<u>1,011,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ 2,911,235		\$ 1,011,948	\$ 497,590	\$ 126,152	\$ 744,679	\$ -	\$ 530,866

##### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral

securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities.

**C. Concentration of Credit Risk**

The Town does not have an investment in one issuer greater than 5% of total investments.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does 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.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U.S. Treasury bonds	\$ 892,578	\$ 530,864	\$ 361,714	\$ -
Corporate bonds	<u>1,006,709</u>	<u>-</u>	<u>614,278</u>	<u>392,431</u>
Total	<u>\$ 1,899,287</u>	<u>\$ 530,864</u>	<u>\$ 975,992</u>	<u>\$ 392,431</u>

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**6. Restricted Cash**

Restricted cash represents library funds held by the library trustees as of December 31, 2015.

## 7. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In August of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2015 consist of the following:

	General Fund	Nonmajor Funds	Total
Real Estate:			
2015	\$ 796,954	\$ -	\$ 796,954
Current Use	-	8,500	8,500
Tax Liens	306,907	-	306,907
Elderly Lien	34,461	-	34,461
Total	\$ <u>1,138,322</u>	\$ <u>8,500</u>	\$ <u>1,146,822</u>

## Taxes Collected for Others

The Town collects taxes for the State of New Hampshire, the Oyster River Cooperative School District and the County of Strafford. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

## 8. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Property taxes	\$ 121,176



## 9. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2015.

## 10. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2015 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 2,900	\$ 120,697
Special Revenue Funds	118,830	2,900
Permanent Trust Funds	<u>1,867</u>	<u>-</u>
Total	<u>\$ 123,597</u>	<u>\$ 123,597</u>

## 11. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 502,528	\$ -	\$ -	\$ 502,528
Buildings and improvements	5,123,672	3,040,579	-	8,164,251
Machinery, equipment, and furnishings	5,554,241	1,163,350	(44,682)	6,672,909
Infrastructure	<u>13,393,380</u>	<u>863,401</u>	<u>-</u>	<u>14,256,781</u>
Total capital assets, being depreciated	24,573,821	5,067,330	(44,682)	29,596,469
Less accumulated depreciation for:				
Land improvements	(127,348)	(12,180)	-	(139,528)
Buildings and improvements	(1,110,853)	(133,180)	-	(1,244,033)
Machinery, equipment, and furnishings	(2,104,310)	(552,847)	44,682	(2,612,475)
Infrastructure	<u>(2,106,202)</u>	<u>(675,449)</u>	<u>-</u>	<u>(2,781,651)</u>
Total accumulated depreciation	<u>(5,448,713)</u>	<u>(1,373,656)</u>	<u>44,682</u>	<u>(6,777,687)</u>
Total capital assets, being depreciated, net	19,125,108	3,693,674	-	22,818,782
Capital assets, not being depreciated:				
Land	2,901,891	-	-	2,901,891
Construction in progress	<u>13,224,179</u>	<u>3,787,259</u>	<u>(4,357,230)</u>	<u>12,654,208</u>
Total capital assets, not being depreciated	<u>16,126,070</u>	<u>3,787,259</u>	<u>(4,357,230)</u>	<u>15,556,099</u>
Governmental activities capital assets, net	<u>\$ 35,251,178</u>	<u>\$ 7,480,933</u>	<u>\$ (4,357,230)</u>	<u>\$ 38,374,881</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 9,844
Public safety	273,066
Highway and streets	662,369
Sanitation	337,584
Water distribution and treatment	64,903
Culture and recreation	<u>25,890</u>
Total depreciation expense - governmental activities	\$ <u><u>1,373,656</u></u>

## 12. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of December 31, 2015, which all relate to the Town's participation in the New Hampshire Retirement System:

	<u>Entity-wide Basis</u>
	<u>Governmental</u>
	<u>Activities</u>
Net difference between projected and actual investment earnings	\$ 785,792
Changes in proportion and differences between contributions and proportionate share of contributions	1,304,953
Contributions subsequent to the measurement date	<u>575,060</u>
Total	\$ <u><u>2,665,805</u></u>

## 13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2015 expenditures paid in 2016.

## 14. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

## 15. Other Current Liabilities

This balance consists primarily of escrows held for several projects and deposits for school and parking impact fees.

