

TOWN OF EXETER, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2015

Town of Exeter, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Exeter, New Hampshire

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, New Hampshire, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the 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 Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

September 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Exeter, we offer readers this narrative overview and analysis of the financial activities of the Town of Exeter for the 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).

Both of 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 (business-type activities). The governmental activities include general government, public safety, public works, health and human services, culture and recreation, sanitation, and conservation. The business-type activities include water and sewer activities.

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 three categories: governmental funds, proprietary 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.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

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 \$15,089,137 (i.e., net position), a change of \$(619,002) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,451,486, a change of \$423,455 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,006,505, a change of \$362,071.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$14,267,732, a change of \$(62,068) 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 fiscal year. Comparable data will be presented when available. (Presented in thousands):

| | <u>NET POSITION</u> | | | | | |
|--|--------------------------------|------------------|---------------------------------|------------------|------------------|------------------|
| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Current and other assets | \$ 20,172 | \$ 19,642 | \$ 7,481 | \$ 5,588 | \$ 27,653 | \$ 25,230 |
| Capital assets | 17,922 | 16,407 | 24,854 | 20,648 | 42,776 | 37,055 |
| Deferred outflows of resources | <u>1,637</u> | <u>-</u> | <u>162</u> | <u>-</u> | <u>1,799</u> | <u>-</u> |
| Total assets and deferred outflows | 39,731 | 36,049 | 32,497 | 26,236 | 72,228 | 62,285 |
| Long-term liabilities outstanding | 19,451 | 4,938 | 12,788 | 12,158 | 32,239 | 17,096 |
| Other liabilities | 13,647 | 13,101 | 9,222 | 2,582 | 22,869 | 15,683 |
| Deferred inflows of resources | <u>1,850</u> | <u>34</u> | <u>180</u> | <u>-</u> | <u>2,030</u> | <u>34</u> |
| Total liabilities and deferred inflows | 34,948 | 18,073 | 22,190 | 14,740 | 57,138 | 32,813 |
| Net position: | | | | | | |
| Net investments in capital assets | 15,359 | 14,427 | 8,366 | 6,709 | 23,725 | 21,136 |
| Restricted | 1,128 | 1,202 | - | - | 1,128 | 1,202 |
| Unrestricted | <u>(11,704)</u> | <u>2,347</u> | <u>1,941</u> | <u>4,787</u> | <u>(9,763)</u> | <u>7,134</u> |
| Total net assets | <u>\$ 4,783</u> | <u>\$ 17,976</u> | <u>\$ 10,307</u> | <u>\$ 11,496</u> | <u>\$ 15,090</u> | <u>\$ 29,472</u> |

CHANGE IN NET POSITION

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
|--|---------------------|------------------|----------------------|------------------|------------------|------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,607 | \$ 2,337 | \$ 4,764 | \$ 4,936 | \$ 7,371 | \$ 7,273 |
| Operating grants and contributions | 275 | 306 | - | - | 275 | 306 |
| Capital grants and contributions | 10 | 834 | 16 | 824 | 26 | 1,658 |
| General revenues: | | | | | | |
| Property taxes | 11,819 | 12,208 | - | - | 11,819 | 12,208 |
| Motor vehicle registrations | 2,499 | 2,396 | - | - | 2,499 | 2,396 |
| Penalties, interest and other taxes | 300 | 219 | - | - | 300 | 219 |
| Grants and contributions not restricted to specific programs | 965 | 948 | - | - | 965 | 948 |
| Investment income | (13) | 22 | - | - | (13) | 22 |
| Miscellaneous | 439 | 738 | - | - | 439 | 738 |
| Total revenues | <u>18,901</u> | <u>20,008</u> | <u>4,780</u> | <u>5,760</u> | <u>23,681</u> | <u>25,768</u> |
| Expenses: | | | | | | |
| General government | 4,075 | 2,672 | - | - | 4,075 | 2,672 |
| Public safety | 8,782 | 8,737 | - | - | 8,782 | 8,737 |
| Public works | 3,342 | 4,136 | - | - | 3,342 | 4,136 |
| Health and human services | 462 | 485 | - | - | 462 | 485 |
| Culture and recreation | 2,072 | 1,719 | - | - | 2,072 | 1,719 |
| Sanitation | 848 | 830 | - | - | 848 | 830 |
| Conservation | 151 | 168 | - | - | 151 | 168 |
| Interest | 124 | 83 | - | - | 124 | 83 |
| Water services | - | - | 3,012 | 2,106 | 3,012 | 2,106 |
| Sewer services | - | - | 1,431 | 1,612 | 1,431 | 1,612 |
| Total expenses | <u>19,856</u> | <u>18,830</u> | <u>4,443</u> | <u>3,718</u> | <u>24,299</u> | <u>22,548</u> |
| Change in net position before transfers | (955) | 1,178 | 337 | 2,042 | (618) | 3,220 |
| Transfers in (out) | <u>287</u> | <u>281</u> | <u>(287)</u> | <u>(281)</u> | <u>-</u> | <u>-</u> |
| Change in net position | (668) | 1,459 | 50 | 1,761 | (618) | 3,220 |
| Net position - beginning of year, as restated | <u>5,451</u> | <u>16,517</u> | <u>10,257</u> | <u>9,735</u> | <u>15,708</u> | <u>26,252</u> |
| Net position - end of year | <u>\$ 4,783</u> | <u>\$ 17,976</u> | <u>\$ 10,307</u> | <u>\$ 11,496</u> | <u>\$ 15,090</u> | <u>\$ 29,472</u> |

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 \$15,089,137, a change of \$(619,002) from the prior year.

The largest portion of net position \$23,724,297 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 \$1,127,578 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 \$(9,762,738) which primarily results from the Town's net pension liability and OPEB obligation.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(668,683). Key elements of this change are as follows:

| | |
|---|---------------------|
| General fund operations, as discussed further in Section D | \$ 499,175 |
| Change in net pension liability, net of deferred inflows/outflows | (1,439,236) |
| Principal debt service expense in excess of depreciation expense | 83,502 |
| Other | <u>187,876</u> |
| Total | <u>\$ (668,683)</u> |

Business-type activities. Business-type activities for the year resulted in a change in net position of \$49,681. Key elements of this change are as follows:

| | |
|------------------|------------------|
| Water operations | \$ (594,433) * |
| Sewer operations | <u>644,114</u> |
| Total | <u>\$ 49,681</u> |

*The current year operating loss was primarily due to a shortfall of revenues as compared to budget.

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 \$5,451,486, a change of \$423,455 in comparison to the prior year. Key elements of this change are as follows:

| | |
|--------------------------|-------------------|
| General fund operations | \$ 499,175 |
| Nonmajor fund activities | <u>(75,720)</u> |
| Total | <u>\$ 423,455</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 \$2,006,505, while total fund balance was \$2,774,502. 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> | <u>% of Total General Fund Expenditures</u> |
|-------------------------|-----------------|-----------------|---------------|---|
| Unassigned fund balance | \$ 2,006,505 | \$ 1,644,434 | \$ 362,071 | 11.4% |
| Total fund balance | \$ 2,774,502 | \$ 2,275,327 | \$ 499,175 | 15.8% |

The total fund balance of the general fund changed by \$499,175 during the current fiscal year. Key factors in this change are as follows:

| | |
|---|-------------------|
| Use of fund balance as a funding source | \$ (675,000) |
| Revenues less than budget | (189,907) |
| Expenditures less than budget | 1,088,763 |
| Change in encumbrances | (42,400) |
| Change in capital reserves | 21,214 |
| Other | <u>296,505</u> |
| Total | <u>\$ 499,175</u> |

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

| | <u>12/31/15</u> | <u>12/31/14</u> | <u>Change</u> |
|--------------------------|-------------------|-------------------|------------------|
| General capital reserves | \$ <u>223,331</u> | \$ <u>202,117</u> | \$ <u>21,214</u> |
| Total | <u>\$ 223,331</u> | <u>\$ 202,117</u> | <u>\$ 21,214</u> |

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,941,270.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences, other than reclassifications, between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$42,776,075 (net of accumulated depreciation), a change of \$5,720,812 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- Infrastructure upgrades such as bridge work, the removal of the Great Dam, and various culvert projects
- Waterline and Sewerline replacements
- Groundwater Treatment Facility
- Vehicles and equipment purchases

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

Credit Rating. The Town of Exeter had an “A1” Moody’s rating for general obligation debt at year-end.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$14,267,732, 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 Financial Statements.