## 16. Long-Term Debt

### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/15
<u>Governmental Activities:</u>			
Capital improvements	12/31/19	3.00-4.50%	\$ 320,000
Water improvements	12/01/16	3.47%	69,389
Landfill closure	02/01/24	3.69%	361,240
Capital improvements	06/01/24	3.69%	1,776,164
Capital improvements	11/15/26	3.80-4.00%	1,535,000
Capital improvements	11/15/28	3.00-4.050%	1,670,000
Capital improvements	08/15/30	3.00-5.00%	850,000
Capital improvements	08/15/32	1.85-4.00%	3,615,000
Capital improvements	03/01/33	2.00-4.125%	3,185,000
Dover Rd Pump Station	10/01/32	2.72%	1,116,280
Spruce Hole Well Dev	01/01/23	1.70%	189,511
Water Meter Upgrade	01/01/23	1.70%	263,019
Capital improvements	08/15/34	3.04%	3,465,000
Old Concord Road	02/01/34	3.10%	197,432
Capital improvements	09/01/25	2.00%	<u>2,895,000</u>
Total Governmental Activities:			<u>\$ 21,508,035</u>

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,047,801	\$ 765,046	\$ 2,812,847
2017	1,870,882	688,144	2,559,026
2018	1,858,602	618,993	2,477,595
2019	1,791,583	550,312	2,341,895
2020	1,664,832	482,855	2,147,687
2021 - 2025	7,451,173	1,558,749	9,009,922
2026 - 2030	3,320,275	604,877	3,925,152
Thereafter	<u>1,502,887</u>	<u>115,760</u>	<u>1,618,647</u>
Total	\$ <u>21,508,035</u>	\$ <u>5,384,736</u>	\$ <u>26,892,771</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2015:

General fund	\$ 9,422,423
Special revenue funds	<u>12,085,612</u>
Total	\$ <u>21,508,035</u>

### C. Changes in General Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Total Balance 1/1/15	Additions	Reductions	Total Balance 12/31/15	Less Current Portion	Equals Long-Term Portion 12/31/15
<u>Governmental Activities</u>						
Bonds payable	\$ 20,376,277	\$ 2,895,000	\$ (1,763,242)	\$ 21,508,035	\$ (2,047,801)	\$ 19,460,234
Other:						
Landfill closure	200,000	-	(10,000)	190,000	(10,000)	180,000
Compensated absences	710,177	31,991	-	742,168	(74,217)	667,951
Bond premium	867,700	-	(58,481)	809,219	(67,975)	741,244
Accrued other post-employment benefits	1,221,074	147,380	-	1,368,454	-	1,368,454
Net pension liability	<u>11,588,248</u>	<u>651,536</u>	<u>-</u>	<u>12,239,784</u>	<u>-</u>	<u>12,239,784</u>
Totals	\$ <u>34,963,476</u>	\$ <u>3,725,907</u>	\$ <u>(1,831,723)</u>	\$ <u>36,857,660</u>	\$ <u>(2,199,993)</u>	\$ <u>34,657,667</u>

## 17. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$190,000 reported as landfill closure and postclosure care liability at December 31, 2015 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

## 18. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the government that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of December 31, 2015:

	Entity-wide Basis	Fund Basis	
	Governmental Activities	Governmental Funds General Fund	Nonmajor
Unavailable revenues - property taxes	\$ -	\$ 638,188	\$ -
Taxes collected in advance	28,161	28,161	-
Deposits received in advance	307,369	-	307,369
Differences between expected and actual experience *	268,590	-	-
Net difference between projected and actual investment earnings *	1,112,915	-	-
Total	\$ 1,717,035	\$ 666,349	\$ 307,369

\* Pension related

## 19. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## 20. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2015:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at December 31, 2015:

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenditures	\$ 127,504	\$ -	\$ -	\$ 127,504
Nonexpendable permanent funds	<u>-</u>	<u>-</u>	<u>368,059</u>	<u>368,059</u>
Total Nonexpendable	127,504	-	368,059	495,563
Restricted				
Bonded projects	-	456,218	-	456,218
Grant proceeds	2,500	-	-	2,500
Special revenue funds	-	-	1,665,308	1,665,308
Library operations	422,188	-	-	422,188
Parking operations	2,100	-	-	2,100
Police confidential	1,197	-	-	1,197
Expendable permanent funds	<u>-</u>	<u>-</u>	<u>30,105</u>	<u>30,105</u>
Total Restricted	427,985	456,218	1,695,413	2,579,616
Committed				
Capital reserve funds - General Fund	707,369	-	-	707,369
Capital reserve funds - Sewer Fund	-	-	549,255	549,255
Capital reserve funds - Water Fund	<u>-</u>	<u>-</u>	<u>225,710</u>	<u>225,710</u>
Total Committed	707,369	-	774,965	1,482,334
Assigned				
Encumbrances:				
General Fund operations	15,156	-	-	15,156
Sewer operations	-	-	20,105	20,105
Water operations	-	-	65,000	65,000
Conservation operations	-	-	1,541	1,541
Proceeds for future debt payments	516,480	-	-	516,480
Fire station improvements	<u>274,850</u>	<u>-</u>	<u>-</u>	<u>274,850</u>
Total Assigned	806,486	-	86,646	893,132
Unassigned				
Unassigned	<u>1,364,052</u>	<u>(1,027,769)</u>	<u>-</u>	<u>336,283</u>
Total Unassigned	<u>1,364,052</u>	<u>(1,027,769)</u>	<u>-</u>	<u>336,283</u>
Total Fund Balance	<u>\$ 3,433,396</u>	<u>\$ (571,551)</u>	<u>\$ 2,925,083</u>	<u>\$ 5,786,928</u>

## 21. **General Fund Unassigned Fund Balance**

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 1,364,052
Unavailable revenue	666,349
Allowance for doubtful accounts	(121,176)
Other GAAP differences	<u>(28,159)</u>
Tax Rate Setting Balance	<u>\$ 1,881,066</u>

## 22. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

## 23. **Post-Employment Healthcare and Life Insurance Benefits**

### **Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

#### **A. Plan Description**

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2015, the actuarial valuation date,



approximately 18 retirees and 88 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides medical, prescription drug, and mental health/substance abuse, to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

Annual Required Contribution (ARC)	\$ 215,150
Interest on net OPEB obligation	55,954
Adjustment to ARC	<u>(52,087)</u>
Annual OPEB cost	219,017
Contributions made	<u>(71,637)</u>
Increase in net OPEB obligation	147,380
Net OPEB obligation - beginning of year	<u>1,221,074</u>
Net OPEB obligation - end of year	<u><u>\$ 1,368,454</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 219,017	32.7%	\$ 1,368,454
2014	\$ 279,935	27.7%	\$ 1,221,074
2013	\$ 279,935	27.7%	\$ 1,018,553
2012	\$ 279,935	27.7%	\$ 816,032

*E. Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 1,800,682
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,800,682</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 5,060,221</u>
UAAL as a percentage of covered payroll	<u>36%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabil-

ities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined, as the Town has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

## **24. Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

### **A. Plan Description**

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and 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. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

## **B. Benefits Provided**

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is  $\frac{1}{60}$  or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at  $\frac{1}{66}$  or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by  $\frac{1}{4}$  of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earned compensation and/or service.

## **C. Contributions**

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 29.16% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2015 was \$1,199,885, which was equal to its annual required contribution.

## **D. Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been

determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

*E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At December 31, 2015, the Town reported a liability of \$12,239,784 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Town's proportion was .30872474 percent.

At the most recent measurement date of June 30, 2015, the Town's proportion was .30896632 percent, which was an increase of .000242 from its previous year proportion.

For the year ended June 30, 2015, the Town recognized pension expense of \$1,152,151. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 268,590
Net difference between projected and actual earnings on pension plan investments	785,792	1,112,915
Changes in proportion and differences between contributions and proportionate share of contributions	1,304,953	-
Contributions subsequent to the measurement date	<u>575,060</u>	<u>-</u>
Total	<u>\$ 2,665,805</u>	<u>\$ 1,381,505</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 700,721
2017	125,661
2018	125,661
2019	355,598
2020	<u>(23,341)</u>
Total	<u>\$ 1,284,300</u>

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent per year
Salary increases	3.75 - 5.8 percent average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	3.00%
Small/Mid Cap Equities	<u>7.50</u>	3.00%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.00%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	<u>7.00</u>	0.16%
Total fixed income	25.00	
Private equity	5.00	5.00%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	<u>5.00</u>	2.75%
Total alternative investments	<u>25.00</u>	
Total	<u><u>100.00</u></u> %	

**Discount Rate:** The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2015	\$ 16,122,085	\$ 12,239,784	\$ 8,938,625

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

## 25. **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## 26. **Beginning Net Position Restatement**

The beginning (January 1, 2015) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 16,824,809
GASB 68 Implementation	<u>(10,863,130)</u>
As restated	<u><u>\$ 5,961,679</u></u>



**TOWN OF DURHAM, NEW HAMPSHIRE**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015**

**(Unaudited)**

<b>Other Post-Employment Benefits</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent- age of Covered Payroll [(b-a)/c]</b>
1/1/2015	\$ -	\$ 1,800,682	\$ 1,800,682	0.0%	\$ 5,060,221	35.6%
1/1/2012	\$ -	\$ 2,441,087	\$ 2,441,087	0.0%	\$ 3,016,082	80.9%
1/1/2011	\$ -	\$ 2,165,559	\$ 2,165,559	0.0%	\$ 2,883,514	75.1%

See Independent Auditors' Report.

**TOWN OF DURHAM, NEW HAMPSHIRE**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**  
**(Unaudited)**

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.30896632%
Proportionate share of the net pension liability for the most recent measurement date	\$ 12,239,784
Covered-employee payroll for the most recent measurement date	\$ 6,004,318
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	203.85%
Plan fiduciary net position as a percentage of the total pension liability	65.50%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available*

See Independent Auditors' Report.

**TOWN OF DURHAM, NEW HAMPSHIRE**

**SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015  
(Unaudited)**

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 1,199,885
Contributions in relation to the contractually required contribution	<u>(1,199,885)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ 5,982,806
Contributions as a percentage of covered-employee payroll	20.06%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available*

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE  
COMBINING SCHEDULE - GENERAL FUND BALANCE SHEET  
DECEMBER 31, 2015

	<u>General</u>	<u>Capital Reserves</u>	<u>Library</u>	<u>Parking</u>	<u>Police Confidential</u>	<u>Eliminate Due To/From</u>	<u>Total General</u>
<b>ASSETS</b>							
Cash and short-term investments	\$ 12,177,813	\$ -	\$ -	\$ 6,575	\$ 1,197	\$ -	\$ 12,185,585
Investments	-	1,022,902	-	-	-	-	1,022,902
Restricted cash	-	-	479,497	-	-	-	479,497
Receivables:							
Property taxes	1,138,322	-	-	-	-	-	1,138,322
User fees	46,674	-	-	399	-	-	47,073
Due from other funds	47,290	-	-	-	-	(44,390)	2,900
Due from other governments	65,433	-	-	-	-	-	65,433
Other assets	127,504	-	-	-	-	-	127,504
<b>TOTAL ASSETS</b>	<b>\$ 13,603,036</b>	<b>\$ 1,022,902</b>	<b>\$ 479,497</b>	<b>\$ 6,974</b>	<b>\$ 1,197</b>	<b>\$ (44,390)</b>	<b>\$ 15,069,216</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 425,608	\$ 18	\$ 9,239	\$ 568	\$ -	\$ -	\$ 435,433
Accrued liabilities	102,639	-	3,680	895	-	-	107,214
Tax refunds payable	125,000	-	-	-	-	-	125,000
Due to other funds	80,032	40,665	44,390	-	-	(44,390)	120,697
Due to school district	9,197,784	-	-	-	-	-	9,197,784
Due to other governments	3,444	-	-	-	-	-	3,444
Other liabilities	976,488	-	-	3,411	-	-	979,899
<b>TOTAL LIABILITIES</b>	<b>10,910,995</b>	<b>40,683</b>	<b>57,309</b>	<b>4,874</b>	<b>-</b>	<b>(44,390)</b>	<b>10,969,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>666,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666,349</b>
<b>FUND BALANCES</b>							
Nonspendable	127,504	-	-	-	-	-	127,504
Restricted	2,500	-	422,188	2,100	1,197	-	427,985
Committed	-	707,369	-	-	-	-	707,369
Assigned	531,636	274,850	-	-	-	-	806,486
Unassigned	1,364,052	-	-	-	-	-	1,364,052
<b>TOTAL FUND BALANCES</b>	<b>2,025,692</b>	<b>982,219</b>	<b>422,188</b>	<b>2,100</b>	<b>1,197</b>	<b>-</b>	<b>3,433,396</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 13,603,036</b>	<b>\$ 1,022,902</b>	<b>\$ 479,497</b>	<b>\$ 6,974</b>	<b>\$ 1,197</b>	<b>\$ (44,390)</b>	<b>\$ 15,069,216</b>