REQUESTS FOR INFORMATION

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

Town Manager
Town of Exeter, New Hampshire
10 Front Street
Exeter, New Hampshire 03833

TOWN OF EXETER, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2015

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|--|-----------------------------------|------------------------------------|----------------------|
| ASSETS | | | |
| Current: | | | |
| Cash and short-term investments | \$ 17,807,830 | \$ 5,682,083 | \$ 23,489,913 |
| Investments | 400,979 | - | 400,979 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 1,118,319 | - | 1,118,319 |
| User fees | - | 639,641 | 639,641 |
| Departmental and other | 158,990 | - | 158,990 |
| Intergovernmental | 30,932 | - | 30,932 |
| Other assets | 240,663 | 1,159,236 | 1,399,899 |
| Noncurrent: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 413,705 | - | 413,705 |
| Capital assets: | | | |
| Land and construction in progress | 12,010,321 | 8,024,454 | 20,034,775 |
| Capital assets, net of accumulated depreciation | 5,912,019 | 16,829,281 | 22,741,300 |
| DEFERRED OUTFLOWS OF RESOURCES | <u>1,636,842</u> | <u>161,885</u> | <u>1,798,727</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 39,730,600 | 32,496,580 | 72,227,180 |
| LIABILITIES | | | |
| Current: | | | |
| Accounts payable | 450,743 | 314,206 | 764,949 |
| Retainage payable | - | 247,597 | 247,597 |
| Accrued liabilities | 210,570 | 516,695 | 727,265 |
| Due to other governments | 12,978,504 | - | 12,978,504 |
| Notes payable | - | 8,143,260 | 8,143,260 |
| Other liabilities | 7,354 | - | 7,354 |
| Current portion of long-term liabilities: | | | |
| Bonds payable | 467,600 | 1,205,421 | 1,673,021 |
| Other liabilities | 223,934 | 74,924 | 298,858 |
| Noncurrent: | | | |
| Bonds payable, net of current portion | 2,785,800 | 9,808,911 | 12,594,711 |
| Net OPEB obligation | 998,681 | 166,605 | 1,165,286 |
| Net pension liability | 13,785,529 | 1,363,404 | 15,148,933 |
| Other liabilities, net of current portion | 1,189,859 | 168,955 | 1,358,814 |
| DEFERRED INFLOWS OF RESOURCES | <u>1,849,936</u> | <u>179,555</u> | <u>2,029,491</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 34,948,510 | 22,189,533 | 57,138,043 |
| NET POSITION | | | |
| Net investment in capital assets | 15,358,520 | 8,365,777 | 23,724,297 |
| Restricted for: | | | |
| Grants and other statutory restrictions | 641,665 | - | 641,665 |
| Permanent funds: | | | |
| Nonexpendable | 53,454 | - | 53,454 |
| Expendable | 432,459 | - | 432,459 |
| Unrestricted | <u>(11,704,008)</u> | <u>1,941,270</u> | <u>(9,762,738)</u> |
| TOTAL NET POSITION | <u>\$ 4,782,090</u> | <u>\$ 10,307,047</u> | <u>\$ 15,089,137</u> |

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

TOWN OF EXETER, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Expenses | Program Revenues | | | Net(Expenses) Revenues and Changes in Net Position | | |
|--|---------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 4,075,226 | \$ 777,374 | \$ 141,181 | \$ - | \$ (3,156,671) | \$ - | \$ (3,156,671) |
| Public safety | 8,781,883 | 754,957 | 10,444 | - | (8,016,482) | - | (8,016,482) |
| Public works | 3,341,542 | 516,523 | - | 8,845 | (2,816,174) | - | (2,816,174) |
| Health and human services | 461,680 | 8,340 | 86,903 | - | (366,437) | - | (366,437) |
| Culture and recreation | 2,072,390 | 528,635 | 36,644 | - | (1,507,111) | - | (1,507,111) |
| Sanitation | 847,876 | 21,631 | - | - | (826,245) | - | (826,245) |
| Conservation | 150,738 | - | - | 890 | (149,848) | - | (149,848) |
| Interest | 124,003 | - | - | - | (124,003) | - | (124,003) |
| Total Governmental Activities | 19,855,338 | 2,607,460 | 275,172 | 9,735 | (16,962,971) | - | (16,962,971) |
| Business-Type Activities: | | | | | | | |
| Water services | 3,012,278 | 2,482,743 | - | (11,168) | - | (540,703) | (540,703) |
| Sewer services | 1,430,716 | 2,280,743 | - | 27,173 | - | 877,200 | 877,200 |
| Total Business-Type Activities | 4,442,994 | 4,763,486 | - | 16,005 | - | 336,497 | 336,497 |
| Total | \$ 24,298,332 | \$ 7,370,946 | \$ 275,172 | \$ 25,740 | (16,962,971) | 336,497 | (16,626,474) |
| General Revenues and Transfers: | | | | | | | |
| Property taxes | | | | | 11,818,696 | - | 11,818,696 |
| Motor vehicle registrations | | | | | 2,498,889 | - | 2,498,889 |
| Penalties, interest and other taxes | | | | | 299,864 | - | 299,864 |
| Grants and contributions not restricted to specific programs | | | | | 964,987 | - | 964,987 |
| Investment income | | | | | (12,803) | - | (12,803) |
| Miscellaneous | | | | | 437,839 | - | 437,839 |
| Transfers net | | | | | 286,816 | (286,816) | - |
| Total general revenues and transfers | | | | | 16,294,288 | (286,816) | 16,007,472 |
| Change in Net Position | | | | | (668,683) | 49,681 | (619,002) |
| Net Position: | | | | | | | |
| Beginning of year, as restated | | | | | 5,450,773 | 10,257,366 | 15,708,139 |
| End of year | | | | | \$ 4,782,090 | \$ 10,307,047 | \$ 15,089,137 |