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE  
COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	Special Revenue Funds						Permanent	
	Sewer Department	Water Department	Conservation Commission	Depot Road	Church Hill Rink	Downtown TIF	Fund	Total
<b>ASSETS</b>								
Cash and short-term investments	\$ 1,107,355	\$ 123,578	\$ 391,997	\$ 204,932	\$ 56,588	\$ 142,785	\$ -	\$ 2,027,235
Investments	532,138	188,997	-	-	-	-	396,297	1,117,432
Receivables:								
Property taxes	-	-	8,500	-	-	-	-	8,500
User fees	42,772	30,403	-	-	45,168	-	-	118,343
Due from other funds	17,117	101,713	-	-	-	-	1,867	120,697
<b>TOTAL ASSETS</b>	<b>\$ 1,699,382</b>	<b>\$ 444,691</b>	<b>\$ 400,497</b>	<b>\$ 204,932</b>	<b>\$ 101,756</b>	<b>\$ 142,785</b>	<b>\$ 398,164</b>	<b>\$ 3,392,207</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 31,501	\$ 8,386	\$ -	\$ 677	\$ 13,098	\$ -	\$ -	\$ 53,662
Accrued liabilities	5,558	1,236	-	-	-	-	-	6,794
Due to other funds	-	-	2,900	-	-	-	-	2,900
Due to other governments	95,398	-	-	-	-	-	-	95,398
Other liabilities	-	-	1,001	-	-	-	-	1,001
<b>TOTAL LIABILITIES</b>	<b>132,457</b>	<b>9,622</b>	<b>3,901</b>	<b>677</b>	<b>13,098</b>	<b>-</b>	<b>-</b>	<b>159,755</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>190,195</b>	<b>107,645</b>	<b>-</b>	<b>-</b>	<b>9,529</b>	<b>-</b>	<b>-</b>	<b>307,369</b>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	368,059	368,059
Restricted	807,370	36,714	395,055	204,255	79,129	142,785	30,105	1,695,413
Committed	549,255	225,710	-	-	-	-	-	774,965
Assigned	20,105	65,000	1,541	-	-	-	-	86,646
<b>TOTAL FUND BALANCES</b>	<b>1,376,730</b>	<b>327,424</b>	<b>396,596</b>	<b>204,255</b>	<b>79,129</b>	<b>142,785</b>	<b>398,164</b>	<b>2,925,083</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,699,382</b>	<b>\$ 444,691</b>	<b>\$ 400,497</b>	<b>\$ 204,932</b>	<b>\$ 101,756</b>	<b>\$ 142,785</b>	<b>\$ 398,164</b>	<b>\$ 3,392,207</b>

See Independent Auditors' Report.