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

TOWN OF EXETER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2015

| | <u>General</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|-----------------------------|--|---------------------------------------|
| ASSETS | | | |
| Cash and short-term investments | \$ 15,516,514 | \$ 2,291,316 | \$ 17,807,830 |
| Investments | 7,383 | 393,596 | 400,979 |
| Receivables: | | | |
| Property taxes | 1,702,116 | - | 1,702,116 |
| Departmental | 1,169 | 157,821 | 158,990 |
| Intergovernmental | 33 | 30,899 | 30,932 |
| Other assets | <u>200,804</u> | <u>39,859</u> | <u>240,663</u> |
| TOTAL ASSETS | \$ <u>17,428,019</u> | \$ <u>2,913,491</u> | \$ <u>20,341,510</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 400,396 | \$ 50,348 | \$ 450,744 |
| Accrued liabilities | 157,004 | - | 157,004 |
| Due to other governments | 12,978,504 | - | 12,978,504 |
| Other liabilities | <u>7,356</u> | <u>-</u> | <u>7,356</u> |
| TOTAL LIABILITIES | 13,543,260 | 50,348 | 13,593,608 |
| DEFERRED INFLOWS OF RESOURCES | 1,110,257 | 186,159 | 1,296,416 |
| Fund Balances: | | | |
| Nonspendable | 514,241 | 53,454 | 567,695 |
| Restricted | - | 3,155,434 | 3,155,434 |
| Committed | 223,331 | - | 223,331 |
| Assigned | 30,425 | - | 30,425 |
| Unassigned | <u>2,006,505</u> | <u>(531,904)</u> | <u>1,474,601</u> |
| TOTAL FUND BALANCES | <u>2,774,502</u> | <u>2,676,984</u> | <u>5,451,486</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ <u>17,428,019</u> | \$ <u>2,913,491</u> | \$ <u>20,341,510</u> |

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

TOWN OF EXETER, NEW HAMPSHIRE

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

DECEMBER 31, 2015

| | |
|--|----------------------------|
| Total governmental fund balances | \$ 5,451,486 |
| • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 17,922,340 |
| • Revenues are reported on the accrual basis of accounting and are not deferred until collection. | 1,091,892 |
| • Deferred inflows and outflows related to pensions net of payments made subsequent to measurement date | (178,659) |
| • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (53,566) |
| • Long-term liabilities, including bonds payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds. | |
| Bonds payable | (3,253,400) |
| Capital leases | (908,784) |
| Compensated absences | (505,009) |
| Net OPEB obligation | (998,681) |
| Net pension liability | <u>(13,785,529)</u> |
| Net position of governmental activities | \$ <u>4,782,090</u> |

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

TOWN OF EXETER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>General</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|--|---------------------|--|---------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 12,257,627 | \$ - | \$ 12,257,627 |
| Motor vehicle registrations | 2,498,889 | - | 2,498,889 |
| Penalties, interest, and other taxes | 299,864 | - | 299,864 |
| Charges for services | 835,617 | 1,337,222 | 2,172,839 |
| Intergovernmental | 1,048,508 | 106,192 | 1,154,700 |
| Licenses and permits | 434,621 | - | 434,621 |
| Investment income | 5,671 | (18,474) | (12,803) |
| Contributions | 57,659 | 37,532 | 95,191 |
| Miscellaneous | <u>399,245</u> | <u>38,600</u> | <u>437,845</u> |
| Total Revenues | 17,837,701 | 1,501,072 | 19,338,773 |
| Expenditures: | | | |
| Current: | | | |
| General government | 3,728,380 | 200,826 | 3,929,206 |
| Public safety | 7,054,687 | 431,839 | 7,486,526 |
| Public works | 3,175,456 | 9,086 | 3,184,542 |
| Health and human services | 214,469 | 126,159 | 340,628 |
| Culture and recreation | 1,166,317 | 810,685 | 1,977,002 |
| Sanitation | 847,876 | - | 847,876 |
| Conservation | 134,244 | - | 134,244 |
| Debt service | 764,400 | - | 764,400 |
| Capital outlay | <u>468,114</u> | <u>1,321,996</u> | <u>1,790,110</u> |
| Total Expenditures | <u>17,553,943</u> | <u>2,900,591</u> | <u>20,454,534</u> |
| Excess (deficiency) of revenues over expenditures | 283,758 | (1,399,519) | (1,115,761) |
| Other Financing Sources (Uses): | | | |
| Bond proceeds | - | 1,252,400 | 1,252,400 |
| Transfers in | 613,474 | 233,154 | 846,628 |
| Transfers out | <u>(398,057)</u> | <u>(161,755)</u> | <u>(559,812)</u> |
| Total Other Financing Sources (Uses) | <u>215,417</u> | <u>1,323,799</u> | <u>1,539,216</u> |
| Change in fund balance | 499,175 | (75,720) | 423,455 |
| Fund Equity, at Beginning of Year | <u>2,275,327</u> | <u>2,752,704</u> | <u>5,028,031</u> |
| Fund Equity, at End of Year | <u>\$ 2,774,502</u> | <u>\$ 2,676,984</u> | <u>\$ 5,451,486</u> |

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

TOWN OF EXETER, 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

| | | | | | | | | | | | | | | | | | | | |
|--|----------------------------|--|-----------|--------------|-----------|--|-----------|---------------------------------------|---------|-------------------------------------|-------------|--|---------|----------------------|-----------|--------------------------------|-----------|---|--------------------|
| Net changes in fund balances - Total governmental funds | \$ 423,455 | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> • 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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">2,073,219</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(558,098)</td> </tr> </table> • 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 (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(438,931)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) 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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Repayments of debt and capital leases</td> <td style="text-align: right;">996,153</td> </tr> <tr> <td>Issuance of debt and capital leases</td> <td style="text-align: right;">(1,473,235)</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(1,205)</td> </tr> </table> • 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. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Compensated absences</td> <td style="text-align: right;">(143,834)</td> </tr> <tr> <td>Other post employment benefits</td> <td style="text-align: right;">(106,971)</td> </tr> <tr> <td>Change in net pension liability, net of deferred outflows/inflows</td> <td style="text-align: right;"><u>(1,439,236)</u></td> </tr> </table> | | Capital outlay purchases, net of disposals | 2,073,219 | Depreciation | (558,098) | | (438,931) | Repayments of debt and capital leases | 996,153 | Issuance of debt and capital leases | (1,473,235) | | (1,205) | Compensated absences | (143,834) | Other post employment benefits | (106,971) | Change in net pension liability, net of deferred outflows/inflows | <u>(1,439,236)</u> |
| Capital outlay purchases, net of disposals | 2,073,219 | | | | | | | | | | | | | | | | | | |
| Depreciation | (558,098) | | | | | | | | | | | | | | | | | | |
| | (438,931) | | | | | | | | | | | | | | | | | | |
| Repayments of debt and capital leases | 996,153 | | | | | | | | | | | | | | | | | | |
| Issuance of debt and capital leases | (1,473,235) | | | | | | | | | | | | | | | | | | |
| | (1,205) | | | | | | | | | | | | | | | | | | |
| Compensated absences | (143,834) | | | | | | | | | | | | | | | | | | |
| Other post employment benefits | (106,971) | | | | | | | | | | | | | | | | | | |
| Change in net pension liability, net of deferred outflows/inflows | <u>(1,439,236)</u> | | | | | | | | | | | | | | | | | | |
| Change in net position of governmental activities | \$ <u>(668,683)</u> | | | | | | | | | | | | | | | | | | |

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

TOWN OF EXETER, 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

| | Original <u>Budget</u> | Final <u>Budget</u> | Actual Amounts (Budgetary <u>Basis</u>) | Variance with Final Budget Positive (<u>Negative</u>) |
|--|---------------------------|------------------------|---|--|
| Revenues and other sources: | | | | |
| Property taxes | \$ 11,810,040 | \$ 11,810,040 | \$ 11,810,040 | \$ - |
| Motor vehicle registrations | | | | |
| Interest, penalties, and other taxes | 224,288 | 224,288 | 313,842 | 89,554 |
| Charges for services | 972,000 | 972,000 | 1,020,837 | 48,837 |
| Intergovernmental | 1,824,665 | 1,824,665 | 1,055,375 | (769,290) |
| Licenses and permits | 2,705,000 | 2,705,000 | 3,122,790 | 417,790 |
| Investment income | 1,000 | 1,000 | 1,144 | 144 |
| Miscellaneous | 350 | 350 | 350 | - |
| Other financing sources: | | | | |
| Transfers in | 313,302 | 313,302 | 336,360 | 23,058 |
| Use of fund balance | <u>675,000</u> | <u>675,000</u> | <u>675,000</u> | <u>-</u> |
| Total Revenues | 18,525,645 | 18,525,645 | 18,335,738 | (189,907) |
| Expenditures and other uses: | | | | |
| Current: | | | | |
| General government | 3,233,658 | 2,511,707 | 2,518,069 | (6,362) |
| Public safety | 7,370,285 | 7,371,534 | 7,056,842 | 314,692 |
| Public works | 2,727,556 | 3,789,780 | 3,817,818 | (28,038) |
| Sanitation | 834,001 | 834,001 | 847,876 | (13,875) |
| Health and human services | 362,289 | 247,144 | 213,194 | 33,950 |
| Culture and recreation | 1,402,513 | 1,391,563 | 1,385,018 | 6,545 |
| Conservation | 135,919 | 135,919 | 136,195 | (276) |
| Capital outlay | 1,415,666 | 1,200,239 | 418,112 | 782,127 |
| Debt service: | | | | |
| Principal | 751,600 | 751,600 | 751,600 | - |
| Interest | 192,158 | 192,158 | 192,158 | - |
| Other financing uses: | | | | |
| Transfers out | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> | <u>-</u> |
| Total Expenditures | <u>18,525,645</u> | <u>18,525,645</u> | <u>17,436,882</u> | <u>1,088,763</u> |
| Excess of revenues and other sources over expenditures and other uses | \$ <u>-</u> | \$ <u>-</u> | \$ <u>898,856</u> | \$ <u>898,856</u> |

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

TOWN OF EXETER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2015

| | Business-Type Activities Enterprise Funds | | |
|--|--|----------------------|----------------------|
| | Water <u>Fund</u> | Sewer <u>Fund</u> | <u>Total</u> |
| ASSETS | | | |
| Current: | | | |
| Cash and short-term investments | \$ 935,487 | \$ 4,746,596 | \$ 5,682,083 |
| User fees, net of allowance for uncollectibles | 256,220 | 383,421 | 639,641 |
| Intergovernmental receivable | 1,039,387 | - | 1,039,387 |
| Prepaid Interest | 46,774 | 73,075 | 119,849 |
| Due from/to other funds | <u>13,379</u> | <u>(13,379)</u> | <u>-</u> |
| Total current assets | 2,291,247 | 5,189,713 | 7,480,960 |
| Noncurrent: | | | |
| Land and construction in progress | 6,911,339 | 1,113,115 | 8,024,454 |
| Capital assets, net of accumulated depreciation | <u>8,902,701</u> | <u>7,926,580</u> | <u>16,829,281</u> |
| Total noncurrent assets | 15,814,040 | 9,039,695 | 24,853,735 |
| DEFERRED OUTFLOWS OF RESOURCES | <u>89,936</u> | <u>71,949</u> | <u>161,885</u> |
| TOTAL ASSETS AND DEFERED OUTFLOWS OF RESOURCES | 18,195,223 | 14,301,357 | 32,496,580 |
| LIABILITIES | | | |
| Current: | | | |
| Accounts payable | 85,372 | 228,834 | 314,206 |
| Retainage payable | 247,597 | - | 247,597 |
| Accrued liabilities | 334,140 | 182,555 | 516,695 |
| Notes payable | 4,843,260 | 3,300,000 | 8,143,260 |
| Current portion of long-term liabilities: | | | |
| Bonds payable | 724,517 | 480,904 | 1,205,421 |
| Other liabilities | <u>648</u> | <u>74,276</u> | <u>74,924</u> |
| Total current liabilities | 6,235,534 | 4,266,569 | 10,502,103 |
| Noncurrent: | | | |
| Bonds payable, net of current portion | 6,250,894 | 3,558,017 | 9,808,911 |
| Net OPEB obligation | 91,408 | 75,197 | 166,605 |
| Net pension liability | 757,447 | 605,957 | 1,363,404 |
| Other liabilities, net of current portion | <u>12,312</u> | <u>156,643</u> | <u>168,955</u> |
| Total noncurrent liabilities | 7,112,061 | 4,395,814 | 11,507,875 |
| DEFERRED INFLOWS OF RESOURCES | <u>99,753</u> | <u>79,802</u> | <u>179,555</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 13,447,348 | 8,742,185 | 22,189,533 |
| NET POSITION | | | |
| Net investment of capital assets | 3,995,369 | 4,370,408 | 8,365,777 |
| Unrestricted | <u>752,506</u> | <u>1,188,764</u> | <u>1,941,270</u> |
| TOTAL NET POSITION | <u>\$ 4,747,875</u> | <u>\$ 5,559,172</u> | <u>\$ 10,307,047</u> |

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

TOWN OF EXETER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Business-Type Activities Enterprise Funds | | |
|--|--|---------------------|----------------------|
| | Water Fund | Sewer Fund | Total |
| Operating Revenues: | | | |
| Charges for services | \$ 2,449,130 | \$ 2,279,130 | \$ 4,728,260 |
| Other | <u>33,613</u> | <u>1,613</u> | <u>35,226</u> |
| Total Operating Revenues | 2,482,743 | 2,280,743 | 4,763,486 |
| Operating Expenses: | | | |
| Operating expenses | 2,399,446 | 1,012,968 | 3,412,414 |
| Depreciation | <u>324,094</u> | <u>233,595</u> | <u>557,689</u> |
| Total Operating Expenses | <u>2,723,540</u> | <u>1,246,563</u> | <u>3,970,103</u> |
| Operating Income | (240,797) | 1,034,180 | 793,383 |
| Nonoperating Revenues (Expenses): | | | |
| Interest expense | <u>(288,738)</u> | <u>(184,153)</u> | <u>(472,891)</u> |
| Total Nonoperating Revenues (Expenses), Net | <u>(288,738)</u> | <u>(184,153)</u> | <u>(472,891)</u> |
| Income (Loss) Before Transfers and Capital Contributions | (529,535) | 850,027 | 320,492 |
| Transfers and Capital Contributions: | | | |
| Capital contributions | (11,168) | 27,173 | 16,005 |
| Transfers in | 179,356 | - | 179,356 |
| Transfers out | <u>(233,086)</u> | <u>(233,086)</u> | <u>(466,172)</u> |
| Change in Net Position | (594,433) | 644,114 | 49,681 |
| Net Position at Beginning of Year, as restated | <u>5,342,308</u> | <u>4,915,058</u> | <u>10,257,366</u> |
| Net Position at End of Year | <u>\$ 4,747,875</u> | <u>\$ 5,559,172</u> | <u>\$ 10,307,047</u> |