## TOWN OF DURHAM, NEW HAMPSHIRE

## GENERAL FUND

## COMBINING SCHEDULE - GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Capital Reserves</u>	<u>Library</u>	<u>Parking</u>	<u>Police Confidential</u>	<u>Eliminate Transfers</u>	<u>Total General</u>
<b>Revenues:</b>							
Property taxes	\$ 8,284,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,284,721
Penalties, interest and other taxes	223,889	-	-	-	-	-	223,889
Charges for services	457,236	-	-	383,756	-	-	840,992
Intergovernmental	3,337,016	-	-	-	-	-	3,337,016
Licenses and permits	344,904	-	-	42,088	-	-	386,992
Investment income	7,117	9,138	(246)	-	-	-	16,009
Contributions	5,496	27,640	73,329	-	-	-	106,465
Miscellaneous	<u>1,532,905</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>1,533,030</u>
Total Revenues	14,193,284	36,778	73,083	425,969	-	-	14,729,114
<b>Expenditures:</b>							
Current:							
General government	2,137,276	15,366	-	-	-	-	2,152,642
Public safety	6,589,988	-	-	199,312	17	-	6,789,317
Highway and streets	1,333,179	-	-	-	-	-	1,333,179
Sanitation	618,737	-	-	-	-	-	618,737
Health	20,865	-	-	-	-	-	20,865
Welfare	33,153	-	-	-	-	-	33,153
Culture and recreation	322,003	-	464,853	-	-	-	786,856
Conservation	58,957	-	-	-	-	-	58,957
Debt service	<u>1,355,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,355,285</u>
Total Expenditures	<u>12,469,443</u>	<u>15,366</u>	<u>464,853</u>	<u>199,312</u>	<u>17</u>	<u>-</u>	<u>13,148,991</u>
Excess (deficiency) of revenues over expenditures	1,723,841	21,412	(391,770)	226,657	(17)	-	1,580,123
<b>Other Financing Sources (Uses):</b>							
Transfers in	627,517	105,361	400,354	-	-	(784,934)	348,298
Transfers out	<u>(1,313,098)</u>	<u>(149,637)</u>	<u>-</u>	<u>(224,557)</u>	<u>-</u>	<u>784,934</u>	<u>(902,358)</u>
Total Other Financing Sources (Uses)	<u>(685,581)</u>	<u>(44,276)</u>	<u>400,354</u>	<u>(224,557)</u>	<u>-</u>	<u>-</u>	<u>(554,060)</u>
Change in fund balance	1,038,260	(22,864)	8,584	2,100	(17)	-	1,026,063
Fund Equity, at Beginning of Year	<u>987,432</u>	<u>1,005,083</u>	<u>413,604</u>	<u>-</u>	<u>1,214</u>	<u>-</u>	<u>2,407,333</u>
Fund Equity, at End of Year	<u>\$ 2,025,692</u>	<u>\$ 982,219</u>	<u>\$ 422,188</u>	<u>\$ 2,100</u>	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ 3,433,396</u>

See Independent Auditors' report.

## TOWN OF DURHAM, NEW HAMPSHIRE

## NONMAJOR GOVERNMENTAL FUNDS

## COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Sewer Department	Water Department	Special Revenue Funds Conservation Commission	Depot Road	Church Hill Rink	Downtown TIF	Permanent Fund	Total
<b>Revenues:</b>								
Property taxes	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ 47,294	\$ -	\$ 107,294
Penalties, interest and other taxes	3,079	2,306	674	-	-	-	-	6,059
Charges for services	1,732,526	716,626	-	38,280	198,960	-	-	2,686,392
Intergovernmental	536,697	45,665	-	-	-	-	-	582,362
Licenses and permits	-	-	-	65,050	-	-	-	65,050
Investment income	4,689	1,667	283	-	-	-	3,937	10,576
Contributions	-	-	-	-	-	-	4,500	4,500
Miscellaneous	7,898	17,313	3,268	-	983	-	-	29,462
Total Revenues	2,284,889	783,577	64,225	103,330	199,943	47,294	8,437	3,491,695
<b>Expenditures:</b>								
Current:								
General government	7,952	2,824	-	6,245	-	-	6,613	23,634
Sanitation	1,023,042	-	-	-	-	-	-	1,023,042
Water distribution and treatment	-	294,380	-	-	-	-	-	294,380
Culture and recreation	-	-	-	-	168,776	-	-	168,776
Conservation	-	-	3,299	-	-	-	-	3,299
Debt service	845,687	345,737	-	-	3,935	-	-	1,195,359
Total Expenditures	1,876,681	642,941	3,299	6,245	172,711	-	6,613	2,708,490
Excess (deficiency) of revenues over expenditures	408,208	140,636	60,926	97,085	27,232	47,294	1,824	783,205
<b>Other Financing Sources (Uses):</b>								
Transfers in	-	-	-	-	-	95,491	1,903	97,394
Transfers out	(338,603)	(40,079)	-	(87,376)	(140,000)	-	(7,075)	(613,133)
Total Other Financing Sources (Uses)	(338,603)	(40,079)	-	(87,376)	(140,000)	95,491	(5,172)	(515,739)
Change in fund balance	69,605	100,557	60,926	9,709	(112,768)	142,785	(3,348)	267,466
Fund Equity, at Beginning of Year	1,307,125	226,867	335,670	194,546	191,897	-	401,512	2,657,617
Fund Equity, at End of Year	\$ 1,376,730	\$ 327,424	\$ 396,596	\$ 204,255	\$ 79,129	\$ 142,785	\$ 398,164	\$ 2,925,083

See Independent Auditors' report.