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

TOWN OF EXETER, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2015

| | Business-Type Activities Enterprise Funds | | |
|---|--|---------------------|---------------------|
| | Water Fund | Sewer Fund | Total |
| <u>Cash Flows From Operating Activities:</u> | | | |
| Receipts from customers and users | \$ 2,465,940 | \$ 2,240,357 | \$ 4,706,297 |
| Payments to vendors and employees | <u>(1,839,521)</u> | <u>(674,372)</u> | <u>(2,513,893)</u> |
| Net Cash Provided By Operating Activities | 626,419 | 1,565,985 | 2,192,404 |
| <u>Cash Flows From Noncapital Financing Activities:</u> | | | |
| Transfer in | 179,356 | - | 179,356 |
| Transfer out | <u>(233,086)</u> | <u>(233,086)</u> | <u>(466,172)</u> |
| Net Cash (Used For) Noncapital Financing Activities | (53,730) | (233,086) | (286,816) |
| <u>Cash Flows From Capital and Related Financing Activities:</u> | | | |
| Proceeds from issuance of bonds | 510,349 | - | 510,349 |
| Proceeds from issuance of notes | - | 3,300,000 | 3,300,000 |
| Proceeds from issuance of state revolving fund | 3,079,800 | - | 3,079,800 |
| Acquisition and construction of capital assets, net | (3,786,172) | (977,205) | (4,763,377) |
| Principal payments on bonds | (706,312) | (476,905) | (1,183,217) |
| Principal payments on notes | (487,935) | - | (487,935) |
| Principal payments on leases | - | (73,800) | (73,800) |
| Interest expense | (347,738) | (240,023) | (587,761) |
| Capital contribution | <u>66,231</u> | <u>27,174</u> | <u>93,405</u> |
| Net Cash Provided By (Used For) Capital and Related Financing Activities | <u>(1,671,777)</u> | <u>1,559,241</u> | <u>(112,536)</u> |
| Net Change in Cash and Short-Term Investments | (1,099,088) | 2,892,140 | 1,793,052 |
| Cash and Short-Term Investments, Beginning of Year | <u>2,034,575</u> | <u>1,854,456</u> | <u>3,889,031</u> |
| Cash and Short-Term Investments, End of Year | <u>\$ 935,487</u> | <u>\$ 4,746,596</u> | <u>\$ 5,682,083</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u> | | | |
| Operating income (loss) | \$ (240,797) | \$ 1,034,180 | \$ 793,383 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 324,094 | 233,595 | 557,689 |
| Changes in assets and liabilities: | | | |
| User fees | (16,804) | (40,385) | (57,189) |
| Warrants and retainage payable | 474,876 | 267,946 | 742,822 |
| Other post employment benefits | 9,791 | 8,054 | 17,845 |
| Net pension liability | 79,083 | 63,265 | 142,348 |
| Other liabilities | <u>(3,824)</u> | <u>(670)</u> | <u>(4,494)</u> |
| Net Cash Provided By Operating Activities | <u>\$ 626,419</u> | <u>\$ 1,565,985</u> | <u>\$ 2,192,404</u> |

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

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

| | <u>Private Purpose Trust Funds</u> | <u>Agency Funds</u> |
|--|--|-------------------------|
| <u>ASSETS</u> | | |
| Cash and short-term investments | \$ 17,227 | \$ 2,628,374 |
| Investments | <u>-</u> | <u>428,028</u> |
| Total Assets | 17,227 | 3,056,402 |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Due to other governments | - | 2,395,144 |
| Deposits held in custody | <u>-</u> | <u>661,258</u> |
| Total Liabilities | <u>-</u> | <u>3,056,402</u> |
| <u>NET POSITION</u> | | |
| Net assets | \$ <u><u>17,227</u></u> | \$ <u><u>-</u></u> |

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

TOWN OF EXETER, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Private Purpose Trust Funds</u> |
|--------------------------|--|
| Additions: | |
| Interest | \$ <u>171</u> |
| Total additions | <u>171</u> |
| Net increase | 171 |
| Net position: | |
| Beginning of year | <u>17,056</u> |
| End of year | \$ <u><u>17,227</u></u> |

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

TOWN OF EXETER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Exeter (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. 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 Changes in Net Position) 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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, proprietary funds, and fiduciary funds even though the latter are excluded for the government-wide financial statements. Major individual governmental funds

and major individual enterprise 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 proprietary fund and 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 government 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 government 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from

providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *water fund* accounts for the operating activities and capital projects of the Town's water services.
- The *sewer fund* accounts for the operating activities and capital projects of the Town's sewer services.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit 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. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guar-

anteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. 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).

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 30 |
| Building improvements | 20 |
| Infrastructure | 25 |
| Vehicles | 5-15 |
| Office equipment | 5 |
| Computer equipment | 5 |

H. Compensated Absences

It is the government'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, proprietary, and fiduciary fund 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.

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. 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., Town Meeting).
- 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 fiscal 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, net of related debt, consist 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.

K. 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. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Town Manager under the supervision of the Board of Selectmen. It is then reviewed by the Budget Recommendations Committee. The Board of Selectmen then finalizes the operating budget, which is subject to deliberative session under RSA 40:13.

The final version of the budget is then voted on by the general population at the ballot the second Tuesday in March of each year. Should the operating budget of the Town fail to pass, the Town operates under a default budget as described in RSA 40:13.

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.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

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 reserve fund transfers and 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) | \$ 17,837,701 | \$ 17,553,943 |
| Other financing sources/uses (GAAP Basis) | <u>613,474</u> | <u>398,057</u> |
| Subtotal (GAAP Basis) | 18,451,175 | 17,952,000 |
| Adjust tax revenue to budgetary basis | (295,453) | - |
| To reverse expenditures of prior year carryforwards | - | (58,900) |
| Add end-of-year appropriation carryforwards to expenditures | - | 16,500 |
| Recognize use of fund balance as funding source | 675,000 | - |
| To eliminate capital reserve activity | 40,815 | 62,029 |
| To reverse nonbudgeted activity | <u>(535,799)</u> | <u>(534,747)</u> |
| Budgetary Basis | <u>\$ 18,335,738</u> | <u>\$ 17,436,882</u> |

D. Deficit Fund Equity

The following funds had deficits as of December 31, 2015:

Nonmajor Governmental:

| | | |
|----------------------------|---------------------|-----|
| Great Bridge | \$ (173,774) | (B) |
| Water treatment design | (63,566) | (B) |
| Stewart Park seawall | (105,794) | (B) |
| Industrial Drive culvert | (2,109) | (B) |
| Belmont Front Street | (24,438) | (B) |
| String Bridge | (144,399) | (A) |
| Kingston Road shoulder | (161) | (A) |
| Planning Board | (5,533) | (A) |
| Transportation Fund | (9,792) | (A) |
| Energy grant | (679) | (A) |
| CDBG grant | (141) | (A) |
| Heritage Commission | (583) | (A) |
| Christmas parade | (49) | (A) |
| Bulletproof vest | (441) | (A) |
| State Highway Safety grant | (445) | (A) |
| | <u>\$ (531,904)</u> | |

(A) The deficits in these funds will be eliminated through future departmental revenues and bond proceeds.

(B) The Town will develop a plan to address these deficits.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2015, the Town's bank balance of \$27,453,733 was not exposed to custodial credit risk. The Town's bank balances are fully insured and collateralized through additional collateral agreements with the financial institutions.

4. 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 (in thousands) is the actual rating as of year-end for each investment of the Town:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Rating as of Year-end</u> |
|--------------------------|-------------------|------------------------------|
| Certificates of deposits | \$ 483 | N/A |
| Corporate bonds | 16 | Not Available |
| Mutual funds | 323 | N/A |
| State investment pool | <u>7</u> | N/A |
| Total investments | <u>\$ 829</u> | |

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 held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC. However, of the Town's total exposure, \$7,383 is invested in the New Hampshire State Investment Pool.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are (in thousands):

| <u>Investment Issuer</u> | <u>Amount</u> |
|--|----------------------|
| People's United Trust certificate of deposit | \$ <u>428</u> |
| Total | \$ <u><u>428</u></u> |

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 not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | |
|--------------------------|-------------------|---|--------------|
| | | <u>< 1</u> | <u>6-10</u> |
| Certificates of deposits | \$ 483 | \$ 483 | \$ - |
| Corporate bonds | <u>16</u> | <u>-</u> | <u>16</u> |
| Total | <u>\$ 499</u> | <u>\$ 483</u> | <u>\$ 16</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.

5. 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 March 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 (in thousands):

| | | |
|----------------|------------|-----------------|
| Property Taxes | | |
| 2015 | \$ 1,200 | |
| 2014 and prior | <u>2</u> | 1,202 |
| Unredeemed | | |
| 2014 | 292 | |
| 2013 and Prior | <u>208</u> | <u>500</u> |
| Total | | <u>\$ 1,702</u> |

6. Allowance for Doubtful Accounts

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

| | <u>Governmental</u> | <u>Business-Type</u> |
|----------------|---------------------|----------------------|
| Property taxes | \$ 170 | \$ - |
| Utilities | \$ - | \$ 52 |

7. Intergovernmental Receivables

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

8. Interfund Fund Receivables/Payables and Transfers

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> |
|-------------------|-----------------------------|---------------------------|
| Enterprise Funds: | | |
| Water | \$ 13,379 | \$ - |
| Sewer | <u>-</u> | <u>13,379</u> |
| Total | <u>\$ 13,379</u> | <u>\$ 13,379</u> |

During the year, several interfund transactions occurred between the funds. Interfund transfers for the year ended December 31, 2015 are as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------|---------------------|----------------------|
| Governmental Funds: | | |
| General Fund | \$ 613,474 | \$ 398,057 |
| Special Revenue Funds: | | |
| Library | 233,154 | - |
| EMS | - | 161,755 |
| Enterprise Funds: | | |
| Water | 179,356 | 233,086 |
| Sewer | - | 233,086 |
| Total | <u>\$ 1,025,984</u> | <u>\$ 1,025,984</u> |

9. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows (in thousands):

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 3,998 | \$ - | \$ - | \$ 3,998 |
| Machinery, equipment, and furnishings | 6,772 | 727 | (125) | 7,374 |
| Infrastructure | 7,088 | 21 | - | 7,109 |
| Total capital assets, being depreciated | <u>17,858</u> | <u>748</u> | <u>(125)</u> | <u>18,481</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (3,376) | (80) | - | (3,456) |
| Machinery, equipment, and furnishings | (4,065) | (417) | 125 | (4,357) |
| Infrastructure | (4,694) | (62) | - | (4,756) |
| Total accumulated depreciation | <u>(12,135)</u> | <u>(559)</u> | <u>125</u> | <u>(12,569)</u> |
| Total capital assets, being depreciated, net | 5,723 | 189 | - | 5,912 |
| Capital assets, not being depreciated: | | | | |
| Land | 9,925 | - | - | 9,925 |
| Works of art | 647 | - | - | 647 |
| Construction in progress | 113 | 1,325 | - | 1,438 |
| Total capital assets, not being depreciated | <u>10,685</u> | <u>1,325</u> | <u>-</u> | <u>12,010</u> |
| Governmental activities capital assets, net | <u>\$ 16,408</u> | <u>\$ 1,514</u> | <u>\$ -</u> | <u>\$ 17,922</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|-------------------|-------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 177 | \$ - | - | \$ 177 |
| Machinery, equipment, and furnishings | 2,068 | 120 | - | 2,188 |
| Infrastructure | <u>31,863</u> | <u>6,260</u> | <u>-</u> | <u>38,123</u> |
| Total capital assets, being depreciated | 34,108 | 6,380 | - | 40,488 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (150) | (6) | - | (156) |
| Machinery, equipment, and furnishings | (552) | (204) | - | (756) |
| Infrastructure | <u>(22,403)</u> | <u>(348)</u> | <u>-</u> | <u>(22,751)</u> |
| Total accumulated depreciation | <u>(23,105)</u> | <u>(558)</u> | <u>-</u> | <u>(23,663)</u> |
| Total capital assets, being depreciated, net | 11,003 | 5,822 | - | 16,825 |
| Capital assets, not being depreciated: | | | | |
| Land | 3,830 | - | - | 3,830 |
| Construction in progress | <u>5,815</u> | <u>4,526</u> | <u>(6,142)</u> | <u>4,199</u> |
| Total capital assets, not being depreciated | <u>9,645</u> | <u>4,526</u> | <u>(6,142)</u> | <u>8,029</u> |
| Business-type activities capital assets, net | <u>\$ 20,648</u> | <u>\$ 10,348</u> | <u>\$ (6,142)</u> | <u>\$ 24,854</u> |

Depreciation expense was charged to functions of the Town as follows (in thousands):

| | |
|---|---------------|
| Governmental Activities: | |
| General government | \$ 44 |
| Public safety | 267 |
| Public works | 206 |
| Culture and recreation | 4 |
| Conservation | <u>38</u> |
| Total depreciation expense - governmental activities | <u>\$ 559</u> |
| Business-Type Activities: | |
| Water | \$ 324 |
| Sewer | <u>234</u> |
| Total depreciation expense - business-type activities | <u>\$ 558</u> |

10. 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 relates to the Town's participation in the New Hampshire Retirement System:

| | <u>Entity-wide Basis</u> | | <u>Fund Basis</u> | |
|---|--------------------------------|---------------------------------|--------------------------------|------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Proprietary Funds Water</u> | <u>Sewer</u> |
| Net difference between projected and actual pension investment earnings | \$ 885,029 | \$ 87,530 | \$ 48,628 | \$ 38,902 |
| Pension contributions subsequent to the measurement date | <u>751,813</u> | <u>74,355</u> | <u>41,308</u> | <u>33,047</u> |
| | <u>\$ 1,636,842</u> | <u>\$ 161,885</u> | <u>\$ 89,936</u> | <u>\$ 71,949</u> |

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent 2015 expenditures paid after December 31, 2015.

12. Due to Other Governments

The school district assessments for the period July 1, 2015 through June 30, 2016 were \$13,416,910 for the Exeter School District and \$14,864,776 for the Exeter Regional Cooperative. The School District assessments are paid in monthly installments. As of December 31, 2015, \$6,958,626 and \$8,344,556 was paid, respectively, leaving a total balance of \$12,978,504 to be paid through June 30, 2015.

13. Anticipation Notes Payable

The Town has the following notes outstanding at December 31, 2015:

| | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Balance at 12/31/15</u> |
|--|----------------------|----------------------|-------------------------|----------------------------|
| State revolving fund note payable - Waste Water Treatment Plant | 1.00% | 6/5/2015 | 7/22/2016 | \$ 3,300,000 |
| State revolving fund note payable - Groundwater Treatment Facility | 1.00% | 8/8/2012 | upon completion | <u>4,843,260</u> |
| Total | | | | <u>\$ 8,143,260</u> |

The following summarizes activity in notes payable during fiscal year 2015:

| | Balance Beginning of Year | New Issues | Maturities | Balance End of Year |
|------------------------|---------------------------------|---------------------|---------------------|---------------------------|
| State revolving fund | \$ 487,935 | \$ - | \$ (487,935) | \$ - |
| State revolving fund | 1,763,460 | 3,079,800 | - | 4,843,260 |
| Bond anticipation note | - | 3,300,000 | - | 3,300,000 |
| Total | <u>\$ 2,251,395</u> | <u>\$ 6,379,800</u> | <u>\$ (487,935)</u> | <u>\$ 8,143,260</u> |

14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2021. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2015:

| Fiscal Year | Capital Leases |
|---|---------------------|
| 2016 | \$ 301,050 |
| 2017 | 299,851 |
| 2018 | 231,623 |
| 2019 | 156,933 |
| 2020 | 110,488 |
| 2021 | <u>110,488</u> |
| Total minimum lease payments | 1,210,433 |
| Less amounts representing interest | <u>(80,249)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 1,130,184</u> |

15. 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 governmental activities. General obligation bonds currently outstanding are as follows:

| <u>Governmental Activities:</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s) %</u> | <u>Amount Outstanding as of 12/31/15</u> |
|----------------------------------|----------------------------------|---------------------------|--|
| General | 09/01/16 | 4.0 - 4.5% | \$ 57,800 |
| Great Dam | 08/15/21 | 3.55% | 208,200 |
| Norris Brook Culverts | 08/16/19 | 2.0 - 4.0% | 230,000 |
| Jady Hill Utilities | 08/16/19 | 2.0 - 4.0% | 100,000 |
| Removal of Great Dam | 08/15/15 | 5.10% | 1,405,000 |
| Linden St. Culvert | 08/15/25 | 2.54% | 689,700 |
| Design/Construction of sidewalks | 08/15/25 | 2.54% | 562,700 |
| Total Governmental Activities: | | | <u>\$ 3,253,400</u> |

| <u>Business-Type Activities:</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s) %</u> | <u>Amount Outstanding as of 12/31/15</u> |
|---|----------------------------------|---------------------------|--|
| Sewer | 09/01/16 | 4.0 - 4.5% | \$ 27,200 |
| Sewer Lines | 08/15/21 | 3.55% | 607,250 |
| Epping Road | 09/01/28 | 3.97% | 1,480,000 |
| State Revolving Loan | 08/15/29 | 1.35% | 2,807,040 |
| Water Lines | 08/15/21 | 3.55% | 919,550 |
| Wastewater Facilities | 08/16/19 | 2.0 - 4.0% | 200,000 |
| Jady Hill Phase II | 07/14/32 | 2.0 - 4.0% | 2,185,000 |
| Portsmouth Ave Sewer Lines | 08/15/23 | 2.54% | 654,643 |
| Portsmouth Ave Water Lines | 08/15/23 | 2.54% | 125,358 |
| Sewer Lines | 08/15/24 | 5.10% | 160,000 |
| Water Mains | 08/15/24 | 5.10% | 1,100,000 |
| Water Street State Revolving Loan | 06/01/18 | 1.06% | 204,828 |
| SRF Loan - Water Meter Upgrade | 08/15/25 | 0.97% | 419,703 |
| Water Treatment Plan State Revolving Loan | 06/01/18 | 0.97% | 123,760 |
| Total Business-Type Activities: | | | <u>\$ 11,014,332</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 | \$ 467,600 | \$ 137,330 | \$ 604,930 |
| 2017 | 409,800 | 113,832 | 523,632 |
| 2018 | 397,800 | 97,598 | 495,398 |
| 2019 | 394,800 | 79,853 | 474,653 |
| 2020 | 314,800 | 63,579 | 378,379 |
| 2021 - 2025 | <u>1,268,600</u> | <u>131,401</u> | <u>1,400,001</u> |
| Total | <u>\$ 3,253,400</u> | <u>\$ 623,593</u> | <u>\$ 3,876,993</u> |

| <u>Business-Type</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|----------------------|---------------------|----------------------|
| 2016 | \$ 1,205,421 | \$ 409,392 | \$ 1,614,813 |
| 2017 | 1,186,405 | 367,501 | 1,553,906 |
| 2018 | 1,189,807 | 330,141 | 1,519,948 |
| 2019 | 1,087,604 | 286,727 | 1,374,331 |
| 2020 | 926,758 | 249,826 | 1,176,584 |
| 2021 - 2025 | 3,364,577 | 741,996 | 4,106,573 |
| 2026 - 2030 | 1,803,760 | 204,752 | 2,008,512 |
| 2031 - 2032 | 250,000 | 12,969 | 262,969 |
| Total | <u>\$ 11,014,332</u> | <u>\$ 2,603,304</u> | <u>\$ 13,617,636</u> |

C. Changes in General Long-Term Liabilities

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

| | Total | | | Equals | | |
|---------------------------------|------------------|-----------------|-------------------|------------------|-------------------|------------------|
| | Balance | | | Balance | Less | Long-Term |
| | 1/1/15 | Additions | Reductions | 12/31/15 | Current | Portion |
| | | | | | Portion | 12/31/15 |
| <u>Governmental Activities</u> | | | | | | |
| Bonds payable | \$ 2,643 | \$ 1,252 | \$ (641) | \$ 3,254 | \$ (468) | \$ 2,786 |
| OPEB | 892 | 157 | (50) | 999 | - | 999 |
| Net pension liability | 13,239 | 2,363 | (1,816) | 13,786 | - | 13,786 |
| Other: | | | | | | |
| Capital leases | 1,042 | 221 | (354) | 909 | (199) | 710 |
| Compensated absences | 361 | 157 | (14) | 504 | (25) | 479 |
| Subtotal | <u>1,403</u> | <u>378</u> | <u>(368)</u> | <u>1,413</u> | <u>(224)</u> | <u>1,189</u> |
| Totals | <u>\$ 18,177</u> | <u>\$ 4,150</u> | <u>\$ (2,875)</u> | <u>\$ 19,452</u> | <u>\$ (692)</u> | <u>\$ 18,760</u> |
| <u>Business-Type Activities</u> | | | | | | |
| Bonds payable | \$ 11,687 | \$ 510 | \$ (1,183) | \$ 11,014 | \$ (1,205) | \$ 9,809 |
| OPEB | 149 | 26 | (8) | 167 | - | 167 |
| Net pension liability | 1,309 | (180) | 234 | 1,363 | - | 1,363 |
| Other: | | | | | | |
| Capital leases | 295 | - | (74) | 221 | (74) | 147 |
| Compensated absences | 27 | - | (4) | 23 | (1) | 22 |
| Subtotal | <u>322</u> | <u>-</u> | <u>(78)</u> | <u>244</u> | <u>(75)</u> | <u>169</u> |
| Totals | <u>\$ 13,467</u> | <u>\$ 356</u> | <u>\$ (1,035)</u> | <u>\$ 12,788</u> | <u>\$ (1,280)</u> | <u>\$ 11,508</u> |

16. 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 | Business-type Activities | Governmental General Fund | Funds Nonmajor | Proprietary Funds Water | Funds Sewer |
| Unavailable revenues | \$ 34,434 | \$ - | \$ 1,110,257 | \$ 186,159 | \$ - | \$ - |
| Pension related: | | | | | | |
| Differences between expected and actual experience* | 302,509 | 29,918 | - | - | 16,621 | 13,297 |
| Net difference between projected and actual investment earnings* | 1,253,464 | 123,969 | - | - | 68,872 | 55,097 |
| Changes in proportion and differences between pension contributions and proportionate share of contributions* | 259,529 | 25,668 | - | - | 14,260 | 11,408 |
| | <u>\$ 1,849,936</u> | <u>\$ 179,555</u> | <u>\$ 1,110,257</u> | <u>\$ 186,159</u> | <u>\$ 99,753</u> | <u>\$ 79,802</u> |

17. 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.

18. 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.

In fiscal year 2011, the Town 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 for future capital acquisitions and improvements (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 | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|-----------------|-----------------------------------|--------------------------------|
| Nonspendable | | | |
| Advance to other funds | \$ 514,241 | \$ - | \$ 514,241 |
| Nonexpendable permanent funds | - | 53,454 | 53,454 |
| Total Nonspendable | 514,241 | 53,454 | 567,695 |
| Restricted | | | |
| Bonded projects | - | 2,081,310 | 2,081,310 |
| Special revenue funds: | | | |
| Library | - | 169,006 | 169,006 |
| EMS | - | 124,876 | 124,876 |
| CATV | - | 208,294 | 208,294 |
| Police detail | - | 55,145 | 55,145 |
| Recreation | - | 60,226 | 60,226 |
| Other special revenue funds | - | 24,118 | 24,118 |
| Expendable permanent funds: | | | |
| Swasey parkway | - | 320,404 | 320,404 |
| Library | - | 111,964 | 111,964 |
| Other expendable permanent funds | - | 91 | 91 |
| Total Restricted | - | 3,155,434 | 3,155,434 |
| Committed | | | |
| Capital reserve funds: | | | |
| Arterial shoulder widening | 162,619 | - | 162,619 |
| Other capital reserve funds * | 60,712 | - | 60,712 |
| Total Committed | 223,331 | - | 223,331 |
| Assigned | | | |
| Articles | 13,925 | - | 13,925 |
| Encumbrances | 16,500 | - | 16,500 |
| Total Assigned | 30,425 | - | 30,425 |
| Unassigned | 2,006,505 | (531,904) | 1,474,601 |
| Total Unassigned | 2,006,505 | (531,904) | 1,474,601 |
| Total Fund Balance | \$ 2,774,502 | \$ 2,676,984 | \$ 5,451,486 |

*This committed fund balance includes \$(51,089) in deficit capital reserve funds.

19. 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 | \$ 2,006,505 |
| Unavailable revenue | <u>1,110,257</u> |
| Tax Rate Setting Balance | <u>\$ 3,116,762</u> |

20. 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.

Abatements - There are several cases pending before the New Hampshire Board of Tax and Land Appeals in regard to alleged discrepancies in property assessments. According to the Town’s counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

21. 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. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2014, the actuarial valuation date, approximately 36 retirees and 128 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance 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 a portion 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, 2014.

| | |
|---|---------------------|
| Annual Required Contribution (ARC) | \$ 194,994 |
| Interest on net OPEB obligation | 41,618 |
| Adjustment to ARC | <u>(53,045)</u> |
| Annual OPEB cost | 183,567 |
| Contributions made | <u>58,750</u> |
| Increase in net OPEB obligation | 124,817 |
| Net OPEB obligation - beginning of year | <u>1,040,469</u> |
| Net OPEB obligation - end of year | <u>\$ 1,165,286</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>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|--|----------------------------|
| 2015 | \$ 183,567 | 32% | \$ 1,165,286 |
| 2014 | \$ 175,609 | 23% | \$ 1,040,469 |
| 2013 | \$ 227,306 | 26% | \$ 904,645 |
| 2012 | \$ 216,410 | 19% | \$ 737,318 |
| 2011 | \$ 205,714 | 25% | \$ 561,046 |
| 2010 | \$ 192,700 | 27% | \$ 406,473 |

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, the date of the most recent actuarial valuation was as follows:

| | |
|---|---------------------|
| Actuarial accrued liability (AAL) | \$ 1,755,140 |
| Actuarial value of plan assets | <u>-</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 1,755,140</u> |
| Funded ratio (actuarial value of plan assets/AAL) | <u>0%</u> |
| Covered payroll (active plan members) | <u>\$ 6,109,841</u> |
| UAAL as a percentage of covered payroll | <u>29%</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 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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the entry age 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% investment rate of return and an initial annual healthcare cost trend rate of 9%, which decreases to a 5% long-term rate for all healthcare benefits after ten 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.

22. 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 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 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 27.74% of covered compensation. The Town's contributions to NHRS for the year

ended December 31, 2015 was \$1,486,987, 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 \$15,148,933 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, 2015, the Town's proportion was 0.38240135 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$908,609. 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 | \$ - | \$ (332,427) |
| Net difference between projected and actual earnings on pension plan investments | 972,559 | (1,377,433) |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | (285,197) |
| Contributions subsequent to the measurement date | <u>826,168</u> | <u>-</u> |
| Total | <u>\$ 1,798,727</u> | <u>\$ (1,995,057)</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 the year ended 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 | \$ 464,314 |
| 2017 | (361,856) |
| 2018 | (361,856) |
| 2019 | 108,892 |
| 2020 | <u>(45,824)</u> |
| Total | \$ <u><u>(196,330)</u></u> |

Actuarial assumptions: The total pension liability in the June 30, 2015 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, 2013 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:

| Asset Class | Target Allocation Percentage | Weighted Average Average Long-Term Expected Real Rate of Return |
|----------------------------------|------------------------------|---|
| Large Cap Equities | 22.50 % | 3.00% |
| Small/Mid Cap Equities | 7.50 | 3.00% |
| Total domestic equities | 30.00 | |
| Int'l Equities (unhedged) | 13.00 | 4.00% |
| Emerging Int'l Equities | 7.00 | 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 | 7.00 | 0.16% |
| Total fixed income | 25.00 | |
| Private equity | 5.00 | 5.50% |
| Private debt | 5.00 | 4.50% |
| Real estate | 10.00 | 3.50% |
| Opportunistic | 5.00 | 2.75% |
| Total alternative investments | 25.00 | |
| Total | 100.00 % | |

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 1 percentage-point lower (6.75%) or 1 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 | \$ 19,941,601 | \$ 15,148,933 | \$ 11,063,155 |

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

23. 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 government 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.

24. 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> | <u>Business-Type Activities</u> |
|------------------------|------------------------------------|-------------------------------------|
| As previously reported | \$ 17,975,723 | \$ 11,496,091 |
| GASB 68 Implementation | <u>(12,524,950)</u> | <u>(1,238,725)</u> |
| As restated | <u>\$ 5,450,773</u> | <u>\$ 10,257,366</u> |

Fund Basis Financial Statements:

| | <u>Water Fund</u> | <u>Sewer Fund</u> |
|------------------------|-----------------------|-----------------------|
| As previously reported | \$ 6,030,489 | \$ 5,465,602 |
| GASB 68 Implementation | <u>(688,181)</u> | <u>(550,544)</u> |
| As restated | <u>\$ 5,342,308</u> | <u>\$ 4,915,058</u> |

**TOWN OF EXETER, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015
(Unaudited)**

Other Post-Employment Benefits

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent- age of Covered Payroll [(b-a)/c] |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 1/1/2014 | \$ - | \$ 1,755,140 | \$ 1,755,140 | 0.0% | \$ 6,109,841 | 28.7% |
| 1/1/2011 | \$ - | \$ 1,870,706 | \$ 1,870,706 | 0.0% | \$ 5,671,333 | 33.0% |
| 1/1/2008 | \$ - | \$ 1,407,964 | \$ 1,407,964 | 0.0% | \$ 5,266,396 | 26.7% |

See Independent Auditors' Report.

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

| <u>New Hampshire State Retirement System:</u> | <u>2015</u> |
|--|---------------|
| Proportion of the net pension liability for the most recent measurement date | 0.38240135% |
| Proportionate share of the net pension liability for the most recent measurement date | \$ 15,148,933 |
| Covered-employee payroll for the most recent measurement date | \$ 7,948,396 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 190.591% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.47% |

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

See Independent Auditors' Report.

TOWN OF EXETER, NEW HAMPSHIRE

**SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015
(Unaudited)**

| <u>New Hampshire State Retirement System:</u> | <u>2015</u> |
|--|--------------------|
| Contractually required contribution for the current fiscal year | \$ 1,486,987 |
| Contributions in relation to the contractually required contribution | <u>(1,486,987)</u> |
| Contribution deficiency (excess) | \$ <u><u>-</u></u> |
| Covered-employee payroll for the current fiscal year | \$ 7,948,396 |
| Contributions as a percentage of covered-employee payroll | 19% |

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

See Independent Auditors' Report.